

# States of Guernsey Budget 2013



XXVI  
2012



**BILLET D'ÉTAT**  
WEDNESDAY 12TH DECEMBER, 2012



# ***BILLET D'ÉTAT***

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## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

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I have the honour to inform you that a Special Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 12<sup>th</sup> DECEMBER, 2012, at 9.30am**, immediately before the meeting already convened for that day, for the purpose of considering the States Budget for 2013 which has been submitted for debate by the Policy Council.

**R. J. COLLAS**  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey  
16<sup>th</sup> November 2012

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The Chief Minister  
Sir Charles Frossard House  
La Charroterie  
St. Peter Port  
Guernsey  
GY1 1 FH

30 October 2012

Dear Sir,

## **2013 BUDGET REPORT**

I enclose a copy of the above Report, which I should be grateful if you would lay before the States.

The elimination of the budget deficit as soon as practicable is one of the key objectives of the Treasury and Resources Department. However, this has to be achieved in a controlled, measured and sustainable manner. When considering measures to be included in the 2013 Budget, due regard has been given to both maintaining Guernsey's competitive business environment as a facilitator of economic growth and also ensuring that the tax burden is appropriate and reasonable.

My Board is conscious that in the last States term, the direct and indirect tax burden shifted significantly and predictably on to individuals following the introduction of the 0/10 corporate tax regime in 2008. Therefore, another key objective for my Board in this term is to introduce greater equity into the overall taxation system. This will be progressed through the following measures commencing in 2013:

- An extension of the 10% intermediate Income Tax rate to fiduciary and some insurance business;
- A widespread review of taxes, duties and contributions which government imposes on islanders with a view to providing a greater degree of equity within the system. This will of necessity involve consultation and co-ordination through the policy groups and with other parts of government, particularly the Social Security Department;
- A review of the appropriate level of property taxation in the tax system to encompass both Tax on Real Property and Document Duty;
- The introduction of the Share Transfer Duty regime approved in principle in the 2012 Budget Report.

Therefore, having regard to the weak economic environment, with the above work and the States Strategic Plan debate pending, this Budget recommends inflation only increases (with the exception of tobacco) in personal income tax allowances, rates of excise duties and Tax on Real Property.

The Treasury and Resources Department is disappointed to report that the forecast deficit for 2012 is now estimated to be £31million which is £4million more than originally predicted, largely due to a reduction in the estimate of income tax receipts. However, the 2013 deficit is expected to reduce significantly to £17million as a result of the extension of the 10% intermediate Income Tax rate to fiduciary and some insurance business; and the ongoing reduction in States expenditure achieved through the Financial Transformation Programme.

In respect of 2012 expenditure, in addition to formula-led expenditure by the Social Security Department being forecast to exceed the estimate by £2million due to increased demand for supplementary-benefit payments, the Health and Social Services Department is projecting a budget overspend of £1.5million. An overspend of this magnitude by an individual Department is very disappointing and it is understood that the Health and Social Services Department is intending to seek leave to submit a Report requesting a budget increase for consideration at the December 2012 States meeting. The overall States expenditure budget for 2012 is unlikely however to be exceeded due to anticipated underspends by other Departments and Committees and delays in introducing approved service developments.

This Budget Report also recommends the establishment of a £3million Strategic Development Fund to permit progress of any significant strategic policy developments which have been approved by the States, are in line with agreed States Strategic Plan objectives and lead to significant long-term transformation in the delivery of services or produce substantial new or enhanced growth for the economy and revenue for the States.

In commending this Budget to the States, it is important to acknowledge that there are a number of risks and challenges facing the States financial position, on both the revenue and expenditure side. These include:

- The impact on Guernsey of the prolonged and ongoing period of worldwide economic turmoil and recession, particularly in the UK and the EU;
- Uncertainty over the estimates for income tax receipts;
- Delivery of the Financial Transformation Programme Targets.

Therefore, with 0% economic growth forecast in 2012 and 1.3% forecast in 2013, the current regime of expenditure restraint and delivery of the Financial Transformation Programme targets remain absolutely essential in order to enable the States financial position to, in the short-term, return to a balanced budget position and, in the medium term, to generate modest surpluses to build up our reserves again and fund capital projects.

Yours faithfully



Deputy G A St Pier  
Minister  
Treasury and Resources Department

Deputy J Kuttelwascher, Deputy Minister  
Deputy G M Collins  
Deputy M H Dorey  
Deputy A Spruce

# 2013 BUDGET REPORT

1.1 This Budget recommends no real-term increase to indirect taxes (with the exception of tobacco) and continued expenditure restraint and has been prepared with due regard to the Fiscal and Economic Plan, in particular to achieve long run fiscal balance and comply with the following corporate objectives:

- Taxation averaging 21% of Gross Domestic Product (GDP) (2013: 19.1% - paragraph 5.2);
- Real terms freeze on aggregate States revenue expenditure (2013: real terms reduction of 3.2% - paragraph 4.1);
- The maximum annual operating deficit of the States may not exceed 3% of GDP (2013: operating surplus projected - paragraph 5.3);
- Capital investment averaging 3% of GDP (2013: 3.9% - paragraph 4.26).

## Summary

1.2 The main proposals contained within this year's Budget Report are as follows:

- Extension of 10% intermediate Income Tax rate to fiduciary and some insurance business;
- A 3% increase in personal income tax allowances (£275 on the Single Person's Allowance);
- A 6% increase in the rate of duty on tobacco, a 3% increase in the duty on alcohol and fuel;
- Tax on Real Property rates to increase by 3% for domestic and commercial property and land (£5 per annum for a typical domestic property);
- The creation of a Strategic Development Fund;
- Total revenue expenditure Cash Limits of £360.7million;
- Transfer of £24.55million to the Capital Reserve;
- Transfer of £17million from the Contingency Reserve (Tax Strategy).

1.3 The following table summarises the States financial position:

	2013 Budget Estimate £m	2012 Current Estimate £m	2012 Budget Estimate £m	2011 Actual £m
Revenue Income	372	354	359	347
Revenue Expenditure	(348)	(345)	(346)	(333)
<b>Revenue Surplus</b>	<b>24</b>	<b>9</b>	<b>13</b>	<b>14</b>
Routine Capital Allocations	(13)	(16)	(16)	(17)
Capital Income	-	6	4	-
<b>Operating Surplus / (Deficit)</b>	<b>11</b>	<b>(1)</b>	<b>1</b>	<b>(3)</b>
Transfer to Capital Reserve	(25)	(30)	(28)	(21)
Transfer to Strategic Development Fund	(3)	-	-	-
<b>Deficit</b>	<b>(17)</b>	<b>(31)</b>	<b>(27)</b>	<b>(24)</b>
<b>Funded by transfer from: Contingency Reserve (Tax Strategy)</b>	<b>17</b>	<b>31</b>	<b>27</b>	<b>24</b>

# 2013 BUDGET REPORT

## Section 2: Economic Position – Overview by States Economist

- 2.1 The euro crisis stalled the weak 2011 European recovery. Whilst 2012 started with a boost to confidence as a result of the European Central Bank's intervention, that soon dissipated and the European economy had little momentum going forward into the second half of the year. The United Kingdom has officially entered recession and few economic forecasters are assuming a resumption of strong UK economic growth in the immediate future.
- 2.2 Gross Domestic Product (GDP) is measured as the sum of the Island's income (wages, plus profits and other local income from capital). Profits and wages do move at different speeds in response to economic conditions; profits are more volatile over the cycle and the labour market responds more slowly as companies take a little time to factor in changed economic conditions to their workforce plans.
- 2.3 GDP growth estimates for 2009 and 2010 have been revised downwards from contraction of 2.2% and growth of 0.2% respectively to contractions of 2.9% and 2.7% respectively, the latter primarily due to revisions to banking profits and a greater than previously reported fall in 'other income' which is primarily investment income.
- 2.4 The first estimate for 2011 growth is 1% which reflects real terms growth in total employment income albeit partially offset by a fall in profits, mainly in the banking sector. Overall, the loss of output over the last three years is larger than previously reported. There was a clear resumption of steady but slow growth in the first half of 2011 with employment and unemployment levels having risen and fallen respectively for over 12 months by the mid-point of the year. However, in the latter part of the year there was a slow down with unemployment rising in the last quarter.
- 2.5 In 2012, unemployment has fallen in recent months but it is still higher than a year ago and employment levels fell back slightly in the first half of the year. However, the diversification in the finance sector is a positive with falling employment in the banking sector being offset by rises in both the insurance and funds sectors. On balance, the Guernsey Chamber of Commerce's annual survey of firms undertaken at the beginning of the year pointed to growth in 2012.
- 2.6 The local housing market appears to have softened slightly in 2012 with property inflation rates of around 3% pointing to a stabilisation of real prices after a decade of rising prices (relative to earnings). The volume of property transactions is reasonably robust and the trend is expected to continue. Conditions in the Open Market differ; the market remaining subdued given continuing local uncertainty and a greater dependence on global conditions.
- 2.7 However, given the impact various external economic shocks such as UK budget changes, QROPS and LVCR, together with the continued depressed state of the global economy, the current view is that the local economy will struggle to grow this year. Therefore, the current forecast is for no growth in 2012. In general, the risks to the economy remain on the downside (as they did at the time of the last Budget Report) and conditions are as challenging as they have been since the beginning of the global downturn in 2008.
- 2.8 In respect of 2013, ignoring any impact of a catastrophic resolution to the euro crisis, the central expectation is for equity market conditions to improve and this is the main driver for forecast GDP growth in 2013 of 1.3%. However, economic forecasts are inherently uncertain and it is clearly possible that the current forecast will be downgraded as more data becomes available.
- 2.9 RPIX, which excludes mortgage interest costs, was adopted by the States of Guernsey as the preferred measure of inflation in 2009. RPIX has been around the target level of 3% (as set out in the Fiscal and Economic Plan) for the last two years and present forecasts anticipate it remaining at that level into 2013.
- 2.10 **Based on the above, the Treasury and Resources Department has prepared this Budget Report on the basis of an RPIX of 3.0% in 2013 and GDP growth of 1.3%.**



# 2013 BUDGET REPORT

## Section 3: Income Proposals

### Review of Taxes, Duties and Contributions

- 3.1 During 2013, the Treasury and Resources Department, in consultation with the Policy Council's Fiscal and Economic Policy Group, intends to begin a review of all taxes, duties and contributions which government imposes on islanders with a view to providing a greater degree of equity within the system. Of necessity, this review will involve consultation and co-ordination through the policy groups and with other parts of government. There will be close collaboration with the Social Security Department particularly in considering whether or not there is a more appropriate model which would address the current separation of personal income tax allowances and social security benefits.
- 3.2 It is intended that this comprehensive review will, inter alia: include examination of the current level of the basic personal income tax allowances including the age relief enhancements; the options for a different system of allowances including a 'claw-back' of personal income tax allowances for higher income earners; whether supplementary allowances should be withdrawn or limited for existing and / or new claimants; and whether the non-contributory benefits paid by the Social Security Department, such as Family Allowance, should be subject to Income Tax. This review will also consider the most appropriate manner to redistribute the additional income raised by phasing out of mortgage interest relief.
- 3.3 It is also intended to consider the appropriate level and equity of property taxation in the tax system to encompass both Tax on Real Property and Document Duty. The use of the TRP penal rate (currently zero) for derelict and unoccupied properties will be considered in consultation with the Housing, Commerce and Employment and Environment Departments.
- 3.4 The Department will undertake a consultation process to assist in developing, testing and refining its proposals and the preliminary findings of its review, together with any initial proposals for changing the existing system; will be included in the 2014 Budget Report.

### Corporate Income Tax

#### Extension of 10% Income Tax rate to Fiduciary and some Insurance Business

- 3.5 In June 2012 (Billet d'Etat XVI, 2012), the States approved that the deemed distribution provisions are repealed with effect from 1 January 2013 which will result in an estimated fall in income of £4million per annum. However, some of this 'loss' should be viewed as a timing difference as most income will ultimately be distributed, though it is impossible to determine what the split will be between permanent and temporary loss with any reasonable degree of accuracy.
- 3.6 Preparation, including informal consultation with industry, for extending the 10% intermediate rate of income tax (which currently only applies to income arising from banking business) was commenced in late 2011 by the Policy Council's Fiscal and Economic Policy Group following the European Union Code of Conduct Group's ruling that the Jersey and Isle of Man's Zero-Ten regimes without deemed distribution or attribution mechanisms conformed to its criteria.
- 3.7 In June 2012, the speech presenting the Department's States Report on repealing the deemed distribution regime made clear the intention to separately address revenue raising measures as part of the 2013 Budget Report.
- 3.8 **Following a recommendation from the Policy Council's Fiscal and Economic Policy Group, it is proposed that, notwithstanding that the standard rate for corporate Income Tax will remain at 0%, with effect from 2013, the company intermediate income tax rate (10%) is extended to licensed fiduciaries (in respect of regulated activities), licensed insurers (in respect of domestic business) and licensed insurance intermediaries and licensed insurance managers (in respect of the carrying on of business and acting as such).**

# 2013 BUDGET REPORT

- 3.9 The aim in extending the 10% intermediate Income Tax rate is to raise revenue from the corporate tax base whilst ensuring that the income tax regime is competitive but remains within internationally acceptable norms. It is anticipated that additional income of £12million per annum will be raised.
- 3.10 In October 2009 (Billet d'Etat XXIX, 2009), the States approved a Report from the Policy Council entitled *"Corporate Tax Rates: Proposed Review"*. In June 2010, the Policy Council's Fiscal and Economic Policy Group launched a public consultation that invited *"comments, opinion and analysis from the public, business and all stakeholders on a movement away from the current zero/10 corporate tax regime and in particular to provide views on the potential alternative technical options for the basis of a revised corporate tax regime."* Attached as Appendix I is a report from the Policy Council entitled *"Conclusion of the 2010 Corporate Tax Review"*.

## Personal Income Tax

### Mortgage Interest Relief

- 3.11 In economic terms, mortgage interest relief is effectively a tax subsidy for property ownership, at the expense of the general taxpayer, many of whom may be renting or in social housing. Given the high proportion of home ownership in Guernsey, there is no compelling general policy rationale to favour this form of occupation over another. The States has already limited and frozen its application following the Policy Council's Report on the Future Economic and Taxation Strategy in June 2006 which recommended that *"interest relief should only continue to be provided on principal private residences. The Policy Council believes that a maximum value for mortgages of not exceeding £400,000 is, at this time, appropriate."* The relief could be described as anachronistic in nature as it provides support for higher property prices than would prevail in its absence. However, an instantaneous complete removal would be detrimental to the local property market but the Treasury and Resources Department believes, in the interest of fairness, that this subsidy should be phased out and **proposes that, from 1 January 2014, interest relief will only be provided for mortgages not exceeding £350,000.**
- 3.12 It is estimated that the current annual cost of mortgage interest relief is £8million per annum and a reduction in the maximum limit to £350,000 will raise approximately £100,000 in 2014. It is the Treasury and Resources Department's current intention, subject to consideration as part of the Review of Taxes, Duties and Contributions to recommend seven further reductions of £50,000 each in the maximum limit in future annual Budget Reports until this relief has been removed. It is the Treasury and Resources Department's intention, subject to the review referred to above and the prevailing economic and fiscal conditions at the time where possible, to redistribute the tax raised by withdrawal of mortgage interest relief.

### 2013 Personal Income Tax Allowances

- 3.13 The Treasury and Resources Department wishes to maintain the real value of personal income tax allowances. Therefore, it is recommended that the **2013 basic personal income tax allowances are increased by 3.0% compared to 2012. Similar percentage increases will be made to the supplementary personal income tax allowances.**

It is recognised that an across-the-board increase in personal income tax allowances will benefit all taxpayers and will result in a fall in States revenues of approximately £2.25million per annum. The personal allowances for 2013 are recommended to be as follows:

	2013	2012
Single persons	£9,475	£9,200
Single entitled to age relief	£11,225	£10,900
Married persons	£18,950	£18,400
Married one entitled to age relief	£20,700	£20,100
Married both entitled to age relief	£22,450	£21,800

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3.14 The supplementary personal income tax allowances for 2013 are recommended to be as follows:

	2013	2012
Dependent relative *	£3,050	£2,950
Housekeeper *	£3,050	£2,950
Infirm Persons *	£3,050	£2,950
Charge of Children	£6,425	£6,250

\* In respect of claims for dependent relatives (other than for children in higher education), housekeepers and infirm persons, as approved as part of the 2008 Budget, no new claims will be admitted for the Year of Charge 2009 or any subsequent year of charge. Existing claims, however, will continue to be allowed, so long as they continue to meet the conditions.

For 2013, the Wife's Earned Income Allowance will remain in line with the Single Person's Allowance, i.e. £9,475. It should be noted that the Married Persons' Allowance is reduced by the sum of £1 for every £1 of Wife's Earned Income Allowance.

For 2013, the income limit of a dependent relative before the Dependent Relative Allowance is reduced will be increased from £6,250 to £6,425.

## Excise Duty on Tobacco

3.15 In March 2008 (Billet d'État III), the States directed that increases in the rate of excise duty on tobacco and tobacco products should be *"a minimum of RPI plus 3% annually for the five years 2009 - 2013."*

3.16 The Treasury and Resources Department is recommending **an increase in excise duty in respect of tobacco of 6.0%** (being 3.0% plus the increase in the Guernsey RPI as at September 2012 of 3.0%) as follows:

Description of Goods	Present Rate of Duty Per Kilogram	Proposed Rate of Duty Per Kilogram
Cigarettes	£234.70	£248.78
Cigars	£217.94	£231.02
Hand rolling tobacco	£202.95	£215.13
Other manufactured tobacco	£176.04	£186.60
Tobacco leaf – unstemmed	£195.41	£207.13
Tobacco leaf – stemmed	£197.38	£209.22

3.17 The excise duty on an average packet of 20 cigarettes would increase from £3.44 to £3.65 (compared to £3.98 plus GST in Jersey pre-Budget and £4.52 plus VAT in the UK).

3.18 There is strong world-wide evidence that the demand for tobacco is price-sensitive. Furthermore, the continuing real-terms increases in the duty on tobacco are a powerful motivator for smokers to quit and to deter young people from starting smoking. It is estimated that this proposal will still raise around an additional £300,000 per annum.

# 2013 BUDGET REPORT

## Excise Duty on Alcohol

- 3.19 As part of the Bailiwick Alcohol Strategy, as agreed by the States in October 2005, the Treasury and Resources Department is required to take into account the aims and objectives of the Strategy when making recommendations to the States on the rates of duty on alcohol. Therefore, in recent years, in view of the above strategy and for fiscal reasons, duty on alcohol has already increased substantially in real terms.
- 3.20 **It is recommended that the increase in the duties levied on alcohol is limited to maintaining the real values – i.e. a 3% increase**, raising an additional £350,000 per annum. This will increase the duty on a pint of beer by 1p (½p for that from a small independent brewery), on a bottle of wine (750ml) by 5p and on a litre of spirits by 31p.
- 3.21 The Department is recommending that duties be changed as follows:

Description of Goods	Present Rate of Duty Per Litre	Proposed Rate of Duty Per Litre
Beer – small independent brewery	40p	41p
Other beer	63p	65p
Cider – small independent brewery	40p	41p
Other cider	63p	65p
Spirits (25% to 50% volume)	£10.31	£10.62
Light wines (5.5% to 15% volume)	£1.91	£1.97

## Excise Duty on Motor Fuel

- 3.22 The Department is recommending that **excise duty on motor fuel is increased only to maintain its real value – an increase of 1.5p per litre to 46.5p per litre**. This compares to 43p plus GST in Jersey pre-Budget and 58p plus VAT in the United Kingdom. The concessionary rate of duty on petrol for marine use will be 31.3p per litre and diesel for marine (and other non-road) use would remain exempt from duty. This would raise approximately an additional £450,000 per annum.

## Implementation of Excise Duty Budget Proposals

- 3.23 Under its existing powers, the Treasury and Resources Department will make an Order bringing the recommended changes in the rates of excise duty into effect on the date of publication of the Billet d'État containing this Report.
- 3.24 The Order will cease to have effect at the conclusion of the States Budget meeting and the Department accordingly **recommends the States to approve by Ordinance that, from that date, the rates of excise duty shall be varied as set out in this Report**. These arrangements are the same as in previous years.

## Tax on Real Property (TRP)

- 3.25 Following a period of substantial real terms increases in TRP rates, **it is recommended that domestic, commercial and land tariffs are increased only to maintain its real value by 3%** (i.e. in line with inflation) which will raise approximately an additional £500,000 per annum.

# 2013 BUDGET REPORT

3.26 The following table details the 2012 TRP rate per unit, the proposed change and the proposed 2013 TRP rate per unit:

	2012 TRP rate per unit	Proposed increase	Proposed 2013 TRP rate per unit (commercial is rounded to nearest 5p)
<i>Buildings (all zero-rated for Herm)</i>			
Domestic (whole unit) Local Market	91p	3.0%	94p
Domestic (flat) Local Market	91p	3.0%	94p
Domestic (glasshouse) Local Market	5p	-	5p
Domestic (outbuildings) Local Market	46p	3.0%	47p
Domestic (garaging & parking) (non-owner- occupied) Local Market	91p	3.0%	94p
Domestic (whole unit) Open Market	91p	3.0%	94p
Domestic (flat) Open Market	91p	3.0%	94p
Domestic (glasshouse) Open Market	5p	-	5p
Domestic (outbuildings) Open Market	46p	3.0%	47p
Domestic (garaging & parking) (non-owner- occupied) Open Market	91p	3.0%	94p
Domestic (whole unit) Social Housing	Zero	-	Zero
Domestic (flat) Social Housing	Zero	-	Zero
Domestic (glasshouse) Social Housing	Zero	-	Zero
Domestic (outbuildings) Social Housing	Zero	-	Zero
Domestic (garaging & parking) (non-owner-occupied) Social Housing	Zero	-	Zero
Hostelry and food outlets	£4.20	3.0%	£4.35
Self-catering accommodation	£2.60	3.0%	£2.70
Motor and marine trade	£3.55	3.0%	£3.65
Retail	£7.80	3.0%	£8.05
Warehousing	£3.85	3.0%	£3.95
Industrial and workshop	£3.05	3.0%	£3.15
Recreational and sporting premises	£1.80	3.0%	£1.85
Garaging and parking (non-domestic)	£3.85	3.0%	£3.95
Utilities providers	£30.05	3.0%	£30.95
Office and ancillary accommodation (regulated finance industries)	£28.05	3.0%	£28.90
Office and ancillary accommodation (other than regulated finance industries)	£9.35	3.0%	£9.65
Horticulture (building other than a glasshouse)	5p	-	5p
Horticulture (glasshouse)	5p	-	5p
Agriculture	5p	-	5p
Publicly owned non-domestic	Zero	-	Zero
Exempt (Buildings)	Zero	-	Zero
Buildings – Penal Rate	Zero	-	Zero
Development buildings (domestic)	46p	3.0%	47p
Development buildings (non-domestic)	£4.00	3.0%	£4.10



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	2012 TRP rate per unit	Proposed increase	Proposed 2013 TRP rate per unit
<i>Land (all zero-rated for Alderney and Herm)</i>			
Communal (flat) Local Market	11p	3.0%	12p
Communal (flat) Open Market	11p	3.0%	12p
Hostelry and food outlets	23p	3.0%	24p
Self-catering accommodation	23p	3.0%	24p
Motor and marine trade	23p	3.0%	24p
Retail	23p	3.0%	24p
Warehousing	23p	3.0%	24p
Industrial	23p	3.0%	24p
Recreational and sporting premises	23p	3.0%	24p
Office and ancillary accommodation (regulated finance industries)	80p	3.0%	82p
Office and ancillary accommodation (other than regulated finance industries)	27p	3.0%	28p
Utilities providers	23p	3.0%	24p
Approved development site	80p	3.0%	82p
Domestic Local Market	11p	3.0%	12p
Domestic Open Market	11p	3.0%	12p
Horticulture	11p	3.0%	12p
Agriculture	11p	3.0%	12p
Domestic Social Housing	Zero	-	Zero
Publicly owned non-domestic	Zero	-	Zero
Exempt (Land)	Zero	-	Zero
Land – Penal Rate	Zero	-	Zero
Garaging and parking (non-domestic)	23p	3.0%	24p

## Impact of Indirect Taxation Proposals

3.27 Below is a summary of the impact of the indirect taxation proposals in terms of total additional revenue raised, the impact on inflation and the impact on individuals.

Budget Measure	Revenue Raised	Impact on Individuals	Impact on RPIX
Motor Spirit Duty increased by 3% (1.5p per litre)	£450,000	30p for each 20 litres of fuel purchased	0.03%
Tobacco Duty increased by 6%	£300,000	20 cigarettes increase by 21p	0.08%
Alcohol Duty increased by 3%	£350,000	Pint of beer increases by 1p, bottle of wine (750ml) increases by 5p, litre of spirits increases by 31p	0.03%
TRP increased by 3%	£500,000	Approximately £5 per annum for a typical domestic property	0.01%
<b>TOTAL</b>	<b>£1.6million</b>		

# 2013 BUDGET REPORT

## Section 4: Expenditure Proposals

### Total Cash Limits

- 4.1 For the purposes of this Budget, RPIX of 3.0% has been used as the inflation forecast. **The Department is recommending that 2013 total Cash Limits are set at £360.7million calculated as follows:**

	Note	£m
2012 Cash Limits		361.8
Adjustment for 2011 inflation allowance	1	(0.7)
2013 inflation allowance (3.0%)		10.8
2013 „Base’		371.9
Reduction for waste water funding	2	(2.8)
Transfer to Budget Reserve	3	2.8
Transfer to Corporate Housing Programme Fund	4	(2.0)
2013 Financial Transformation Programme Targets		(9.2)
<b>2013 Recommended Cash Limits</b>		<b>360.7</b>

The 2013 recommended Cash Limits are £1.1million less than the 2012 Cash Limits (a real terms reduction of 3.2%) due to the lower transfer to the Corporate Housing Programme Fund and the FTP Targets. Therefore, this complies with the Fiscal and Economic Plan target of a real terms freeze on aggregate States revenue expenditure.

**Note 1** – The 2012 Cash Limits were set using an RPIX forecast for 2011 and 2012 of 3.0%. However, RPIX at December 2011 was 2.8% and the latest 2012 RPIX (September) is 3.0%. Therefore, the base is reduced by £0.7million to reflect 2011 inflation being lower than assumed when setting the 2012 Cash Limits.

**Note 2** - In February 2012 (Billet d’Etat III, 2012) the States approved recommendations from the Public Services Department to transfer responsibility for wastewater from General Revenue to Guernsey Water and resolved *“To agree that the current level of general revenue funding toward waste water shall continue for 2012 and that the Treasury and Resources Department in consultation with the Public Services Department, shall set out as part of its annual Budget the options for treatment of the general revenue subsidy, including changing the balance of funding from general revenue to user pays.”*

The Public Services Department has requested that the General Revenue subsidy ceases at the end of 2012. All the resources, including the infrastructure, have been transferred to Guernsey Water and from 2013 the user will fund the operation, upkeep and upgrade of the waste water system. Therefore, the Cash Limit allocated to Public Services Department in 2013 is £2.765million lower (£1.315million of revenue costs, £450,000 for routine capital allocation and £1million for the Network Extension Plan).

**Note 3** - The real terms increase in Social Security Formula-Led expenditure between the 2012 Budget and 2013 estimate is £2.3million which is an increase of 4.6% in real terms would leave virtually no Budget Reserve for non-pay award revenue expenditure or would require reductions in other Departmental Cash Limits in real terms. Therefore, the budget released in respect of wastewater has been retained to fund a vital Budget Reserve.

# 2013 BUDGET REPORT

**Note 4 –** The Corporate Housing Programme Fund currently provides some of the capital funding for social housing projects undertaken by the Guernsey Housing Association (GHA) and meets the revenue costs associated, inter alia, with:

- managing and maintaining a stock of approximately 1,700 properties;
- collecting the rebated rents from States tenants and funding the rent rebates for tenants of the GHA nominated by the Housing Department;
- providing a revenue grant for the Guernsey Youth Housing Project run by Action for Children.

In order to improve transparency of housing funding, the Housing Department intends, during 2013, to split out the capital and revenue elements of the Corporate Housing Programme Fund with the revenue elements becoming conjoined to the Housing Department's General Revenue Budget and the Corporate Housing Programme Fund being retained as the means to part finance capital projects undertaken by housing associations.

The Housing Department has also reviewed its overall funding requirements over the short- to medium-term to meet Corporate Housing Programme objectives. It has concluded that, even allowing for the significant outgoings associated with major projects such as the two new 'extra care' housing schemes, the second phase of the Grand Bouet redevelopment and the redevelopment of the former Boys' Grammar School at Brock Road, it can significantly reduce the amount of money it requires.

Therefore, it is proposed that the annual transfer from General Revenue to the Corporate Housing Programme Fund is reduced from £8million to £6million per annum with effect from 2013. The Housing Department is intending to report to the States during the first half of 2014 with details of its planned expenditure from the Corporate Housing Programme Fund.

## **Financial Transformation Programme –Targets**

- 4.2 The mission of the Financial Transformation Programme (FTP) is to ensure that the right services for the community of Guernsey are efficiently delivered. This will be achieved by changing the way the organisation thinks and acts to release a recurring reduction in General Revenue expenditure of at least £31million by the end of 2014. There is no doubt that delivering a successful programme will involve making some difficult political and operational decisions over the coming months. These decisions will make a real and lasting impact on the States' finances and delivery of the savings is likely to make the difference between removing or sustaining the structural deficit.
- 4.3 As part of the 2012 Budget, Departments were allocated a General Efficiency Target – now known as Financial Transformation Programme (FTP) Target of £6.5m which was 25% of the remainder of the total FTP target. Following a recommendation from the Policy Council, the Treasury and Resources Department has agreed that it will recommend that a further £9.2m of FTP Targets are allocated to Departments in 2013 Cash Limits. The FTP targets are allocated to Departments based on the overall FTP savings profiles by Department, rather than simply to the size of their budget.

# 2013 BUDGET REPORT

4.4 The following table details, by Department:

- Column A - FTP targets for 2012 (included in the 2012 Budget Report);
- Column B - The 2013 value of the recurring benefits arising from projects that have been approved and either implemented or in the delivery phase;
- Column C - FTP Targets for 2013;
- Column D - The 2013 balance, for which measures are yet to be identified, approved and implemented. All Departments have compiled a portfolio of projects to deliver the outstanding target balance.

	<b>A</b> <b>2012</b> <b>FTP</b> <b>Target</b>  <b>£'000</b>	<b>B</b> <b>2013</b> <b>Value of</b> <b>Approved</b> <b>Projects</b>  <b>£'000</b>	<b>C</b> <b>2013</b> <b>FTP</b> <b>Target</b>  <b>£'000</b>	<b>D</b> <b>2013</b> <b>Balance</b> <b>(A+B+C)</b>  <b>£'000</b>
Policy Council	50	(35)	440	455
Treasury and Resources	560	(236)	1,072	1,396
Commerce and Employment	590	(652)	441	379
Culture and Leisure	100	(56)	559	603
Education	1,630	(1,310)	1,830	2,150
Environment	130	(178)	319	271
Health and Social Services	2,350	(1,385)	2,320	3,285
Home	620	(620)	1,325	1,325
Housing	60	(60)	142	142
Public Services	300	(307)	495	488
Social Security	80	(187)	179	72
Royal Court	10	(10)	29	29
Law Officers	20	(30)	58	48
	<b>6,500</b>	<b>(5,066)</b>	<b>9,209</b>	<b>10,643</b>

- 4.5 The 2013 and 2014 FTP targets will represent a significant challenge for the Health and Social Services and Education Departments and both Departments have worked with the Policy Council to derive the most appropriate and realistic targets that are capable of delivery. It is recognised that it is imperative that the FTP targets do not imperil the delivery of frontline services.
- 4.6 Therefore, the original targets for both the Health and Social Services and Education Departments have been adjusted to allow for a greater level of benefits to be delivered in 2014 in recognition of the longer term transformation programmes being developed by both Departments and the need for these to be completely integrated with plans for the delivery of FTP benefits. The Treasury and Resources Department intends to work closely with the Policy Council, FTP team and Departments during 2013 and 2014 to ensure that suitable projects that can reasonably deliver the agreed targets are developed and monitored.
- 4.7 The Policy Council is submitting a States Report for debate in January 2013 recommending reaffirmation of the previously agreed objectives of the FTP. Notwithstanding, Departments are expected to continue prioritising delivery against the FTP Targets.

# 2013 BUDGET REPORT

- 4.8 The Fiscal Policy Panel's October 2011 report comments on the importance of the delivery of FTP savings in its Executive Summary in the following terms: *"The States has [sic] a clear strategy in place to eradicate the deficit through a policy of freezing net expenditure in real terms and achieving savings through the Financial Transformation Programme (FTP). This is a challenging strategy; there are risks to successful delivery on both the revenue and expenditure side. Progress will need to be carefully monitored and the States may need to consider further expenditure reduction or revenue raising measures if the outturn fails to meet the current projections"* and *"It is disconcerting that, given the present fiscal position, the States chose not to direct the savings to date as a contribution to reducing the deficit position, choosing instead to fund new services through the SSP prioritisation process. It would be more advisable to bank the savings first and spend later once balance has been achieved."*
- 4.9 The modelling undertaken for the 2011-2016 States Strategic Plan shows that delivering the target FTP savings and using all of those savings to reduce the overall deficit, rather than funding new services, would help to eradicate the structural deficit within the direction in the Fiscal and Economic Plan to *"ensure that identified deficits will be addressed within 5 years of their appearance, economic conditions permitting"*. Of course, this modelling is based on assumptions that may not be borne out in practice, but there is no doubt that using the FTP savings to reduce the deficit can only have a positive effect, regardless of the future profile of tax receipts and routine expenditure.

## States Strategic Plan – prioritised service developments

- 4.10 In October 2009, the States agreed that *"all the savings from the Fundamental Spending Review (FSR) in the first three years (i.e. 2010 – 2012 inclusive) of the programme should be made available to fund prioritised service developments through the States Strategic Plan process."*
- 4.11 The 2013 costs of the service developments prioritised in the 2009 – 2013, 2010 – 2015 and 2011 - 2016 States Strategic Plans is £5.202million. The Treasury and Resources Department has approved business cases for projects totalling £3.924million and appropriate provision made in the recommended 2013 Cash Limits. Funding for the following prioritised service developments will be released into budgets once the Treasury and Resources Department has approved a detailed business case:

	£'000s
Within the 2010 – 2015 States Strategic Plan:	
Legal Aid following introduction of Mental Health Tribunals	300
Within the 2011 – 2016 States Strategic Plan:	
Revenue Funding to support Guernsey Training Agency University Centre	300
Family and Friends Care arrangements	323
Providing an adult learning disability short break (respite) service	355
	<b>1,278</b>

- 4.12 As part of last year's Budget Report, the States agreed that *"no Financial Transformation Programme savings are made available to fund service developments in the 2012-2017 States Strategic Plan"*. It was intended that a proposal for the level of any future FTP savings allocated to fund new services in 2013 and subsequent years would be included within the 2012-2017 States Strategic Plan (planned for Autumn 2012) or the 2013 Budget Report. The updated States Strategic Plan is now scheduled for publication in early 2013 and it is intended that this will include appropriate proposals including any requirement to reprioritise funding for existing services.



# 2013 BUDGET REPORT

4.13 The recommended Cash Limits for 2013 are:

	Revenue Cash Limit £'000s	Routine Capital £'000s	Total Cash Limit £'000s	2012 Cash Limit £'000s
Policy Council				
General	8,325		8,325	7,850
Formula Led	2,050		2,050	2,000
Treasury and Resources				
General	15,150	1,200	16,350	16,850
Formula Led	1,870		1,870	1,900
Commerce and Employment	11,075	100	11,175	11,525
Culture and Leisure	3,250	350	3,600	4,500
Education				
General	61,100	1,000	62,100	63,325
Higher and Advanced	6,500		6,500	6,500
Grants to Colleges and Libraries	6,800		6,800	6,925
Environment	8,075	50	8,125	8,525
Health and Social Services				
General	106,000	1,500	107,500	106,800
St John Ambulance & Rescue	2,170		2,170	2,100
Home	31,925	750	32,675	33,875
Housing	1,600	(450)	1,150	1,625
Transfer to Corporate Housing Programme Fund		6,000	6,000	8,000
Public Services	4,500		4,500	8,200
Social Security				
General	2,800		2,800	2,855
Formula Led	54,150		54,150	50,225
Public Accounts Committee	325		325	405
Scrutiny Committee	275		275	230
States Review Committee	95		95	-
Royal Court	2,900		2,900	3,030
Law Officers	4,775		4,775	4,780
States of Alderney	1,940		1,940	1,875
	337,650	10,500	348,150	353,900
Service Developments	1,278		1,278	1,280
Budget Reserve including provision for Pay Awards (centrally held)	8,772	2,500	11,272	6,620
	<b>347,700</b>	<b>13,000</b>	<b>360,700</b>	<b>361,800</b>

4.14 The 2013 effect of settled 2012 pay awards (for example, the 2012 nurses' pay award covers the period April 2012 to March 2013) will cost £5million, and this has been included in individual Cash Limits. In addition, the Budget Reserve includes £1.7million for the 2013 effect of 2012 pay awards which have not yet been settled.

# 2013 BUDGET REPORT

- 4.15 The States financial procedures allow for Departments to retain operating income (e.g. Beau Sejour charges, College of Further Education fees, Environment planning fees, hospital private patient fees, refuse disposal charges, etc.) Total operating income is forecast to increase from £32.0million in 2012 to £32.7million in 2013 – a 2.3% increase. The Treasury and Resources Department supports the regular review of the scope and level of fees and charges to ensure that, where appropriate, they recover the full cost of providing the service, although it would be concerned if such increases were being made solely to enable additional expenditure on non-related services. The Financial Transformation Programme includes a project to review the policy, scope and calculation basis of all fees and charges.
- 4.16 Within their agreed Cash Limits, Departments have to consider very carefully their own priorities. The Treasury and Resources Department does not seek to „micro-manage‘ individual Department’s budgets as it considers that this is the responsibility of the Departments concerned. Full line by line details of the 2013 budgets are included as Appendix V
- 4.17 In addition to funding for SSP and FTP projects, the recommended Cash Limits include adjustments in respect of the following:
- Policy Council – includes £50,000 for the 2013 costs of carrying out the Household Expenditure Survey and a centralised budget of £550,000 in respect of the costs of the Graduate Officer and Trainee Executive Schemes which were previously funded by individual Departments whose budgets have been commensurately reduced. In January 2012 (Billet d’Etat III, 2012), the States considered the funding policy for the States contribution to overseas aid and agreed that *“the States of Guernsey maintains its current level of contribution (+RPIX) per annum.”* Therefore, an additional £80,000 is recommended to maintain the real value of the overseas aid grants budget. The 2013 budget for Overseas Aid is £2.78million (including £200,000, which is ring-fenced for emergency aid).
  - Education Department (General) – Further allowance of £55,000 (2012 Cash Limit included an additional £285,000) is included in respect of the revenue costs arising from the capital project to redevelop Les Beaucamps High School (as set out in Billet d’Etat XXIII, 2010).
  - Health and Social Services Department –£1million allowance in recognition of cost pressures arising from medical inflation including the costs of off-island treatment.
  - Housing Department – It currently has a routine capital allocation of £0.45million which in recent years has been used to fund essential maintenance works at Longue Rue House and Maison Maritaine. As the redevelopment of both the homes by the Guernsey Housing Association has now commenced the Housing Department does not anticipate the requirement for any further works and has therefore agreed to return its routine capital allocation. If any emergency works are required before the redevelopments are complete funding will be made available from the Budget Reserve.
  - Social Security Department – The recommended Cash Limit includes £67,000 to fund temporary staff in non-contributory services due to a large increase in the number of benefit claimants and initiatives to assist claimants to return to work.
  - The Public Accounts and Scrutiny Committees have requested a reallocation of their Cash Limits so that each Committee has the same base Cash Limit and both Committees have a £50,000 real terms reduction in their base Cash Limit. However, the recommended 2013 Cash Limit for the Public Accounts Committee includes an additional £50,000 to fund expenditure associated with the financial controls review.
  - The Royal Court and Law Officers will have separate Cash Limits from 2013. Following a recommendation from the States Assembly and Constitution Committee its budget is now part of the Royal Court Cash Limit. The Lieutenant Governor’s salary and establishment allowance are now included within the Treasury and Resources Department’s General Cash Limit.

# 2013 BUDGET REPORT

## Budget Reserve

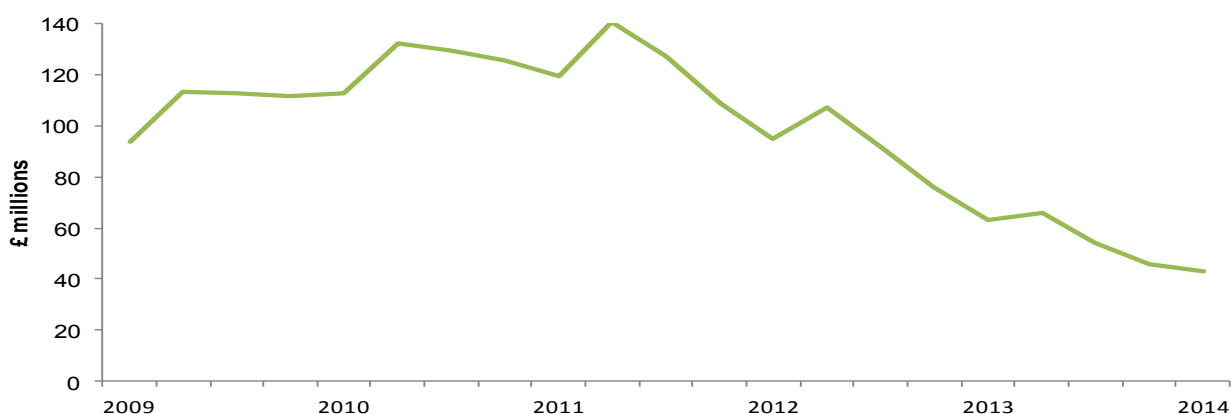
- 4.18 The 2012 Budget included a Reserve of £6.6million of which £4.7million was in respect of anticipated pay awards.
- 4.19 The 2013 Budget Reserve is significantly higher at £11.3million. The Treasury and Resources Department wishes to set aside within the Budget Reserve an allowance for routine capital expenditure. The Treasury and Resources Department is also aware that the Health and Social Services Department is facing some unique challenges in 2013 including unpredictable spending under the Children Law. Further, it is recognised there may be some pressures on departmental cash limits simply as a result of the timing of delivery of benefits through the Financial Transformation Programme. The Budget Reserve includes allowances for:
- Provision for pay awards (including the effect of unsettled 2012 pay awards) for which budgets will be adjusted when the pay awards are settled.
  - Allowance for variations in formula-led expenditure, increases to formula-determined grants (e.g. Higher and Advanced Education Awards, grants to Colleges), any unanticipated / „emergency‘ expenditure where there is a clear business case or demand / cost pressures that cannot be met by reprioritising existing budgets.
  - Allowance for transfers to Departments routine capital allocations. There are a significant number of capital projects that may be progressed in 2013 but, at this stage, their timing or cost is not known with any degree of certainty. **It is recommended that the Treasury and Resources Department is given delegated authority to increase a Department’s routine capital allocation, funded by a transfer from the Budget Reserve.**

## Capital Reserve

- 4.20 Guernsey Post Ltd. has recently undertaken a review of **its asset portfolio and capital requirements in the context of the Company’s future funding requirements and strategy and has concluded that it is appropriate to return £5million to the States of Guernsey in the form of a buyback of shares.** Under the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, States approval for the repurchase of any of shares is required.
- 4.21 The Treasury and Resources Department considers that it would be appropriate for this sum to be set aside to increase the funding available for the next capital programme. **It is therefore recommended that the £5million is appropriated to the Capital Reserve.**
- 4.22 In October 2009 (Billet d’Etat XXIV, September 2009) the States approved the current capital programme at a total estimated cost of £216million. The majority of the larger projects in the programme are now in progress with the exception of the Health and Social Services Department’s development of new Adult Acute Mental Health facilities. The total estimated cost of the programme has now reduced to £205million.
- 4.23 In the September 2009 States Report, it was estimated that the Capital Reserve would be overdrawn by approximately £4million at the end of 2012 but otherwise remain in credit, although only marginally at the end of 2013. However, due to significant delays in the timing of the programme and the reduction in the total estimated cost, the updated model shows a considerable improvement in the cash flow projection such that no overdraft is now anticipated, with the lowest balance on the Reserve being approximately £40million at the completion of the current programme.

# 2013 BUDGET REPORT

4.24 The following graph shows the cash flow projection for the Capital Reserve:



- 4.25 In order to fund the capital programme, an appropriation to the Capital Reserve from General Revenue of £22million per annum, maintained in real terms at 2009 values, is required. Therefore, **the Treasury and Resources Department is recommending that £24.55million is transferred to the Capital Reserve on 1 January 2013.**
- 4.26 The States Fiscal Framework assumes a „norm’ for permanent capital expenditure of 3.0% of Gross Domestic Product (i.e. £57million per annum based on the 2011 GDP of £1,895million). Expenditure from the Capital Reserve is anticipated to be £61.0million in 2013 and £13million has been allocated for routine capital expenditure and transfer to the Corporate Housing Programme Fund. Therefore, capital investment in 2013 amounts to 3.9% of 2011 GDP.
- 4.27 The capital programme totals £205million over the five year period up to 31 December 2014 (i.e. averages £41million per annum) plus routine capital expenditure and the annual allocation to the Corporate Housing Programme Fund. On this basis, achievement of the States Fiscal Framework „norm’ for 2015 and future years would necessitate an increase of around £20million in the annual transfer to the Capital Reserve.
- 4.28 This „norm’ has been interpreted as excluding the capital expenditure of States Works, Guernsey Water and Guernsey Dairy and the expenditure of the Corporate Housing Programme. The Treasury and Resources Department believes that, when the Fiscal Policy Framework is next reviewed, consideration should be given to including this expenditure within the target and revising the „norm’ accordingly.
- 4.29 The Capital Reserve is anticipated to have a balance of £95.0million at the end of 2012 and £63.0million at the end of 2013:

	£m
Balance at 1 January 2012	119.3
Budget Appropriation	23.9
Anticipated transfer from Ports Holding Account	2.2
2012 Interest	2.7
Sale of Property	1.6
Guernsey Post Ltd – share buyback	5.0
Expenditure on Projects	(59.7)
<b>Anticipated Balance at 31 December 2012</b>	<b>95.0</b>
Budget Appropriation	24.5
Anticipated transfer from Ports Holding Account	2.5
2013 Interest	2.0
Expenditure on Projects	(61.0)
<b>Anticipated Balance at 31 December 2013</b>	<b>63.0</b>

# 2013 BUDGET REPORT

- 4.30 The current capital programme includes projects originally anticipated to commence up to and including 2013 plus the recapitalisation of Cabernet Ltd in 2014, but was compiled on the basis of requiring funding up to and including the 2014 appropriation from General Revenue. However, based on current assumptions, it is anticipated that a balance of approximately £40million will remain at the end of the current programme.
- 4.31 Part of the funding for the current capital programme is to come from the sale of properties that are no longer required by the States. In recent years two properties have been sold, Granville House, Mont Durand, St Peter Port (net sale proceeds £1,187,613) and Edessa, Monument Gardens, St Peter Port (net sale proceeds £410,203). **It is therefore recommended that the net sale proceeds for these two properties totalling £1,597,816 are transferred to the Capital Reserve with immediate effect.**
- 4.32 In the 2012 Budget Report a timetable for determining the 2014-2017 capital programme was outlined with bids for new projects to be submitted during quarter 1- 2013 and the States debate to determine the firm capital programme during quarter 3 – 2013.
- 4.33 However, as part of the Financial Transformation Programme there is a Strategic Asset Management (SAM) project. It is expected that the project will deliver a high level Strategic Asset Management Plan by the end of the first quarter of 2013 which will be the first step in identifying the overall corporate needs of the States in terms of land and property both now and for the next 5-20 years.
- 4.34 In addition an Island Infrastructure Plan (IIP) is in the process of being developed, the primary objective of which is to facilitate decision making in respect of infrastructure investment by the States and the private sector over the next 5-20 years. The project team is currently working with Departments to develop long term plans for infrastructure investment.
- 4.35 The outputs from the SAM and IIP should form the inputs into the process to determine the next capital programme. Instead of asking individual Departments to make bids for their investment requirements, the SAM and IIP data gathering should identify the investment (and disposals) required based on current and future needs.
- 4.36 The SAM and IIP projects will represent a huge step forward for the States in terms of long term strategic planning. Therefore, the Department considers that it is appropriate to delay the existing Capital Prioritisation process as the majority of the capital programme will be directly compiled from the outputs generated from the SAM and IIP projects. However, it will still be necessary for Departments to submit bids during 2013 for certain IT and equipment investment requirements.
- 4.37 This should still enable the capital programme to be compiled and considered by the States in 2014.



# 2013 BUDGET REPORT

## Section 5: Financial Position

5.1 The financial position can be summarised as follows:

	2013 Budget Estimate £m	2012 Current Estimate £m	2012 Budget Estimate £m	2011 Actual £m
<b>Revenue Income</b>				
<b>Income Tax:</b>				
Individuals	233	224	223	218
Companies	51	37	43	40
Distributions	8	13	13	12
	292	274	279	270
Customs Duties	36	35	36	34
Document Duty (conveyancing)	18	18	18	17
Company Fees	9	9	9	9
Tax on Real Property	16	16	16	15
Miscellaneous Income	1	2	1	2
Revenue Income	372	354	359	347
Revenue Expenditure	(348)	(345)	(346)	(333)
<b>Revenue Surplus</b>	<b>24</b>	<b>9</b>	<b>13</b>	<b>14</b>
Routine Capital Allocations	(13)	(16)	(16)	(17)
Capital Income	-	6	4	-
<b>Operating Surplus / (Deficit)</b>	<b>11</b>	<b>(1)</b>	<b>1</b>	<b>(3)</b>
Transfer to Capital Reserve (including capital income )	(25)	(30)	(28)	(21)
Transfer to the Strategic Development Fund	(3)	-	-	-
<b>Deficit</b>	<b>(17)</b>	<b>(31)</b>	<b>(27)</b>	<b>(24)</b>
<b>Funded by transfers from:</b>				
Contingency Reserve (Tax Strategy)	17	31	27	24

5.2 Taxation income in 2013 is anticipated to be £362million which is 19.1% of the 2011 GDP of £1,895million compared to the Fiscal Framework limit of taxation at 21% of GDP.

5.3 The Fiscal Framework includes that the annual operating deficit of the States may not exceed 3% of GDP (£57million based on the 2011 GDP of £1,895million). There is an operating surplus projected for 2013.

### 2012 Probable Outturn

5.4 The 2012 projected deficit of £31million is a net £4million more than originally budgeted because of income being less than budgeted. This income shortfall is largely due to the projection for income tax receipts from the banking sector being lower than originally anticipated

5.5 **The increase in the estimated deficit will require a larger withdrawal from the Contingency Reserve in 2012 than originally estimated. It is recommended that the Treasury and Resources Department is given authority to transfer a maximum of £31million from the Contingency Reserve (Tax Strategy) during 2012 to fund the 2012 operating deficit and transfer to Capital Reserve.**

# 2013 BUDGET REPORT

5.6 The following table details the anticipated 2012 Probable Outturn for each Department / Committee compared to Budget:

	Original Budget £'000s	Authorised Budget * £'000s	Probable Outturn £'000s	Anticipated (Over) / Underspend £'000s
Policy Council				
General	7,850	8,281	7,723	558
Formula Led	2,000	2,000	1,792	208
Treasury and Resources				
General	15,850	16,352	15,602	750
Formula Led	1,900	1,900	1,850	50
Commerce and Employment	11,425	11,531	11,256	275
Culture and Leisure	3,650	3,781	3,701	80
Education				
General	62,325	63,775	62,891	884
Higher and Advanced	6,500	6,000	6,000	NIL
Grants to Colleges and Libraries	6,925	6,894	6,894	NIL
Environment	8,275	8,612	8,237	375
Health and Social Services				
General	104,800	106,798	108,298	(1,500)
St John Ambulance & Rescue	2,100	2,144	2,144	NIL
Home	32,875	33,255	32,653	602
Housing	1,625	1,709	1,703	6
Public Services	6,250	6,321	6,246	75
Social Security				
General	2,855	2,894	2,731	163
Formula Led	50,225	50,225	52,278	(2,053)
Public Accounts Committee	405	446	255	191
Scrutiny Committee	230	235	214	21
States Review Committee	-	25	25	NIL
Royal Court	2,930	3,022	2,930	92
Law Officers	4,680	4,820	4,667	153
States of Alderney	1,875	1,974	1,974	NIL
	337,550	342,994	342,064	930
Service Developments	1,280	942	-	942
Budget Reserve including provision for Pay Awards (centrally held)	6,620	2,093	550	1,543
Provision for exceptional expenditure **	-	-	2,300	(2,300)
	<b>345,450</b>	<b>346,029</b>	<b>344,914</b>	<b>1,115</b>

\* Authorised Budgets include additional funding for settled pay awards, States Strategic Plan projects once the business case has been approved by the Treasury and Resources Department and timing differences where an item of expenditure or project was budgeted in 2011 but delayed until 2012.

\*\* The provision for exceptional expenditure is a prudent allowance for non-recovery of the balance of the monies fraudulently obtained from the States in July 2012.

# 2013 BUDGET REPORT

- 5.7 The additional formula-led expenditure by the Social Security Department (increased demand for supplementary-benefit payments) and the projected overspend by the Health and Social Services Department will be met by use of the Budget Reserve and underspends by other Departments.
- 5.8 The Health and Social Services Department's latest forecast is that there will be an overspend of £1.5million in 2012 and is intending to seek leave to submit a Report for consideration at the December 2012 States meeting requesting an increase in its 2012 budget. The main reasons for this anticipated overspend are:
- Income generation not meeting the targets;
  - Additional Agency staff in order to meet service demands including a large increase in the number of children looked after by the Department;
  - Meeting the costs of off-island services.
- 5.9 The Health and Social Services Department has recently established an internal team to undertake a detailed review of financial activity with the aim of developing initiatives for reducing net expenditure and achieving the FTP Targets.

## 2013 Budget Estimate

- 5.10 The 2013 Budget Estimate of an overall deficit of £17million is a net £10million lower than the 2012 Budget Estimate due to:
- £9 million real-terms reduction in expenditure due to the FTP Targets.
  - £4million real-terms increase in income tax receipts due to the extension of the 10% income tax rate to insurance and fiduciary businesses (£12million), partially offset by the effect of the repeal of the deemed distribution provisions (£4million) and a net fall in other income tax receipts (£4million).
  - A transfer of £3million to establish a Strategic Development Fund.

## Contingency Reserve

- 5.11 The purpose of the Contingency Reserve is to provide some protection against major emergencies including significant economic downturns having a severe adverse effect on the Island. In June 2006 the States resolved that up to half of the Contingency Reserve (interest and capital) may be used to fund the shortfall in public sector expenditure during the first stage of the implementation of the Economic and Taxation Strategy. At that time the Contingency Reserve had a balance of approximately £200million. Therefore, £100million of that balance, plus any new monies transferred into the Reserve, plus the interest and investment gain accumulated on such sums, is available to be used to fund public services during the first phase.
- 5.12 The 2012 Budget Report authorised the Treasury and Resources Department to transfer a maximum of £27million during 2012 from the Contingency Reserve (Tax Strategy) to fund the operating deficit and transfer to Capital Reserve. Withdrawals are timed to match cash flow requirements in order to maximise the potential for investment return on the Fund and a withdrawal of £31million is now anticipated in 2012.

# 2013 BUDGET REPORT

5.13 The following graph shows the balances on the Contingency Reserve (General) and Contingency Reserve (Tax Strategy) at the end of each year:



5.14 **It is recommended that the Treasury and Resources Department is given authority to transfer a maximum of £17million from the Contingency Reserve (Tax Strategy) during 2013 to fund the 2013 operating deficit and transfer to Capital Reserve**

5.15 The Fiscal Policy Framework includes an undertaking to “ensure that identified deficits will be addressed within 5 years of their appearance, economic conditions permitting”. The base case projection within the 2011 - 2016 States Strategic Plan indicates that the deficits currently being experienced could be eliminated by 2014 through a combination of economic growth and expenditure restraint. The financial position anticipated within this Budget Report is slightly less favourable than that projected in the 2011-2016 States Strategic Plan.

## Strategic Development Fund

5.16 The annual Cash Limits allocated to Departments and Committees are intended to fund, in addition to routine service delivery, the periodic review and implementation of existing key policies and strategies. However, the States Strategic Plan may require strategic developments which need investment which cannot be met from routine funding. There is currently no mechanism for bids to be made for such investments. It is also quite possible that these developments may impact several States Departments in order to deliver fiscal, economic, social and environmental policy objectives including, of course, cost effective, efficient public services in a sustainable and diversified economy.

5.17 **Therefore, it is recommended that a Strategic Development Fund is established with effect from 1 January 2013 by transferring £3million from the General Revenue Account and to delegate authority to the Treasury and Resources Department to approve use of this Fund.** This Fund would be used for funding significant strategic policy developments which have been approved by the States and:

- Are in line with agreed States Strategic Plan objectives and which lead to significant long-term transformation in the delivery of services; or
- Produce substantial new or enhanced growth for the economy and revenue for the States.

5.18 The Strategic Development Fund will not be available for new service development bids which, at least until the fiscal deficit has been eliminated, must continue to be prioritised and met from within existing resources or for accessing funding for capital investment.

# 2013 BUDGET REPORT

- 5.19 The Treasury and Resources Department will assess any bids in accordance with existing methodologies used for prioritising new service development bids and the Policy Council will propose projects to the States for 'in principle' approval for funding from the Strategic Development Fund. Following States approval, Departments will need to prepare a full business case for the Treasury and Resources Department to use its delegated authority to approve use of this Fund.



# 2013 BUDGET REPORT

## Section 6: Other Matters

### Loans from States Treasury

- 6.1 The following loans, with interest payable at the States Treasury rate, have been made as at 30 June 2012:
- Commerce and Employment Department – Company Registry fit-out £0.2million (30.06.11: £0.2million) and IT system £0.2million (30.06.11: £0.3million);
  - Health and Social Services Department Accommodation Fund: £2.3million (30.06.11: £2.4million);
  - JamesCo750 Limited (holding company for the oil tank ships): £14.5million (30.06.11: £15.1million).
- 6.2 As a general principle, loan arrangements are only entered into where there is an income stream which can be used to support the repayment of the loan and associated interest charges
- 6.3 The Treasury and Resources Department has made available to St John Ambulance and Rescue Service (SJARS) a short-term loan facility of up to £500,000 until 30 June 2013. This loan facility is conditional on the Health and Social Services Department (which is the States Department responsible for managing the relationship with SJARS) conducting a full review of the service and submitting a States Report for consideration during the first half of 2013 which includes recommendations for the future level of services to be provided by SJARS and their funding arrangements including recoverability of this loan.

### Guernsey Electricity Limited – borrowing requirement

- 6.4 Guernsey Electricity Limited (GEL) has entered a period of significant investment in its power capacity assets enhancing the security of island electricity supplies. This will include both engine / generator plant for on island security and additional import capacity through subsea cable interconnection. GEL is also managing the risks around the existing engine / generator plant as they progress towards the latter part of their useful lives. The significant cost of investment is necessary to provide assets with long term useful lives and to provide resilience and security of the Island's electricity supply now and in the long term.
- 6.5 GEL currently operates under an assumed policy (although this has never been the subject of a States resolution) of *"saving to spend"* in respect of financing the purchase of capital assets. As a result of the recent cable outage and failure at Barker's Quarry and the consequential requirement for more costly on-island generation, GEL's cash reserves have fallen rapidly this year. GEL has reached the situation where *"saving to spend"* would necessitate very substantial increases in tariffs and delaying some elements of the vital capital investment programme.
- 6.6 Therefore, **it is recommended that Guernsey Electricity Limited be permitted to borrow, either from the States General Investment Pool or third parties, to finance capital expenditure and to authorise the Treasury and Resources Department to facilitate, if necessary by providing guarantees, any third party borrowings.**
- 6.7 There are a number of advantages of borrowing to finance capital investment including:
- Flexibility to plan for future investment when it is most needed (rather than having to wait for sufficient cash balance to be accumulated);
  - Increased perception of fairness as current consumers would be paying for the capital investment providing their service rather than paying for a cash reserve to pay for future investment for future consumers;
  - Flexibility to respond to changing requirements – eg changes in demand or technology;
  - Reduction of volatility in electricity prices as capital expenditure costs would not create unnecessary peaks and troughs.

# 2013 BUDGET REPORT

- 6.8 The Treasury and Resources Department will consider and approve the business cases for capital investment and the borrowing mechanism and terms. GEL is anticipating a 2013 borrowing requirement of £15-20million (including the overdraft facility of £5million that was approved as part of the 2012 Budget Report) to finance the next stage of capital investment.

## Standard and Poor's Sovereign Credit Rating

- 6.9 In 2009 the Island obtained a sovereign credit rating from Standard and Poor's. One of the primary reasons for obtaining a rating for the Island was the Treasury and Resources Department's proposal to borrow on the financial markets to fund the capital programme, a recommendation that was subsequently rejected by the States.
- 6.10 In order to maintain the rating a fee is payable each year and Standard and Poor's make an annual two day visit to the Island to meet politicians, the Guernsey Financial Services Commission and Island businesses. A significant amount of staff time is therefore involved in arranging the visit and attending the various meetings.
- 6.11 As the States of Guernsey have no short to medium term plans to borrow on the financial markets the annual cost to the States in maintaining the rating no longer seem justifiable. The Treasury and Resources Department has therefore advised Standard and Poor's that it no longer wishes to maintain the Island's sovereign credit rating.

## States Treasurer

- 6.12 During 2012, a reorganisation of the States senior staffing structure has taken place and one of the outcomes is to retitle the former position of "Chief Accountant" as "States Treasurer". The responsibilities of the "Chief Accountant" (including having a facsimile of his or her signature on the States of Guernsey currency notes) are now the responsibility of the "States Treasurer". **The States are recommended to approve that references in all legislation and other documents to the "Chief Accountant" be changed so as to refer to the "States Treasurer".**

## Use of Delegated Authority

- 6.13 In order to speed up decision making and to avoid the States having to spend considerable amounts of time on routine financial matters, the Treasury and Resources Department has delegated authority for certain financial matters.
- 6.14 The Department is required to report on the use of delegated powers to the States twice a year (Appendix III).
- 6.15 The Treasury and Resources Department has delegated authority to approve the following:
- An increase in an individual Department's revenue expenditure budget by the greater of £250,000 or 2% in any one financial period;
  - An increase in budgets to fund redundancy costs where a valid business case demonstrates, inter alia, a net financial saving to the States and a consequential reduction in the ongoing Cash Limit of the Department / Committee concerned;
  - Capital votes for straightforward replacements;
  - Capital overspends up to £250,000;
  - Property purchases and sales.
- 6.16 It is emphasised that, just because the Treasury and Resources Department has delegated authority, this does not mean that it will be used and that the Department cannot, or will not, refer specific instances to the States.

# 2013 BUDGET REPORT

- 6.17 In addition, as approved as part of the 2008 Budget Report, with effect from 1 January 2008, all States Departments have delegated authority to *“approve capital votes up to £250,000”*.
- 6.18 The Department also has the delegated authority to allow Departments to borrow temporarily by way of overdraft from banks or from the States Treasury and to make loans or grants to registered charities and similar organisations.

## States Rules for Financial and Resource Management

- 6.19 Since the States approved the Rules in November 2009 (Billet d'État XXXI, vol. 1), the Treasury and Resources Department has continued its programme of reviewing the former States financial procedures and producing the underlying Directives.
- 6.20 The Department is not recommending any changes to the content of the Rules at this stage, nor are there any other amendments to report at this time. As set out in the States Report, the Treasury and Resources Department will consult with Departments and key non-States Bodies prior to any changes to the Rules being implemented.
- 6.21 During the last twelve months, the Department has granted a request from the Education Department for a two year waiver from specific areas within the IT Directives to facilitate teaching and learning in schools without compromising security of the States network.

## Ports Holding Account

- 6.22 In March 2012 (Billet d'Etat V, 2012), the States agreed that the Public Services Department should conduct further detailed investigation into, and consultation concerning, the option to establish a Guernsey Airport States Trading Company and a Guernsey Harbours States Trading Company. The Public Services Department is intending to report back to the States during 2013.
- 6.23 The Public Services Department had anticipated that the balance of the Ports Holding Account would be exhausted during 2013 and, therefore, under the current arrangements, no funding would be available for routine capital expenditure. It was, therefore, agreed that the 2013 Budget Report would include an interim proposal for funding the Ports routine capital expenditure. However, the Public Services Department has now advised that, after a careful review of budgets and requirements, it anticipates that the Ports Holding Account will not be exhausted during 2013.

## States Trading Companies

- 6.24 On behalf of the States of Guernsey, the Treasury and Resources Department holds the entire share capital of the following companies:
- Guernsey Electricity Ltd;
  - Guernsey Post Ltd;
  - Cabernet Ltd (holding company of Aurigny Air Services Ltd and Anglo-Normandy Aero-Engineering Ltd);
  - JamesCo750 Ltd (holding company of the two tankships).
- 6.25 The Accounts of Guernsey Electricity Ltd and Guernsey Post Ltd are published as an Appendix to a States Billet d'Etat. For reasons of commercial confidentiality, the full Accounts of Cabernet Ltd and JamesCo750 Ltd are not published but summaries and commentary on the financial position of these companies are detailed below.

# 2013 BUDGET REPORT

## Cabernet Limited

- 6.26 In June 2005, the States agreed the Treasury and Resources Department's recommendations that *"the retention of the Aurigny Group is in the overwhelming public interest, and represents the best strategic option for the Island at the present time."* and the Treasury and Resources Department was authorised to *"facilitate (if necessary by providing guarantees) the Aurigny Group's borrowing from third parties"*. In September 2009, the States resolved *"to note the delay in the recapitalisation of Cabernet Limited will lead to a requirement to extend guarantees currently given by the States and authorise the Treasury and Resources Department to enter into such arrangements as necessary."*
- 6.27 Cabernet Limited (the holding company of Aurigny and Anglo-Normandy Engineering) has a loan facility of up to £10million with the Royal Bank of Scotland International at normal commercial terms and rates. The Treasury and Resources Department, acting on behalf of the States in accordance with the above Resolutions, is the guarantor of that facility of which, as at 30 September 2012, £6.0million (30.9.11: £5.8million) was drawn-down.
- 6.28 At its meeting in June 2007, the States agreed *"To endorse the Treasury and Resources Department's conclusion that the purchase of two new ATR72-500 aircraft by the Aurigny Group at a cost of \$37million is the best strategic and financial option"* and *"To authorise the Treasury and Resources Department to facilitate, if necessary by providing guarantees, the Aurigny Group's borrowing from third parties to finance the purchase of the aircraft"*.
- 6.29 It is emphasised that the States did **not** provide the funds to purchase the aircraft but instead facilitated, through the provision of guarantees, the Aurigny Group borrowing the necessary funds from Royal Bank of Scotland International. As at 30 September 2012, £15.1million (30.9.11: £16.0million) was outstanding.
- 6.30 Appendix IV details the 2011 financial results of the Cabernet Group and the most recent (unaudited) 2012 position including a forecast of the outturn. In respect of 2011, the loss of £725,000 is a significant improvement on the losses of £2.073million recorded in 2010. This improvement is due to a substantial increase in revenue in 2011 partly due to the impact of the ash cloud from the Icelandic volcano in 2010 but also reflecting a real growth in passenger numbers. Part of this increase was offset by a significant increase in fuel prices that added £1.3m to Aurigny's operating costs.
- 6.31 The Treasury and Resources Department is pleased to report that passenger numbers, market share and revenues continue to improve in 2012 although Guernsey Airport closing for eight days during the year, to facilitate the current runway refurbishment will impact the results. It is anticipated that Aurigny's losses will be higher than in 2011. Competitive pressures have forced Anglo Normandy Aero Engineering Limited to stop third party maintenance and reduce the level of work undertaken for Aurigny. This action was taken to ensure the long term viability of the engineering business although this has incurred £0.3m of restructuring costs. The forecast 2012 outturn for the Group is a loss of £1.36million.
- 6.32 During 2013, a States Report will be submitted containing, inter alia, proposals for the future funding arrangements for Cabernet Ltd including the option for the States to recapitalise the company.

## JamesCo750 Limited

- 6.33 On 29 January 2009, after consideration of a States Report from the Policy Council (Billet d'Etat IV, 2009) entitled *"Security of Fuel Supplies and Purchase of Tankships"*, the States of Guernsey resolved:
- *"To approve the decision by the Policy Council to secure the supply of fuel oils to the Bailiwick through the purchase of the tank ships Vedrey Tora [later renamed Sarnia Cherie] and Vedrey Thor [later renamed Sarnia Liberty] in the manner set out in that Report;*
  - *To approve the actions of the Treasury and Resources Department on behalf of the States in issuing a loan and to authorise that Department to enter into any commercial guarantees or underwriting arrangements that it may consider appropriate in respect of these vessels."*

# 2013 BUDGET REPORT

- 6.34 The Memorandum of Understanding between the Treasury and Resources Department (in its role as shareholder on behalf of the States) and JamesCo750 Limited includes the following strategic guidance to the company:

*“The States’ intended purpose in forming the company and acquiring the vessels was to secure the fuel supply to the island. This is therefore the primary purpose of the company in the negotiation and management of the contracts. The secondary objective is to secure the best financial return on the company’s assets.”*

- 6.35 The business case prepared by the States at the time of acquisition demonstrated that over a 20 year period and using a cost of capital of 5%, the purchase of both vessels could result in a positive return for the States. While this was regarded as a bonus, and the basis for a sound commercial venture, nevertheless the principal reason for the purchase of the vessels was of a strategic nature to protect the supply of fuels to the island.
- 6.36 The principal activity of the company is the bareboat charter contract<sup>a</sup> of the two vessels for the transport of petroleum products. Both vessels are on contract to James Fisher Everard until February 2014 (Sarnia Cherie) and September 2015 (Sarnia Liberty).
- 6.37 The Treasury and Resources Department is pleased to note that JamesCo750 Limited made a profit of £294,000 in 2011 (2010: £258,000) which is a significant improvement on the break-even position included in the business case. The reason for this improvement is that the States Treasury interest rate was considerably lower than the 5% assumed in the business case. The company is projecting profits of £300,000 in 2012 and 2013 (compared to a break-even projection in the business case).

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<sup>a</sup> A bare boat charter means the owner delivers the vessel to the charterer with no crew, stores, moveable equipment etc. The owner charges a daily bare boat rate that covers their capital and gives an appropriate return. All of the operating costs for the vessel are then picked up by the charterer.

## **Draft Ordinance Entitled**

### **The Excise Duties (Budget) Ordinance, 2012**

**THE STATES**, in pursuance of their Resolution of 12<sup>th</sup> December 2012 and in exercise of the powers conferred on them by section 23C(3) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 as amended<sup>a</sup>, hereby order:-

#### **Increase in excise duties**

1. In the Fourth Schedule to the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, as amended, for the tables in paragraphs 1 to 6 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following:

"1. Tobacco and tobacco products

a.	Cigarettes	£248.78 per kilo
b.	Cigars	£231.02 per kilo
c.	Hand rolling tobacco	£215.13 per kilo
d.	Other manufactured tobacco	£186.60 per kilo
e.	Tobacco leaf – unstemmed	£207.13 per kilo
f.	Tobacco leaf – stemmed	£209.22 per kilo

2. Petrol and Gas oil –

a.	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	46.5p per litre
b.	Petrol used for the purpose of marine navigation	31.3p per litre where supplied by an approved trader except where supplied to an approved trader in which case 46.5p per litre <sup>b</sup>
c.	Gas oil	46.5p per litre

3. Beer

a.	Beer brewed by an independent small brewery	41p per litre
b.	Other beer	65p per litre

4. Spirits

a.	Spirits not exceeding 5.5 per cent volume	57p per litre
b.	Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£7.99 per litre
c.	Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£10.62 per litre
d.	Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume.

<sup>a</sup> Ordres en Conseil Vol. XXIII, p.573; Vol. XXIV, p.87; Vol. XXXIII, p.217; No.X of 2004; Recueil d'Ordonnances Tome XXXII, pp. 607 and 668; Ordinance No.XLVII of 2011.

<sup>b</sup> The circumstances in which the different rates may apply shall be specified by the Board by Order.



5. Cider
  - a. Cider produced by an independent small cider-maker 41p per litre
  - b. Other cider 65p per litre
6. Wines
  - a. Light wines not exceeding 5.5 per cent volume 48p per litre
  - b. Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines) £1.97 per litre
  - c. Other wines £3.14 per litre"

### **Extent**

2. This Ordinance shall have effect in the Islands of Guernsey, Alderney, Herm and Jethou.

### **Repeals**

3. The Excise Duties (Budget) Ordinance, 2011<sup>c</sup> is repealed.

### **Citation**

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2012.

### **Commencement**

5. This Ordinance shall come into force on 12<sup>th</sup> December 2012.

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<sup>c</sup> Ordinance No. XLVII of 2011

## **Draft Ordinance Entitled**

### **The Property Tax (Rates) (Guernsey and Alderney) Ordinance, 2012**

**THE STATES**, in exercise of the powers conferred upon them by sections 1 and 2 of the Taxation of Real Property (Enabling Provisions) (Guernsey and Alderney) Law, 2005<sup>a</sup> and in pursuance of their Resolution of 12<sup>th</sup> December 2012, hereby order:-

#### **Rates of Property Tax**

1. For the tables in Part I of Schedule 1 to the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007<sup>b</sup> substitute the tables in the Schedule to this Ordinance.

#### **Repeal**

2. The Taxation of Real Property (Guernsey and Alderney) Ordinance, 2011<sup>c</sup> is repealed.

#### **Extent.**

3. This Ordinance shall have effect in the Islands of Guernsey, Alderney and Herm.

#### **Citation and Commencement**

4. This Ordinance may be cited as the Property Tax (Rates) (Guernsey and Alderney) Ordinance, 2012 and shall come into force on 1<sup>st</sup> January 2013.

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<sup>a</sup> Order in Council No. X of 2006.

<sup>b</sup> Recueil d'Ordonnances Tome XXXII, p.504, Ordinance No.XLVIII of 2011.

<sup>c</sup> Ordinance No. XLVIII of 2011.

## SCHEDULE

### Section 1

**TABLE (A)**  
**GUERNSEY REAL PROPERTY**  
**GUERNSEY BUILDINGS**

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1	Domestic (whole unit) Local Market	94p
B1.2	Domestic (flat) Local Market	94p
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	47p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	94p
B2.1	Domestic (whole unit) Open Market	94p
B2.2	Domestic (flat) Open Market	94p
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	47p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	94p
B3.1	Domestic (whole unit) Social Housing	Zero
B3.2	Domestic (flat) Social Housing	Zero
B3.3	Domestic (glasshouse) Social Housing	Zero
B3.4	Domestic (outbuildings) Social Housing	Zero
B3.5	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1	Hostelry and food outlets	£4.35
B4.2	Self-catering accommodation	£2.70
B4.3	Motor and marine trade	£3.65
B4.4	Retail	£8.05
B4.5	Warehousing	£3.95
B4.6	Industrial and workshop	£3.15
B4.7	Recreational and sporting premises	£1.85
B4.8	Garaging and parking (non-domestic)	£3.95
B5.1	Utilities providers	£30.95
B6.1	Office and ancillary accommodation (regulated finance industries)	£28.90
B6.2	Office and ancillary accommodation (other than regulated finance industries)	£9.65
B7.1	Horticulture (building other than a glasshouse)	5p
B8.1	Horticulture (glasshouse)	5p
B9.1	Agriculture	5p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (Buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.1	Development buildings (domestic)	47p
B13.2	Development buildings (non-domestic)	£4.10

## SCHEDULE

### GUERNSEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1	Communal (flat) Local Market	12p
L1.2	Communal (flat) Open Market	12p
L1.3	Hostelry and food outlets	24p
L1.4	Self-catering accommodation	24p
L1.5	Motor and marine trade	24p
L1.6	Retail	24p
L1.7	Warehousing	24p
L1.8	Industrial	24p
L1.9	Recreational and sporting premises	24p
L1.10	Office and ancillary accommodation (regulated finance industries)	82p
L1.11	Office and ancillary accommodation (other than regulated finance industries)	28p
L1.12	Utilities providers	24p
L2.1	Approved development site	82p
L3.1	Domestic Local Market	12p
L3.2	Domestic Open Market	12p
L3.3	Horticulture	12p
L3.4	Agriculture	12p
L3.5	Domestic Social Housing	Zero
L3.6	Publicly owned non-domestic	Zero
L4.1	Exempt (Land)	Zero
L5.1	Land – Penal Rate	Zero
L6.1	Garaging and parking (non-domestic)	24p

## **SCHEDULE**

**TABLE (B)**  
**ALDERNEY REAL PROPERTY**  
**ALDERNEY BUILDINGS**

<b>1</b> <b>Property</b> <b>Reference</b>	<b>2</b> <b>Property</b> <b>Description/Usage</b>	<b>3</b> <b>Tariff</b>
B1.1A	Domestic (whole unit)	94p
B1.2A	Domestic (flat)	94p
B1.3A	Domestic (glasshouse)	5p
B1.4A	Domestic (outbuildings)	47p
B1.5A	Domestic (garaging and parking) (non-owner-occupied)	94p
B3.1A	Domestic (whole unit) Social Housing	Zero
B3.2A	Domestic (flat) Social Housing	Zero
B3.3A	Domestic (glasshouse) Social Housing	Zero
B3.4A	Domestic (outbuildings) Social Housing	Zero
B3.5A	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1A	Hostelry and food outlets	£4.35
B4.2A	Self-catering accommodation	£2.70
B4.3A	Motor and marine trade	£3.65
B4.4A	Retail	£8.05
B4.5A	Warehousing	£3.95
B4.6A	Industrial and workshop	£3.15
B4.7A	Recreational and sporting premises	£1.85
B4.8A	Garaging and parking (non-domestic)	£3.95
B5.1A	Utilities providers	£30.95
B6.1A	Office and ancillary accommodation (regulated finance industries)	£28.90
B6.2A	Office and ancillary accommodation (other than regulated finance industries)	£9.65
B7.1A	Horticulture (building other than a glasshouse)	5p
B8.1A	Horticulture (glasshouse)	5p
B9.1A	Agriculture	5p
B10.1A	Publicly owned non-domestic	Zero
B11.1A	Exempt (Buildings)	Zero
B12.1A	Buildings – Penal Rate	Zero
B13.1A	Development building (domestic)	47p
B13.2A	Development building (non-domestic)	£4.10

## SCHEDULE

### ALDERNEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1A	Communal (flat)	Zero
L1.3A	Hostelry and food outlets	Zero
L1.4A	Self-catering accommodation	Zero
L1.5A	Motor and marine trade	Zero
L1.6A	Retail	Zero
L1.7A	Warehousing	Zero
L1.8A	Industrial	Zero
L1.9A	Recreational and sporting premises	Zero
L1.10A	Office and ancillary accommodation (regulated finance industries)	Zero
L1.11A	Office and ancillary accommodation (other than regulated finance industries)	Zero
L1.12A	Utilities providers	Zero
L2.1A	Approved development site	Zero
L3.1A	Domestic	Zero
L3.3A	Horticulture	Zero
L3.4A	Agriculture	Zero
L3.5A	Domestic Social Housing	Zero
L3.6A	Publicly owned non-domestic	Zero
L4.1A	Exempt (Land)	Zero
L5.1A	Land – Penal Rate	Zero
L6.1A	Garaging and parking (non-domestic)	Zero



## SCHEDULE

**TABLE (C)**  
**HERM REAL PROPERTY**

### **HERM BUILDINGS**

<b>1</b> <b>Property</b> <b>Reference</b>	<b>2</b> <b>Property</b> <b>Description/Usage</b>	<b>3</b> <b>Tariff</b>
B1.1H	Domestic (whole unit)	Zero
B1.2H	Domestic (flat)	Zero
B1.3H	Domestic (glasshouse)	Zero
B1.4H	Domestic (outbuildings)	Zero
B1.5H	Domestic (garaging and parking) (non-owner-occupied)	Zero
B3.1H	Domestic (whole unit) Social Housing	Zero
B3.2H	Domestic (flat) Social Housing	Zero
B3.3H	Domestic (glasshouse) Social Housing	Zero
B3.4H	Domestic (outbuildings) Social Housing	Zero
B3.5H	Domestic (garaging and parking) (non-owner-occupied) Social Housing	Zero
B4.1H	Hostelry and food outlets	Zero
B4.2H	Self-catering accommodation	Zero
B4.3H	Motor and marine trade	Zero
B4.4H	Retail	Zero
B4.5H	Warehousing	Zero
B4.6H	Industrial and workshop	Zero
B4.7H	Recreational and sporting premises	Zero
B4.8H	Garaging and parking (non-domestic)	Zero
B5.1H	Utilities providers	Zero
B6.1H	Office and ancillary accommodation (regulated finance industries)	Zero
B6.2H	Office and ancillary accommodation (other than regulated finance industries)	Zero
B7.1H	Horticulture (building other than a glasshouse)	Zero
B8.1H	Horticulture (glasshouse)	Zero
B9.1H	Agriculture	Zero
B10.1H	Publicly owned non-domestic	Zero
B11.1H	Exempt (Buildings)	Zero
B12.1H	Buildings – Penal Rate	Zero
B13.1H	Development buildings (domestic)	Zero
B13.2H	Development buildings (commercial)	Zero

## SCHEDULE

### HERM LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1H	Communal (flat)	Zero
L1.3H	Hostelry and food outlets	Zero
L1.4H	Self-catering accommodation	Zero
L1.5H	Motor and marine trade	Zero
L1.6H	Retail	Zero
L1.7H	Warehousing	Zero
L1.8H	Industrial	Zero
L1.9H	Recreational and sporting premises	Zero
L1.10H	Office and ancillary accommodation (regulated finance industries)	Zero
L1.11H	Office and ancillary accommodation (other than regulated finance industries)	Zero
L1.12H	Utilities providers	Zero
L2.1H	Approved development site	Zero
L3.1H	Domestic	Zero
L3.3H	Horticulture	Zero
L3.4H	Agriculture	Zero
L3.5H	Domestic Social Housing	Zero
L3.6H	Publicly owned non-domestic	Zero
L4.1H	Exempt (Land)	Zero
L5.1H	Land – Penal Rate	Zero
L6.1H	Garaging and parking (non-domestic)	Zero

## **REPORT FROM THE POLICY COUNCIL –**

### **CONCLUSION OF THE 2010 CORPORATE TAX REVIEW**

When the 2010 Corporate Tax review was first published in June 2010, five criteria were laid out that any revisions to our corporate tax regime should seek to meet. These were that any revised regime should: be competitive; be simple; be internationally acceptable; promote a sustainable economy and give rise to reciprocal benefits.

Other principles that the corporate tax regime should conform to was also set out. These included the principle that income should wherever possible be taxed once only and that it was fundamental to tax the provider not the product in particular for financial services: providing a tax neutral platform being key to Guernsey's economic model.

Feedback was published on the consultation responses in November 2010. The consensus view from respondents (in the main firms and industry representative groups) was a preference for modifying the existing zero/10 regime to ensure it complied with international (in the specific case the European Union Code of Conduct ('CoC')) standards but that if this were not possible a territorial based system was the preferred candidate for the foundation of an alternative regime from the options presented in the consultation document.

At the time of publication of this feedback in November 2010, Jersey and Isle of Man regimes formal review by the CoC group was still in progress. This process took over a year to complete ending effectively in December 2011 when the European Council confirmed the CoC Group's assessment that the zero/10 regimes of the Jersey and the Isle of Man were compliant with the CoC without their deemed distribution and attribution regimes.

Following the confirmation of compliance of the zero / ten regime in principle (that is without the specific deemed distribution and attribution regimes of Jersey and the Isle of Man respectively), the States of Guernsey determined that its distinct and different deemed distribution regime could not be assumed to be non-compliant with the CoC. It thus engaged with the CoC in late 2011 and early 2012. The CoC Group agreed that the differences were sufficient to warrant a separate review which was concluded in April 2012. This the CoC assessment was that, whilst clearly different, the 'effects' of the regime were no different to those previously ruled non-compliant, it ruled that Guernsey's deemed distribution regime merely resulted in a 'timing difference.' Thus the States of Guernsey immediately moved to repeal the deemed distribution regime on June 27<sup>th</sup>, 2012 (Billet XXII).

Guernsey's removal of the deemed distribution regime was positively assessed by the Code of Conduct Group in September 2012. This is still subject to formal ratification by Ecofin but once endorsed, Guernsey's zero/10 regime will be formally compliant with the Code of Conduct.

Having ensured its current regime is compliant with the CoC, the States is now in a position to formally conclude its 2010 review of corporate tax. Of the two key options considered, Guernsey's zero/10 regime clearly complies with international standards, retains the important tax neutral platform and thus maintains Guernsey's international fiscal competitive position. During the process, it has been determined that a limited extension of the ten percent rate to insurance and fiduciary business whilst retaining the zero rate for funds and the current scope of the 10% for banking services will remain which will retain a significant competitive advantage in key sectors, whilst improving the States revenue position.

During the review process, it is well known that the States sought to develop an alternative framework for corporate tax to ensure one was readied if it were required, that is if the zero/10 regime was considered to be non compliant with the Code. A provisional framework was developed which it was believed was in principle competitive, although question marks remained in some areas. However, Gibraltar's newly introduced corporate tax regime (a territorial based system introduced in January 2011) was referred to the CoC Group for review in late 2011. This review is still ongoing and is itself now likely to be suspended as Gibraltar's regime has also been referred for review under EU State Aid rules (to which Gibraltar must comply). Conditions would need to be propitious for any wholesale revision to the corporate tax regime. Even if it were desired, global conditions are not conducive to any consideration of such. Given the uncertainty regarding both the international compliance and the competitive position of the territorial regime, movement along these lines is ruled out at this time.

**REPORT FROM THE POLICY COUNCIL –****CONCLUSION OF THE 2010 CORPORATE TAX REVIEW (continued)**

On the basis of the five principles set out, the current zero/10 regime, revised to be compliant, that is without deemed distribution, has been determined to be the best option for Guernsey. It is a regime that provides certainty and preserves Guernsey's international competitive position on which our economic and fiscal model is based. In the long run it could well be that further pressure is brought to bear economically and more significantly politically on zero rate jurisdictions. However, Guernsey has set out a clear commitment to meeting international standards on tax transparency and co-operation. The UK has made it clear it will defend the zero/10 regime of the Crown Dependencies when allied to such commitment.

Therefore, with revisions and the proposed marginally broader extension of the 10% rate, the States set out a clear stable path for corporate taxation and the 2010 formal corporate tax review can be considered closed.

## **SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION**

### **Duty on Tobacco**

2013	6.0% increase	(RPI plus 3%)
2012	6.5% increase	(RPI plus 3%)
2011	4.6% increase	(RPI plus 3%)
2010	15% increase	
2009	8.5% increase	(RPI plus 3%)
2008	7.7% increase	(RPI plus 3%)

### **Duty on Alcohol**

2013	3% increase	
2012	3% increase	
2011	3.5% increase	
2010	15% increase on spirits only	
2009	5.5% increase	
2008	20% increase	

### **Duty on Fuel**

2013	3.3% increase	
2012	9.8% increase	
2011	10.8% increase	
2010	15% increase	
2009	6.9% increase	
2008	7.4% increase	

### **Document Duty**

2008 - 2013	No change
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### **Tax on Rateable Value / Tax on Real Property**

2013	3% increase	
2012	20% increase 3% increase	Domestic Commercial
2011	20% increase 3.5% increase	Domestic Commercial
2010	10% increase	
2009	5.5% increase 25% increase 50% increase	Domestic and Commercial Office and ancillary accommodation (other than regulated finance industries) Office and ancillary accommodation (regulated finance industries) buildings and land and approved development site land
2008	100% increase 400% increase	Commercial, utilities and recreational and sporting buildings and land Office and ancillary accommodation (regulated finance industries) buildings and land and approved development site land

## USE OF DELEGATED FINANCIAL AUTHORITY

The States Financial Procedures require the Treasury and Resources Department to report periodically on the use of delegated financial authority. The Department last reported to the States on these matters as part of the 2011 Accounts in May 2012, since that time:

The Department has approved the following increases in 2012 revenue budgets in accordance with decision of 12 October 2011 after consideration of the 2011 – 2016 States Strategic Plan:

	£
Review the funding and organisational options for Guernsey Health and Social Care Services	44,000
Bowel Cancer screening in Guernsey	294,000
<b>TOTAL</b>	<b>338,000</b>

In addition the Department has approved the following revenue budget increase:

	£
Policy Council – FTP HR project (Funded by a transfer from Fundamental Spending Review Fund)	128,000
<b>TOTAL</b>	<b>128,000</b>

The following capital projects have been approved:

	£
<b>Treasury and Resources Department</b>	
Cash receipting system replacement	100,000
Brehon Tower repairs	84,000
Business continuity software	70,300
St James Chambers lighting replacement	50,000
<b>Royal Court</b>	
Grefe/Sheriff Office alterations	62,000
<b>Law Officers</b>	
St James' Chambers alterations	83,000
<b>Culture and Leisure Department</b>	
Museum Storage phase III – St John Street mechanical and electrical works	154,700
Museum Storage phase III – St John Street general building works	122,100
Guernsey Museum and Art Gallery roof refurbishment	30,000
<b>Education Department</b>	
St Anne's School disabled lift/asbestos removal	234,000
Grammar School roof refurbishment	160,000
Grammar School refurbishment phase I	97,000
St Martin's School toilets refurbishment	80,000
College of Further Education workshop portal remedial works	69,000
Priaulx Library fire alarm system	42,542
College of Further Education carpenters workshop upgrade	40,000
La Rondin School roof replacement	34,000
<b>Health and Social Services Department</b>	
Hospital and other equipment	812,500
De Saumarez Ward upgrade	139,095
Sherwill Ward upgrade	123,500
TrakCare IT software upgrade	100,000

	£
<b>Home Department</b>	
TETRA voice recording equipment	150,000
Police vehicle replacements	70,000
Prison fence refurbishment	65,000
Prison security system repairs	26,435
Prison environmental services equipment	22,000
Guernsey Border Agency vehicles replacement	21,000
Police fingerprint equipment replacement	20,000
Prison cell window vents replacement	10,000
<b>Ports</b>	
<b>Guernsey Airport</b>	
Foam store relocation	90,000
Hangar rewiring	26,000
Control Tower furniture replacement	18,100
<b>St Peter Port Harbour</b>	
Tipper replacement	19,750
Light van replacement	10,450
<b>States of Alderney</b>	
Road resurfacing programme	250,000
St Anne's Church repairs	200,000
Pilot boat engines replacement	52,000
Fire Brigade cliff rescue equipment	16,000
Hedgecutter replacement	14,200
<b>TOTAL</b>	<b>3,768,672</b>

There following property purchases and sales have been approved:

	£
<b><u>Purchases</u></b>	
<b>Housing Department</b>	
Area of land at Chemin des Monts, Castel	15,000
<b>TOTAL PURCHASES</b>	<b>15,000</b>
<b><u>Sales</u></b>	
<b>Treasury and Resources Department</b>	
Granville House, Mount Durand, St Peter Port	1,253,000
<b>Housing Department</b>	
Treetops, La Neuve Rue, Castel	460,000
Right of Way – Cour du Parc, La Charroterie, St Peter Port	6,000
Land at former Grand Bouet Housing Estate (Phase II) (Conveyed to the Guernsey Housing Association LBG)	1
<b>Public Services Department – Guernsey Water</b>	
Land parcel at Longue Hougue, St Sampsons	15,000
<b>TOTAL SALES</b>	<b>1,734,001</b>



**AURIGNY & ANGLO NORMANDY:**  
**TRADING POSITION (TO SEPTEMBER 2012)**

**Aurigny Air Services Limited**

	Projected Outturn 2012 £'000	Year to Date Actual 2012 £'000	Year to Date Budget 2012 £'000	Full Year Actual 2011 £'000
Revenue	31,460	24,191	23,847	30,359
Direct Costs	(26,065)	(19,812)	(19,921)	(24,995)
<b>Operating Result</b>	<b>5,395</b>	<b>4,379</b>	<b>3,926</b>	<b>5,364</b>
Overheads	(5,230)	(3,974)	(4,002)	(5,010)
Other Operating Income	20	10	27	43
<b>Operating Profit / (Loss)</b>	<b>185</b>	<b>415</b>	<b>(49)</b>	<b>397</b>
Net Interest Payable	(970)	(726)	(721)	(995)
<b>(Loss)</b>	<b>(785)</b>	<b>(311)</b>	<b>(770)</b>	<b>(598)</b>

**Anglo Normandy Aero Engineering Limited**

	Projected Outturn 2012 £'000	Year to Date Actual 2012 £'000	Year to Date Budget 2012 £'000	Full Year Actual 2011 £'000
Revenue	4,498	3,752	4,046	5,655
Direct Costs	(3,924)	(3,270)	(3,337)	(4,857)
<b>Operating Result</b>	<b>574</b>	<b>482</b>	<b>709</b>	<b>798</b>
Overheads	(1,153)	(948)	(754)	(923)
<b>Operating (Loss)</b>	<b>(579)</b>	<b>(466)</b>	<b>(45)</b>	<b>(125)</b>
Net Interest Payable	-	-	-	(2)
<b>(Loss)</b>	<b>(579)</b>	<b>(466)</b>	<b>(45)</b>	<b>(127)</b>



# INCOME AND EXPENDITURE ACCOUNT

APPENDIX V

2011 Actual £'000s	2012 Original Budget £'000s	<b><u>Income and Expenditure by Category</u></b>		2013 Budget £'000s
			Note	
		<b>Income</b>		
270,046	279,100	<i>Income Taxes</i>	1	291,500
74,278	78,150	<i>Other Taxes</i>	2	78,550
2,017	1,400	<i>Miscellaneous Income</i>	3	1,200
<b>346,341</b>	<b>358,650</b>	<b>General Revenue Income</b>		<b>371,250</b>
<b>34,926</b>	<b>31,999</b>	<b>Departmental Operating Income</b>		<b>32,720</b>
<b>381,267</b>	<b>390,649</b>	<b>Total Income</b>		<b>403,970</b>
		<b>Less Expenditure</b>		
191,935	197,016	<i>Pay</i>	4	201,260
123,119	124,828	<i>Non-Pay</i>	5	121,683
52,730	54,205	<i>Formula-Led</i>	6	58,070
-	(6,500)	<i>Financial Transformation Programme Target</i>		(10,643)
<b>367,784</b>	<b>369,549</b>	<b>Revenue Expenditure</b>		<b>370,370</b>
-	1,280	<i>Service Developments</i>		1,278
-	6,620	<i>Budget Reserve</i>		8,772
<b>13,483</b>	<b>13,200</b>	<b>Revenue Surplus</b>		<b>23,550</b>
205	3,500	<i>Capital Income</i>		-
16,681	16,350	<i>Less Routine Capital Expenditure</i>	7	13,000
<b>(2,993)</b>	<b>350</b>	<b>Net Surplus / (Deficit)</b>		<b>10,550</b>
		<b>Transfers</b>		
(21,300)	(27,350)	<i>To Capital Reserve</i>		(24,550)
-	-	<i>To Strategic Development Fund</i>		(3,000)
24,300	27,000	<i>From Contingency Reserve (Tax Strategy)</i>		17,000
<b>7</b>	<b>-</b>	<b>Transfer to General Revenue Account Reserve</b>		<b>-</b>

# INCOME AND EXPENDITURE ACCOUNT

2011 Actual £'000s	2012 Original Budget £'000s	<b>Income and Expenditure by Service Area</b>		2013 Budget £'000s
		<b>Income</b>		
346,341	358,650	Revenue Income		371,250
205	3,500	Capital Income		-
<u>346,546</u>	<u>362,150</u>			<u>371,250</u>
		<b>Expenditure</b>		
		Net Revenue Expenditure by Department / Committee		
8,740	9,850	<i>Policy Council</i>		10,375
17,182	17,750	<i>Treasury &amp; Resources Department</i>		17,020
11,228	11,425	<i>Commerce &amp; Employment Department</i>		11,075
3,336	3,650	<i>Culture &amp; Leisure Department</i>		3,250
75,184	75,750	<i>Education Department</i>		74,400
8,114	8,275	<i>Environment Department</i>		8,075
107,213	106,900	<i>Health &amp; Social Services Department</i>		108,170
32,149	32,875	<i>Home Department</i>		31,925
1,446	1,625	<i>Housing Department</i>		1,600
7,542	6,250	<i>Public Services Department</i>		4,500
51,869	53,080	<i>Social Security Department</i>		56,950
263	405	<i>Public Accounts Committee</i>		325
218	230	<i>Scrutiny Committee</i>		275
-	-	<i>States Review Committee</i>		95
2,396	2,930	<i>Royal Court</i>		2,900
4,345	4,680	<i>Law Officers</i>		4,775
1,633	1,875	<i>States of Alderney</i>		1,940
-	1,280	<i>Service Developments</i>		1,278
-	6,620	<i>Budget Reserve</i>		8,772
<u>332,858</u>	<u>345,450</u>			<u>347,700</u>
		Routine Capital Expenditure by Department		
1,284	1,000	<i>Treasury &amp; Resources Department</i>		1,200
73	100	<i>Commerce &amp; Employment Department</i>		100
327	850	<i>Culture &amp; Leisure Department</i>		350
493	1,000	<i>Education Department</i>		1,000
442	250	<i>Environment Department</i>		50
2,670	2,000	<i>Health &amp; Social Services Department</i>		1,500
1,369	1,000	<i>Home Department</i>		750
8,161	8,000	<i>Housing Department</i>		5,550
1,818	1,950	<i>Public Services Department</i>		-
44	100	<i>Royal Court</i>		-
-	100	<i>Law Officers</i>		-
-	-	<i>Budget Reserve</i>		2,500
<u>16,681</u>	<u>16,350</u>			<u>13,000</u>
349,539	361,800	<b>Total Cash Limits</b>		360,700
<u>(2,993)</u>	<u>350</u>	<b>Net Surplus / (Deficit)</b>		<u>10,550</u>
		Transfers		
(21,300)	(27,350)	<i>To Capital Reserve</i>		(24,550)
-	-	<i>To Strategic Development Fund</i>		(3,000)
24,300	27,000	<i>From Contingency Reserve (Tax Strategy)</i>		17,000
<u>7</u>	<u>-</u>	<b>Transfer to General Revenue Account Reserve</b>		<u>-</u>

# NOTES

## 1. Income Taxes

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
218,143	222,900	Individuals	233,000
39,269	43,200	Companies (including Banks)	50,500
12,061	13,000	Distributed Profits	8,000
573	-	Transitional Company Tax	-
<b>270,046</b>	<b>279,100</b>	<b>Income Taxes</b>	<b>291,500</b>

## 2. Other Taxes

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
		Customs - Excise and Import Duties	
3,002	3,200	<i>Beer</i>	3,200
684	675	<i>Cider</i>	700
13,951	15,600	<i>Motor Fuel</i>	15,400
2,813	2,850	<i>Spirits</i>	2,650
7,649	7,950	<i>Tobacco</i>	8,250
4,188	4,475	<i>Wine</i>	4,550
(350)	(300)	<i>Duties Collected for Sark</i>	(300)
1,236	1,300	<i>Import duties</i>	1,300
<b>33,173</b>	<b>35,750</b>		<b>35,750</b>
9,088	8,700	Company Fees	8,500
17,068	17,800	Document Duty - Conveyancing and Bonds	18,000
14,949	15,900	Tax on Real Property	16,300
<b>74,278</b>	<b>78,150</b>	<b>Other Taxes</b>	<b>78,550</b>

## 3. Miscellaneous Income

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
49	-	General Revenue Account Investment Return	-
872	-	Retention Tax - Net Receipt	-
471	800	States Trading Companies Dividends	200
625	600	Other Income	1,000
<b>2,017</b>	<b>1,400</b>	<b>Miscellaneous Income</b>	<b>1,200</b>

# NOTES

## 4. Pay Costs by Pay Group

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
75,907	81,969	Established Staff	84,519
16,174	16,919	Public Service Employees	17,741
35,589	38,110	Nurses and Medical Consultants	39,197
40,100	40,799	Teachers and Teaching Assistants	40,068
3,355	3,419	Fire Officers	3,534
9,412	9,569	Police Officers	9,668
3,261	3,249	Prison Officers	3,340
1,531	1,526	Crown Officers, Magistrates and Royal Court Judge	1,577
6,606	1,456	Other Pay Groups	1,616
<b>191,935</b>	<b>197,016</b>	<b>Pay Costs by Pay Group</b>	<b>201,260</b>

# NOTES

## 5. Non-Pay Costs by Expenditure Category

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
		Staff Non Pay Costs	
2,064	2,221	<i>Recruitment</i>	2,119
1,729	2,135	<i>Training</i>	2,203
592	528	<i>Other Staff Costs</i>	555
<u>4,385</u>	<u>4,884</u>		<u>4,877</u>
		Support Services	
1,896	2,158	<i>Advertising Marketing and PR</i>	1,988
189	217	<i>Audit Fees</i>	188
120	147	<i>Bank Charges</i>	119
10,381	10,403	<i>Communications and IT</i>	10,315
3,448	1,808	<i>Consultants Fees</i>	2,055
18,358	18,397	<i>Contracted Out Work</i>	18,717
1,443	2,067	<i>Incidental and Other costs</i>	1,601
2,116	2,299	<i>Postage, Stationery and Printing</i>	2,148
1,827	2,078	<i>Risk Management and Insurance</i>	1,961
<u>39,778</u>	<u>39,574</u>		<u>39,092</u>
		Premises	
793	811	<i>Equipment, Fixtures and Fittings</i>	880
2,757	2,844	<i>Rents and Leasing</i>	2,152
9,136	8,630	<i>Repairs, Maintenance and Servicing</i>	8,889
5,762	5,767	<i>Utilities</i>	6,100
<u>18,448</u>	<u>18,052</u>		<u>18,021</u>
		Third Party Payments	
293	276	<i>Benefit Payments</i>	298
28,336	30,863	<i>Grants and Subsidies</i>	28,862
<u>28,629</u>	<u>31,139</u>		<u>29,160</u>
		Transport	
1,540	1,432	<i>Vehicles and Vessels</i>	1,424
		Supplies and Services	
17,182	16,245	<i>Services</i>	15,981
13,157	13,502	<i>Supplies</i>	13,128
<u>30,339</u>	<u>29,747</u>		<u>29,109</u>
<u><b>123,119</b></u>	<u><b>124,828</b></u>	<b>Non-Pay Costs by Expenditure Category</b>	<u><b>121,683</b></u>



# NOTES

## 6. Formula-led Costs by expenditure category

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
1,859	1,900	Payments to States Members	1,870
		Third Party Payments	
31,224	31,585	<i>Benefit Payments</i>	35,457
19,647	20,720	<i>Grants and Subsidies</i>	20,743
<b>52,730</b>	<b>54,205</b>	<b>Formula-led Costs</b>	<b>58,070</b>

## 7. Routine Capital Expenditure

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
1,410	1,650	Construction and Development Projects	-
4,197	10,240	Miscellaneous Capital Works	5,425
8,000	8,000	Transfer to Corporate Housing Programme	6,000
999	1,390	IT Projects and Equipment	2,050
2,027	1,797	Equipment Machinery and Vehicles	3,205
48	260	Alderney Airport net capital expenditure	960
-	-	Budget Reserve	2,500
<b>16,681</b>	<b>23,337</b>		<b>20,140</b>
-	(6,987)	Use of Accumulated Capital Allocation	(7,140)
<b>16,681</b>	<b>16,350</b>	<b>Net Routine Capital Expenditure</b>	<b>13,000</b>

# POLICY COUNCIL

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
		<b><u>Net Expenditure by Category</u></b>	
1	16	<b>Operating Income</b>	16
		<b>Non Formula-Led Expenditure</b>	
3,159	3,334	Pay costs	4,261
		Non Pay costs	
210	259	Staff Non Pay costs	248
571	925	Support Services	840
72	59	Premises	55
2,927	3,100	Third Party Payments	3,180
1	1	Transport	1
164	238	Supplies & Services	211
3,945	4,582		4,535
7,103	7,900	<b>Net Non Formula-Led Expenditure by Category</b>	8,780
		<b>Formula-Led Expenditure</b>	
1,637	2,000	Third Party Payments	2,050
1,637	2,000	<b>Formula-Led Expenditure by Category</b>	2,050
-	(50)	<b>Financial Transformation Programme Target</b>	(455)
<b>8,740</b>	<b>9,850</b>	<b>Total Net Expenditure by Category</b>	<b>10,375</b>
		<b><u>Net Expenditure by Service Area</u></b>	
		<b>Non Formula-Led Expenditure</b>	
828	878	Administration	841
262	267	Archive Services	265
2,618	2,700	Contribution to Aid Overseas	2,780
888	1,175	External Affairs	1,171
1,277	1,505	Human Resources	2,322
328	319	Legal Aid Administration	320
782	929	Policy and Research	962
120	127	Tribunals	119
7,103	7,900		8,780
		<b>Formula-Led Expenditure</b>	
752	1,219	Civil Legal Aid	1,231
885	781	Criminal Legal Aid	819
1,637	2,000		2,050
-	(50)	<b>Financial Transformation Programme Target</b>	(455)
<b>8,740</b>	<b>9,850</b>	<b>Net Expenditure by Service Area</b>	<b>10,375</b>

# POLICY COUNCIL

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Routine Capital Expenditure</u></b>			
-	550	IT Projects and Equipment	300
-	(550)	Use of Accumulated Capital Allocation	(300)
<b>-</b>	<b>-</b>	<b>Net Routine Capital Expenditure</b>	<b>-</b>

# TREASURY AND RESOURCES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
3,078	2,906	Operating Income	3,059
<b>Non Formula-Led Expenditure</b>			
10,033	10,743	Pay costs	11,260
		Non Pay costs	
166	180	Staff Non Pay costs	159
5,032	5,252	Support Services	5,211
2,010	1,921	Premises	1,754
627	640	Third Party Payments	622
18	19	Transport	19
515	561	Supplies & Services	580
8,368	8,573		8,345
<b>15,323</b>	<b>16,410</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>16,546</b>
<b>Formula-Led Expenditure</b>			
1,859	1,900	Payments to States Members	1,870
<b>1,859</b>	<b>1,900</b>	<b>Formula-Led Expenditure by Category</b>	<b>1,870</b>
-	(560)	Financial Transformation Programme Target	(1,396)
<b>17,182</b>	<b>17,750</b>	<b>Net Expenditure by Category</b>	<b>17,020</b>

# TREASURY AND RESOURCES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Service Area</u></b>			
<b>Non Formula-Led Expenditure</b>			
222	200	Administration	322
2,298	2,480	Client Services	2,470
46	55	Commonwealth Parliamentary Association	63
331	375	Corporate Procurement Services	379
763	775	H.E. Lieutenant Governor	759
3,808	4,035	Income Tax	4,255
2,735	2,740	Information and Communications Technology	2,855
2,580	2,705	States Property Services	2,562
2,540	3,045	Treasury	2,881
<b>15,323</b>	<b>16,410</b>	<b>Net Non Formula-Led Expenditure by Service Area</b>	<b>16,546</b>
<b>Formula-Led Expenditure</b>			
1,859	1,900	Payments to States Members	1,870
<b>1,859</b>	<b>1,900</b>	<b>Net Formula-Led Expenditure by Service Area</b>	<b>1,870</b>
-	(560)	<b>Financial Transformation Programme Target</b>	(1,396)
<b>17,182</b>	<b>17,750</b>	<b>Net Expenditure by Service Area</b>	<b>17,020</b>
<b><u>Routine Capital Expenditure</u></b>			
1,057	1,475	Miscellaneous Capital Works	1,590
227	100	IT Projects and Equipment	430
-	20	Equipment, Machinery and Vehicles	10
1,284	1,595		2,030
-	(595)	Use of Accumulated Capital Allocation	(830)
<b>1,284</b>	<b>1,000</b>	<b>Net Routine Capital Expenditure</b>	<b>1,200</b>

# COMMERCE AND EMPLOYMENT DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
		<b><u>Net Expenditure by Category</u></b>	
731	713	Operating Income	796
		<b>Non Formula-Led Expenditure</b>	
4,021	4,322	Pay costs	4,477
		Non Pay costs	
69	108	Staff Non Pay costs	61
2,856	3,003	Support Services	3,018
173	190	Premises	176
4,384	4,652	Third Party Payments	4,099
215	161	Transport	131
241	292	Supplies & Services	288
7,938	8,406		7,773
-	(590)	Financial Transformation Programme Target	(379)
<b>11,228</b>	<b>11,425</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>11,075</b>

# COMMERCE AND EMPLOYMENT DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b>Net Expenditure by Service Area</b>			
		Administration and Central Services	
298	299	<i>Facilities</i>	307
85	102	<i>Human Resources</i>	99
122	155	<i>ICT</i>	149
514	535	<i>Management and Administration</i>	525
27	20	<i>Office of Public Trustee</i>	20
<u>1,046</u>	<u>1,111</u>		<u>1,100</u>
		Client Services	
457	468	<i>Agriculture and Rural Environment Service</i>	415
272	341	<i>Employment Relations Service</i>	343
339	349	<i>Farm and Field Services</i>	334
2,089	2,096	<i>Grants and Support Schemes</i>	2,068
395	438	<i>Health and Safety Executive</i>	455
170	179	<i>Management and Administration</i>	179
146	160	<i>Plant Protection and Laboratory Services</i>	160
352	356	<i>Sea Fisheries</i>	369
287	298	<i>Trading Standards Service</i>	296
<u>4,507</u>	<u>4,685</u>		<u>4,619</u>
		Economic Development	
9	26	<i>Civil Aviation Office</i>	11
311	449	<i>Finance Sector Development</i>	374
2,105	2,331	<i>Grants and Support Schemes</i>	1,810
483	420	<i>Management and Administration</i>	528
211	215	<i>Strategic Projects</i>	238
<u>3,119</u>	<u>3,441</u>		<u>2,961</u>
		Marketing and Tourism	
861	818	<i>Consumer Marketing</i>	923
195	225	<i>Grants and Support Schemes</i>	220
360	460	<i>Marketing Communications</i>	445
62	73	<i>Quality Development</i>	73
620	700	<i>Strategic Marketing</i>	646
458	502	<i>Trade and Media Relations</i>	467
<u>2,556</u>	<u>2,778</u>		<u>2,774</u>
<u>11,228</u>	<u>12,015</u>		<u>11,454</u>
-	(590)	<b>Financial Transformation Programme Target</b>	(379)
<u><b>11,228</b></u>	<u><b>11,425</b></u>	<b>Net Expenditure by Service Area</b>	<u><b>11,075</b></u>
<b>Routine Capital Expenditure</b>			
56	1,215	Miscellaneous Capital Works	725
5	-	IT Projects and Equipment	-
12	22	Equipment, Machinery and Vehicles	90
<u>73</u>	<u>1,237</u>		<u>815</u>
-	(1,137)	Use of Accumulated Capital Allocation	(715)
<u><b>73</b></u>	<u><b>100</b></u>	<b>Net Routine Capital Expenditure</b>	<u><b>100</b></u>

# CULTURE AND LEISURE DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
4,406	4,253	<b>Operating Income</b>	4,235
<b>Non Formula-Led Expenditure</b>			
4,779	4,903	Pay costs	5,024
43	37	Non Pay costs	
351	414	Staff Non Pay costs	37
1,043	1,090	Support Services	402
740	777	Premises	1,092
15	12	Third Party Payments	766
771	770	Transport	11
		Supplies & Services	756
2,963	3,100		3,064
-	(100)	<b>Financial Transformation Programme Target</b>	(603)
<b>3,336</b>	<b>3,650</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>3,250</b>
<b><u>Net Expenditure by Service Area</u></b>			
171	174	Arts Commission	176
552	836	Beau Sejour Centre	886
664	723	Central Services	736
83	115	Cultural Activities Inside the Island	117
278	285	Events and Information	291
1,128	1,147	Museums Service	1,182
197	206	Outdoor Sports Facilities	199
263	264	Sports Commission	266
3,336	3,750		3,853
-	(100)	<b>Financial Transformation Programme Target</b>	(603)
<b>3,336</b>	<b>3,650</b>	<b>Net Expenditure by Service Area</b>	<b>3,250</b>
<b><u>Routine Capital Expenditure</u></b>			
177	750	Miscellaneous Capital Works	655
33	-	IT Projects and Equipment	-
117	100	Equipment, Machinery and Vehicles	60
327	850		715
-	-	Use of Accumulated Capital Allocation	(365)
<b>327</b>	<b>850</b>	<b>Net Routine Capital Expenditure</b>	<b>350</b>

# EDUCATION DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
1,371	1,375	<b>Operating Income</b>	1,402
<b>Non Formula-Led Expenditure</b>			
50,222	51,269	Pay costs	50,740
		Non Pay costs	
955	931	Staff Non Pay costs	993
5,065	5,309	Support Services	5,012
3,884	4,133	Premises	4,238
13,615	14,500	Third Party Payments	14,315
281	233	Transport	222
2,533	2,380	Supplies & Services	2,432
26,333	27,486		27,212
-	(1,630)	<b>Financial Transformation Programme Target</b>	(2,150)
<b>75,184</b>	<b>75,750</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>74,400</b>
<b><u>Net Expenditure by Service Area</u></b>			
4,183	4,339	Education Office	4,404
11,026	11,426	School & Pupil Support Services	10,945
7,976	7,914	College of Further Education	7,539
39,511	40,276	Schools	40,362
5,661	6,500	Higher Education	6,500
4,922	5,010	Grants to Colleges	4,835
1,905	1,915	Grants to Libraries	1,965
75,184	77,380		76,550
-	(1,630)	<b>Financial Transformation Programme Target</b>	(2,150)
<b>75,184</b>	<b>75,750</b>	<b>Net Expenditure by Service Area</b>	<b>74,400</b>
<b><u>Routine Capital Expenditure</u></b>			
493	1,535	Miscellaneous Capital Works	1,285
-	30	Equipment, Machinery and Vehicles	120
493	1,565		1,405
-	(565)	Use of Accumulated Capital Allocation	(405)
<b>493</b>	<b>1,000</b>	<b>Net Routine Capital Expenditure</b>	<b>1,000</b>



# ENVIRONMENT DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
2,239	1,892	Operating Income	1,955
<b>Non Formula-Led Expenditure</b>			
3,892	4,170	Pay costs	4,054
		Non Pay costs	
169	176	Staff Non Pay costs	165
2,835	2,892	Support Services	2,928
359	331	Premises	300
2,949	2,571	Third Party Payments	2,690
28	27	Transport	30
121	130	Supplies & Services	134
6,461	6,127		6,247
-	(130)	Financial Transformation Programme Target	(271)
<b>8,114</b>	<b>8,275</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>8,075</b>
<b><u>Net Expenditure by Service Area</u></b>			
1,626	1,805	Planning Services	1,706
2,111	2,070	Central Support Services	409
409	403	Environmental Services	2,083
3,968	4,127	Traffic and Transport Services	4,148
8,114	8,405		8,346
-	(130)	Financial Transformation Programme Target	(271)
<b>8,114</b>	<b>8,275</b>	<b>Net Expenditure by Service Area</b>	<b>8,075</b>
<b><u>Routine Capital Expenditure</u></b>			
412	340	Miscellaneous Capital Works	65
11	75	IT Projects and Equipment	215
19	-	Equipment, Machinery and Vehicles	85
442	415		365
-	(165)	Use of Accumulated Capital Allocation	(315)
<b>442</b>	<b>250</b>	<b>Net Routine Capital Expenditure</b>	<b>50</b>

# HEALTH AND SOCIAL SERVICES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
8,561	8,679	<b>Operating Income</b>	8,899
<b>Non Formula-Led Expenditure</b>			
73,242	74,305	Pay costs	76,815
		Non Pay costs	
1,837	2,175	Staff Non Pay costs	2,102
10,843	12,186	Support Services	11,999
4,914	4,991	Premises	5,093
2,467	2,598	Third Party Payments	2,596
603	572	Transport	535
21,868	21,102	Supplies & Services	21,214
42,532	43,624		43,539
-	(2,350)	<b>Financial Transformation Programme Target</b>	(3,285)
<b>107,213</b>	<b>106,900</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>108,170</b>

# HEALTH AND SOCIAL SERVICES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Service Area</u></b>			
		Corporate Services Directorate	
209	200	Chief Executive and Board	209
9,509	9,598	Diagnostic and Support Services	10,435
12,833	13,831	Estates and Facilities Management	13,373
2,685	2,317	Human Resources Management	2,138
946	939	States Employed Consultants	966
1,275	1,012	Strategy, Policy and Engagement	1,187
<u>27,457</u>	<u>27,897</u>		<u>28,308</u>
		Finance & Performance Management	
7,729	7,308	Acute Off Island Treatments	6,622
7,826	7,880	Complex Placements	8,103
3,465	3,476	Finance & Performance Management	3,716
1,585	2,355	Procurement & Commercial Services	3,112
2,063	2,100	St John Ambulance & Rescue Service Grant	2,170
<u>22,668</u>	<u>23,119</u>		<u>23,723</u>
		Health & Social Care	
10,748	10,420	Acute Hospital Services	10,521
11,807	11,922	Children & Maternity Services	12,141
11,629	12,048	Community & Disability Services	12,737
1,775	1,814	Health & Social Care Management	1,726
2,490	2,973	Institute Health & Social Care Studies	3,092
13,658	13,892	Specialist Services	13,976
2,169	1,543	States Employed Consultants	1,614
<u>54,276</u>	<u>54,612</u>		<u>55,807</u>
		Public Health & Strategy	
309	553	Clinical Governance & Chief Nurse	535
1,022	1,255	Community Health & Wellbeing	1,268
668	782	Medical Public Health	791
345	412	Public Health Management	395
78	88	States Employed Consultants	76
<u>2,422</u>	<u>3,090</u>		<u>3,065</u>
390	532	Office of the Children's Convenor	552
<u>107,213</u>	<u>109,250</u>		<u>111,455</u>
-	(2,350)	Financial Transformation Programme Target	(3,285)
<u><b>107,213</b></u>	<u><b>106,900</b></u>	<b>Net Expenditure by Service Area</b>	<u><b>108,170</b></u>
<b><u>Routine Capital Expenditure</u></b>			
1,365	2,430	Miscellaneous Capital Works	500
416	250	IT Projects and Equipment	200
889	715	Equipment, Machinery and Vehicles	2,200
<u>2,670</u>	<u>3,395</u>		<u>2,900</u>
-	(1,395)	Use of Accumulated Capital Allocation	(1,400)
<u><b>2,670</b></u>	<u><b>2,000</b></u>	<b>Net Routine Capital Expenditure</b>	<u><b>1,500</b></u>

# HOME DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
1,056	1,141	<b>Operating Income</b>	1,068
<b>Non Formula-Led Expenditure</b>			
25,929	26,927	Pay costs	27,066
586	695	Non Pay costs	851
2,442	2,515	Staff Non Pay costs	2,593
1,490	1,564	Support Services	1,614
109	116	Premises	102
234	253	Third Party Payments	266
2,415	2,566	Transport	1,826
7,276	7,709	Supplies & Services	7,252
-	(620)	<b>Financial Transformation Programme Target</b>	(1,325)
<b>32,149</b>	<b>32,875</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>31,925</b>
<b><u>Net Expenditure by Service Area</u></b>			
2,128	2,118	Administration and Central Services	2,101
409	433	Bailiwick Drug and Alcohol Strategy	421
28	32	Broadcasting	(1)
133	163	Data Protection	165
122	152	Emergency Planning	147
3,771	3,882	Fire and Rescue Service	3,966
(25)	(24)	Gambling Control	(24)
6,120	6,309	Guernsey Border Agency	6,280
12,828	13,581	Police Force	13,059
5,029	5,005	Prison Service	5,283
1,606	1,844	Probation Service	1,853
32,149	33,495		33,250
-	(620)	<b>Financial Transformation Programme Target</b>	(1,325)
<b>32,149</b>	<b>32,875</b>	<b>Net Expenditure by Service Area</b>	<b>31,925</b>
<b><u>Routine Capital Expenditure</u></b>			
399	360	Miscellaneous Capital Works	275
274	520	IT Projects and Equipment	540
696	770	Equipment, Machinery and Vehicles	600
1,369	1,650		1,415
-	(650)	<b>Use of Accumulated Capital Allocation</b>	(665)
<b>1,369</b>	<b>1,000</b>	<b>Net Routine Capital Expenditure</b>	<b>750</b>

# HOUSING DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
1,602	1,600	Operating Income	1,592
<b>Non Formula-Led Expenditure</b>			
2,594	2,770	Pay costs	2,862
12	15	Non Pay costs	10
62	79	Staff Non Pay costs	71
211	218	Support Services	204
3	3	Premises	3
166	200	Transport	184
		Supplies & Services	
454	515		472
-	(60)	Financial Transformation Programme Target	(142)
<b>1,446</b>	<b>1,625</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>1,600</b>
<b><u>Net Expenditure by Service Area</u></b>			
25	113	Housing Control	132
1,421	1,572	Residential Homes	1,610
1,446	1,685		1,742
-	(60)	Financial Transformation Programme Target	(142)
<b>1,446</b>	<b>1,625</b>	<b>Net Expenditure by Service Area</b>	<b>1,600</b>
<b><u>Routine Capital Expenditure</u></b>			
136	25	Miscellaneous Capital Works	5
-	-	IT Projects and Equipment	15
8,000	8,000	Transfer to Corporate Housing Programme	6,000
25	-	Equipment, Machinery and Vehicles	-
8,161	8,025		6,020
-	(25)	Use of Accumulated Capital Allocation	(470)
<b>8,161</b>	<b>8,000</b>	<b>Net Routine Capital Expenditure</b>	<b>5,550</b>

# PUBLIC SERVICES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
		<b><u>Net Expenditure by Category</u></b>	
8,260	6,158	<b>Operating Income</b>	6,412
		<b>Non Formula-Led Expenditure</b>	
2,718	2,375	Pay costs	2,441
		Non Pay costs	
51	59	Staff Non Pay costs	59
8,288	5,051	Support Services	5,168
3,789	2,908	Premises	2,848
70	1,385	Third Party Payments	3
59	52	Transport	53
827	878	Supplies & Services	828
13,084	10,333		8,959
-	(300)	<b>Financial Transformation Programme Target</b>	(488)
<b>7,542</b>	<b>6,250</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>4,500</b>

# PUBLIC SERVICES DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Service Area</u></b>			
		Alderney Airport	
(527)	(569)	Income	(565)
222	310	Administration	228
659	621	Aerodrome Fire Service	645
127	130	Airport Infrastructure	140
287	274	Navigational Services	308
<u>768</u>	<u>766</u>		<u>756</u>
420	447	Alderney Breakwater	440
71	73	Emergency Services	73
912	985	Policy and Corporate Services	938
		Roads	
1,203	1,233	Road Cleansing	1,198
2,272	2,664	Resurfacing and Reconstruction	2,610
1	-	Road Infrastructure	-
336	302	Minor Repairs and Maintenance	302
<u>3,812</u>	<u>4,199</u>		<u>4,110</u>
		Solid Waste	
(1,050)	(2,322)	Refuse Disposal and Land Reclamation	(2,305)
704	759	Recycling	651
250	328	Waste Minimisation	325
<u>(96)</u>	<u>(1,235)</u>		<u>(1,329)</u>
1,655	1,315	Waste water (see Note)	-
<u>7,542</u>	<u>6,550</u>		<u>4,988</u>
-	(300)	Financial Transformation Programme Target	(488)
<u><b>7,542</b></u>	<u><b>6,250</b></u>	<b>Net Expenditure by Service Area</b>	<u><b>4,500</b></u>
<b><u>Routine Capital Expenditure</u></b>			
1,410	1,650	Foul Water Network Extension Plan	-
91	1,825	Miscellaneous Capital Works	275
-	100	IT Projects and Equipment	-
269	140	Equipment, Machinery and Vehicles	40
48	260	Alderney Airport capital expenditure	960
<u>1,818</u>	<u>3,975</u>		<u>1,275</u>
-	(2,025)	Use of Accumulated Capital Allocation	(1,275)
<u><b>1,818</b></u>	<u><b>1,950</b></u>	<b>Net Routine Capital Expenditure</b>	<u><b>-</b></u>

Note: On 8 February 2012 the States agreed to the management of clean water and waste water through a single organisation, namely Guernsey Water, and that the full financial and operational merger between the two units should proceed. It was also agreed that the current level of general revenue funding towards waste water would continue in 2012.

# SOCIAL SECURITY DEPARTMENT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
<b>Non Formula-Led Expenditure</b>			
1,340	1,574	Pay costs	1,551
		Non Pay costs	
6	6	Staff Non Pay costs	3
551	530	Support Services	543
146	146	Premises	160
556	562	Third Party Payments	576
6	7	Transport	7
30	30	Supplies & Services	32
1,295	1,281		1,321
2,635	2,855	<b>Non Formula-Led Expenditure by Category</b>	2,872
<b>Formula-Led Expenditure</b>			
49,234	50,305	Third Party Payments	54,150
49,234	50,305	<b>Formula-Led Expenditure by Category</b>	54,150
-	(80)	<b>Financial Transformation Programme Target</b>	(72)
<b>51,869</b>	<b>53,080</b>	<b>Total Net Expenditure by Category</b>	<b>56,950</b>
<b><u>Net Expenditure by Service Area</u></b>			
<b>Non Formula-Led Expenditure by Service Area</b>			
2,635	2,855	Non-Contributory Services	2,872
2,635	2,855	<b>Non Formula-Led Expenditure by Service Area</b>	2,872
<b>Formula-Led Expenditure</b>			
3,388	3,740	Attendance and Invalid Care Allowance	4,065
577	600	Concessionary TV Licences for the Elderly	620
9,308	9,515	Family Allowance	9,870
4,173	4,360	Health Service Grant	4,495
13,837	14,360	Social Insurance Grant	14,900
17,951	17,730	Supplementary Benefit	20,200
49,234	50,305	<b>Formula-Led Expenditure by Service Area</b>	54,150
-	(80)	<b>Financial Transformation Programme Target</b>	(72)
<b>51,869</b>	<b>53,080</b>	<b>Total Net Expenditure by Service Area</b>	<b>56,950</b>



# PUBLIC ACCOUNTS COMMITTEE

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
<b>Non Formula-Led Expenditure</b>			
177	183	Pay costs	197
		Non Pay costs	
-	1	Staff Non Pay costs	4
83	219	Support Services	122
3	-	Premises	-
-	2	Supplies & Services	2
86	222		128
<b>263</b>	<b>405</b>	<b>Non Formula-Led Expenditure by Category</b>	<b>325</b>

# SCRUTINY COMMITTEE

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
<b>Non Formula-Led Expenditure</b>			
214	220	Pay costs	197
		Non Pay costs	
-	1	Staff Non Pay costs	4
4	8	Support Services	72
-	1	Premises	-
-	-	Supplies & Services	2
4	10		78
<b>218</b>	<b>230</b>	<b>Non Formula-Led Expenditure by Category</b>	<b>275</b>

# STATES REVIEW COMMITTEE

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
<b>Non Formula-Led Expenditure</b>			
-	-	Pay costs	75
-	-	Non Pay costs	
-	-	<i>Support Services</i>	17
-	-	<i>Supplies &amp; Services</i>	3
-	-		20
-	-	<b>Net Non Formula-Led Expenditure by Category</b>	<b>95</b>

# ROYAL COURT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
1,779	1,550	<b>Operating Income</b>	1,560
<b>Non Formula-Led Expenditure</b>			
3,502	3,523	Pay costs	3,626
13	20	Non Pay costs	
283	472	<i>Staff Non Pay costs</i>	20
188	227	<i>Support Services</i>	420
-	57	<i>Premises</i>	237
15	13	<i>Third Party Payments</i>	10
174	178	<i>Transport</i>	13
673	967	<i>Supplies &amp; Services</i>	163
-	(10)	<b>Financial Transformation Programme Target</b>	(29)
<b>2,396</b>	<b>2,930</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>2,900</b>

# ROYAL COURT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Service Area</u></b>			
		Client Services	
132	171	Administration	170
466	558	Court Building	570
(212)	(20)	Client Services	(44)
386	709		696
		Court Services	
216	135	Court of Appeal	135
18	110	Grefe	171
1,476	1,457	Bailiff's Office	1,477
149	204	Sheriff's Office	238
151	325	Parliament	212
2,010	2,231		2,233
2,396	2,940		2,929
-	(10)	Financial Transformation Programme Target	(29)
<b>2,396</b>	<b>2,930</b>	<b>Net Expenditure by Service Area</b>	<b>2,900</b>
<b><u>Routine Capital Expenditure</u></b>			
11	65	Miscellaneous Capital Works	-
33	160	IT Projects and Equipment	255
44	225		255
-	(125)	Use of Accumulated Capital Allocation	(255)
<b>44</b>	<b>100</b>	<b>Net Routine Capital Expenditure</b>	<b>-</b>

# LAW OFFICERS

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
237	145	Operating Income	185
<b>Non Formula-Led Expenditure</b>			
4,237	4,460	Pay costs	4,615
87	73	Non Pay costs	
154	192	Staff Non Pay costs	70
32	52	Support Services	215
3	2	Premises	40
69	66	Transport	2
		Supplies & Services	66
345	385		393
-	(20)	Financial Transformation Programme Target	(48)
<b>4,345</b>	<b>4,680</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>4,775</b>
<b><u>Routine Capital Expenditure</u></b>			
-	220	Miscellaneous Capital Works	50
-	185	IT Projects and Equipment	95
-	405		145
-	(305)	Use of Accumulated Capital Allocation	(145)
<b>-</b>	<b>100</b>	<b>Net Routine Capital Expenditure</b>	<b>-</b>

# STATES OF ALDERNEY

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>			
1,605	1,571	<b>Operating Income</b>	1,541
<b>Non Formula-Led Expenditure</b>			
1,876	1,938	Pay costs	1,999
181	148	Non Pay costs	91
358	527	Staff Non Pay costs	461
134	221	Support Services	210
185	181	Premises	201
59	77	Third Party Payments	131
445	354	Transport	388
		Supplies & Services	
1,362	1,508		1,482
<b>1,633</b>	<b>1,875</b>	<b>Net Non Formula-Led Expenditure by Category</b>	<b>1,940</b>
<b><u>Net Expenditure by Committee</u></b>			
61	25	Income	
317	341	Building and Development Control Committee	21
784	743	General Services Committee	315
		Policy and Finance Committee	735
1,162	1,109		1,071
84	92	Expenditure	
1,397	1,638	Building and Development Control Committee	90
1,314	1,254	General Services Committee	1,631
		Policy and Finance Committee	1,290
2,795	2,984		3,011
<b>1,633</b>	<b>1,875</b>	<b>Net revenue cash allocation from the States of Guernsey</b>	<b>1,940</b>
<b><u>Capital Account</u></b>			
121	3	Capital Income	
319	1,376	Building and Development Control Committee	207
3,061	2,250	General Services Committee	1,200
		Policy and Finance Committee	2,250
		Transfers from Alderney Gambling Control Commission	
3,501	3,629		3,657
2,146	2,746	Capital Expenditure	
-	1,200	General Services Committee	3,004
		Policy and Finance Committee	1,436
2,146	3,946		4,440
(1,355)	317	<b>Increase / (Decrease) in Accumulated Capital Allocation</b>	<b>783</b>
-	-		-

# CAPITAL RESERVE EXPENDITURE ACCOUNT

2011 Actual £'000s	2012 Original Budget £'000s		2013 Budget £'000s
<b>Treasury and Resources Department</b>			
-	840	Corporate Asset Management IT system (£0.84m)	-
-	700	IT Wide Area Network (£1.09m)	650
<b>Education Department</b>			
4	45	College of Further Education - Phase A (£8.13m)	15
2,215	1,375	College of Further Education - Les Ozouets Campus (£3.7m)	25
110	130	Le Rondin Special Needs School (£13.9m)	100
9,565	15,400	Les Beaucamps School (£36.8m)	8,750
212	300	Les Nicolles Secondary and Special Needs Schools (£44.4m)	200
-	45	Oakvale SEBD Conversion (£0.65m)	-
352	685	Project Execution plan	650
<b>Environment Department</b>			
6	-	Traffic signal replacement programme (£1.73m)	-
<b>Health and Social Services Department</b>			
		Site Development Plan	
1,375	2,000	Adult Acute Mental Health Facilities	12,000
1,049	150	Clinical Block (£36.1m)	-
23	-	Homes for Adults with a Learning Disability	-
		Mignot Memorial Hospital Extension and	
16	-	Redevelopment (£6.19m)	-
(1,492)	-	Site Development Planning costs	-
433	525	Electronic Health and Social Care record (£3.9m)	325
<b>Home Department</b>			
-	-	eBorders, eCustoms and Passport IT system	750
-	400	Police Core IT system	1,200
1,012	125	Tetra Radio (£1.8m)	-
<b>Public Services Department</b>			
13	-	Belle Greve Wastewater Disposal Facility - Phase IV	-
629	7,000	Belle Greve Wastewater Disposal Facility - Phase V (£11.03m)	5,000
<b>Public Services Department - Ports</b>			
6,219	51,500	Airport Pavements	22,000
104	2,275	Airport Radar (£3.25m)	850
273	4,650	St Peter Port Harbour Crane Strategy (£13.675m)	6,750
-	500	St Peter Port Harbour Pontoons	250
-	100	Sarnia Work Boat	1,500
<b>22,118</b>	<b>88,745</b>		<b>61,015</b>

# CORPORATE HOUSING PROGRAMME FUND

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Income and Expenditure by Category</u></b>				
<b>Income</b>				
8,000	8,000	8,000	Allocation from General Revenue for Rent Rebates	6,000
7,394	8,393	7,377	Net Rents Receivable	7,682
1,021	650	1,550	Interest Receivable	1,180
421	1,400	470	Sale of Incompatible Housing Stock	1,000
<b>16,836</b>	<b>18,443</b>	<b>17,397</b>	<b>Total Income</b>	<b>15,862</b>
<b>Expenditure</b>				
<b>Pay costs</b>				
(1,469)	(1,478)	(1,522)	<i>Established Staff</i>	(1,774)
<b>Non Pay costs</b>				
(4)	(12)	(39)	<i>Staff Non Pay costs</i>	(43)
(421)	(444)	(425)	<i>Support Services</i>	(450)
(6,161)	(7,932)	(5,977)	<i>Premises</i>	(7,856)
(1,977)	(24,649)	(25,054)	<i>Third Party Payments</i>	(4,265)
(21)	(22)	(21)	<i>Transport</i>	(24)
(5)	(12)	(5)	<i>Supplies &amp; Services</i>	(9)
(22)	-	-	<i>Provision for Bad Debt</i>	-
<b>(8,611)</b>	<b>(33,071)</b>	<b>(31,521)</b>		<b>(12,647)</b>
<b>6,756</b>	<b>(16,106)</b>	<b>(15,646)</b>	<b>Net Surplus / (Deficit) for the year</b>	<b>1,441</b>
<b><u>Net Income / (Expenditure) by Service Area</u></b>				
<b>Operational Expenditure</b>				
786	302	1,204	<i>Finance &amp; IT</i>	870
(1,231)	(1,383)	(1,496)	<i>GHA Rent Rebates</i>	(1,620)
(80)	(500)	(120)	<i>Modernisation</i>	(1,215)
(5,879)	(7,080)	(5,562)	<i>Property Management</i>	(6,716)
56	1,023	95	<i>Strategy</i>	643
13,848	14,633	13,626	<i>Tenancy Management</i>	12,133
<b>7,500</b>	<b>6,995</b>	<b>7,747</b>		<b>4,095</b>
<b>Corporate Initiatives &amp; Strategies</b>				
-	(1,000)	(1,000)	<i>Key Worker Housing Strategy</i>	(1,000)
-	(17,600)	(17,600)	<i>Older People Housing &amp; Support</i>	(534)
(421)	(4,147)	(4,470)	<i>Social Housing Development Programme</i>	(766)
<b>(421)</b>	<b>(22,747)</b>	<b>(23,070)</b>		<b>(2,300)</b>
<b>Revenue Grants</b>				
(323)	(354)	(323)	<i>Guernsey Youth Housing</i>	(354)
<b>6,756</b>	<b>(16,106)</b>	<b>(15,646)</b>	<b>Net Surplus / (Deficit) for the year</b>	<b>1,441</b>
63,830	69,968	70,586	Balance of Fund at 1st January	54,940
6,756	(16,106)	(15,646)	Net Surplus / (Deficit) for the year	1,441
<b>70,586</b>	<b>53,862</b>	<b>54,940</b>	<b>Balance of Fund at 31st December</b>	<b>56,381</b>

# GUERNSEY REGISTRY

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Income by Category</u></b>				
			<b>Income</b>	
9,453	9,310	9,232	Operating Income	9,202
			<b>Expenditure</b>	
(623)	(704)	(604)	Pay costs	(702)
			Non Pay costs	
(13)	(12)	(19)	Staff Non Pay costs	(22)
(291)	(452)	(393)	Support Services	(504)
(121)	(155)	(127)	Premises	(141)
(1)	(4)	(2)	Supplies & Services	(3)
(426)	(623)	(541)		(670)
<b>8,404</b>	<b>7,983</b>	<b>8,087</b>	<b>Surplus transferred to General Revenue</b>	<b>7,830</b>
<b><u>Net Income / (Expenditure) by Service Area</u></b>				
			Company Registry	
9,363	9,202	9,138	Income	9,081
(851)	(1,082)	(912)	Expenditure	(1,092)
8,512	8,120	8,226		7,989
			Intellectual Property Office	
90	108	94	Income	121
(198)	(245)	(233)	Expenditure	(280)
(108)	(137)	(139)		(159)
<b>8,404</b>	<b>7,983</b>	<b>8,087</b>	<b>Surplus transferred to General Revenue</b>	<b>7,830</b>
<b><u>Capital Expenditure</u></b>				
(24)	(160)	(50)	IT Projects and Equipment	(115)
(24)	(160)	(50)	<b>Routine Capital Expenditure</b>	(115)
24	160	50	Loans from General Revenue for Capital Expenditure	115
<b>-</b>	<b>-</b>	<b>-</b>	<b>Capital Expenditure</b>	<b>-</b>



# GUERNSEY AIRPORT

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>				
10,132	10,241	9,994	Operating Income	10,507
1,491	1,754	1,691	Recoveries	1,745
11,623	11,995	11,685		12,252
(6,616)	(6,755)	(6,816)	Pay costs	(7,034)
			Non Pay costs	
(202)	(143)	(131)	Staff Non Pay costs	(148)
(1,821)	(1,935)	(1,954)	Support Services	(1,997)
(1,302)	(1,008)	(1,086)	Premises	(1,006)
(100)	(70)	(56)	Transport	(65)
(442)	(474)	(435)	Supplies & Services	(417)
(3,867)	(3,630)	(3,662)		(3,633)
1,140	1,610	1,207	<b>Operating Surplus before depreciation</b>	1,585
(1,595)	(1,500)	(1,500)	Depreciation	(1,600)
<b>(455)</b>	<b>110</b>	<b>(293)</b>	<b>Operating (Deficit) / Surplus transferred to the Ports Holding Account</b>	<b>(15)</b>
<b><u>Net Income / (Expenditure) by Service Area</u></b>				
			Income	
423	526	530	Advertising, picketing etc	525
787	805	774	Airport Development Charge	810
644	710	690	Car Parking Fees	712
2,190	1,900	1,900	Rents	1,960
6,089	6,300	6,100	Traffic Receipts	6,500
10,133	10,241	9,994		10,507
			Operational Expenditure	
(1,081)	(974)	(994)	Administration	(1,011)
(2,057)	(2,081)	(2,036)	Aerodrome Fire Service	(2,100)
(2,285)	(1,997)	(2,202)	Airport Infrastructure	(2,132)
(3,725)	(3,739)	(3,715)	Navigational Services	(3,844)
(9,148)	(8,791)	(8,947)		(9,087)
155	160	160	Recovery From Alderney Airport	165
1,140	1,610	1,207	<b>Operating Surplus before depreciation</b>	1,585
(1,595)	(1,500)	(1,500)	Depreciation	(1,600)
<b>(455)</b>	<b>110</b>	<b>(293)</b>	<b>Operating (Deficit) / Surplus transferred to the Ports Holding Account</b>	<b>(15)</b>

# GUERNSEY AIRPORT

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Capital Expenditure</u></b>				
(173)	-	-	Major Construction and Development Projects	-
(4)	(191)	(315)	Miscellaneous Capital Works	(410)
-	(206)	-	IT Projects and Equipment	(85)
(571)	(1,912)	(300)	Equipment, Machinery and Vehicles	(755)
(748)	(2,309)	(615)	<b>Routine Capital Expenditure</b>	(1,250)
(6,782)	(51,500)	(28,000)	Airport Pavements Project	(22,000)
(104)	(2,275)	(2,000)	Airport Radar	(850)
6,245	53,775	30,000	Transfer from Capital Reserve	22,850
<b>(1,389)</b>	<b>(2,309)</b>	<b>(615)</b>	<b>Net Capital Expenditure</b>	<b>(1,250)</b>

# HARBOUR OF ST PETER PORT

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>				
7,591	6,835	7,235	Operating Income	7,458
158	104	123	Recoveries	118
7,749	6,939	7,358		7,576
(3,163)	(3,716)	(3,479)	Pay costs	(3,806)
(21)	(21)	(18)	Non Pay costs	(18)
(463)	(557)	(587)	Staff Non Pay costs	(656)
(657)	(1,338)	(1,307)	Support Services	(1,430)
(356)	(168)	(248)	Premises	(168)
(885)	(466)	(944)	Transport	(992)
			Supplies & Services	(992)
(2,382)	(2,550)	(3,104)		(3,264)
2,204	673	775	<b>Operating Surplus before depreciation</b>	506
(940)	(1,050)	(1,050)	Depreciation	(1,100)
<b>1,264</b>	<b>(377)</b>	<b>(275)</b>	<b>Operating Surplus / (Deficit) transferred to the Ports Holding Account</b>	<b>(594)</b>

# HARBOUR OF ST PETER PORT

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Income / (Expenditure) by Service Area</u></b>				
			Commercial Operations	
3,411	2,910	2,910	<i>Shipping Dues - cargo</i>	3,020
1,114	930	930	<i>Passenger Fees</i>	967
409	400	400	<i>Pilotage Dues</i>	400
113	(67)	(122)	<i>Premises</i>	(174)
(444)	(321)	(375)	<i>Cranes</i>	(317)
(744)	(1,153)	(1,032)	<i>Quays</i>	(1,190)
(71)	(69)	(75)	<i>Beacons and Buoys</i>	(72)
<u>3,788</u>	<u>2,630</u>	<u>2,636</u>		<u>2,634</u>
650	731	719	Leisure and Moorings	769
			Other Operations	
(2,213)	(2,673)	(2,565)	<i>Central Administration</i>	(2,865)
(21)	(15)	(15)	<i>Ships Registry</i>	(32)
<u>(2,234)</u>	<u>(2,688)</u>	<u>(2,580)</u>		<u>(2,897)</u>
<u>2,204</u>	<u>673</u>	<u>775</u>	<b>Operating Surplus before depreciation</b>	<u>506</u>
(940)	(1,050)	(1,050)	Depreciation	(1,100)
<u><b>1,264</b></u>	<u><b>(377)</b></u>	<u><b>(275)</b></u>	<b>Operating Surplus/(Deficit) transferred to the Ports Holding Account</b>	<u><b>(594)</b></u>
<b><u>Capital Expenditure</u></b>				
-	-	-	Major Construction and Development Projects	-
-	(1,185)	(100)	Miscellaneous Capital Works	(545)
-	-	-	IT Projects and Equipment	-
(21)	-	-	Equipment, Machinery and Vehicles	(60)
<u>(21)</u>	<u>(1,185)</u>	<u>(100)</u>	<b>Routine Capital Expenditure</b>	<u>(605)</u>
(273)	(4,650)	(5,250)	Crane Strategy	(6,750)
-	(500)	-	Pontoons	(250)
-	(100)	-	Sarnia Work Boat	(1,500)
273	5,250	5,250	Less transfer from Capital Reserve	8,500
<u><b>(21)</b></u>	<u><b>(1,185)</b></u>	<u><b>(100)</b></u>	<b>Net Capital Expenditure</b>	<u><b>(605)</b></u>

# HARBOUR OF ST SAMPSON

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>				
928	1,042	1,041	Operating Income	1,079
1	21	1	Recoveries	1
929	1,063	1,042		1,080
(335)	(370)	(365)	Pay costs	(379)
			Non Pay costs	
(14)	(19)	(21)	Support Services	(20)
(84)	(120)	(120)	Premises	(135)
(14)	(14)	(17)	Transport	(16)
(28)	(44)	(38)	Supplies & Services	(81)
(140)	(197)	(196)		(252)
454	496	481	Operating Surplus before depreciation	449
(228)	(250)	(250)	Depreciation	(280)
226	246	231	Operating Surplus transferred to the Ports Holding Account	169
<b><u>Net Income / (Expenditure) by Service Area</u></b>				
			Commercial Operations	
512	610	610	Shipping Dues - cargo	634
5	(19)	(12)	Premises	(21)
(142)	(161)	(160)	Cranes	(201)
(60)	(68)	(70)	Quays	(71)
(2)	(4)	(3)	Beacons and Buoys	(4)
313	358	365		337
335	353	339	Leisure and Moorings	343
			Other Operations	
(194)	(215)	(223)	Central Administration	(231)
454	496	481	Operating Surplus before depreciation	449
(228)	(250)	(250)	Depreciation	(280)
226	246	231	Operating Surplus transferred to the Ports Holding Account	169

# PORTS HOLDING ACCOUNT

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
			Operating Surplus before depreciation	
1,140	1,610	1,207	Guernsey Airport	1,585
2,204	673	775	Harbour of St Peter Port	506
454	496	481	Harbour of St Sampson	449
<u>3,798</u>	<u>2,779</u>	<u>2,463</u>		<u>2,540</u>
45	10	10	Investment Interest Receivable	10
			Capital Expenditure	
(1,389)	(2,309)	(615)	Guernsey Airport	(1,250)
(21)	(1,185)	(100)	Harbour of St Peter Port	(605)
<u>(1,410)</u>	<u>(3,494)</u>	<u>(715)</u>		<u>(1,855)</u>
<u><b>2,433</b></u>	<u><b>(705)</b></u>	<u><b>1,758</b></u>	<b>Surplus / (Deficit) before depreciation</b>	<u><b>695</b></u>
(2,763)	(2,800)	(2,800)	Depreciation	(2,980)
<u><b>(330)</b></u>	<u><b>(3,505)</b></u>	<u><b>(1,042)</b></u>	<b>(Deficit) for the year</b>	<u><b>(2,285)</b></u>
6,506	3,747	3,261	Balance at 1st January	2,546
2,433	(705)	1,758	Surplus / (Deficit) for the year before depreciation	695
(5,678)	(2,789)	(2,473)	Transfer to Capital Reserve	(2,550)
<u><b>3,261</b></u>	<u><b>253</b></u>	<u><b>2,546</b></u>	<b>Balance at 31st December</b>	<u><b>691</b></u>

# GUERNSEY WATER

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Income by Service Area</u></b>				
<b>Income</b>				
			Water Supplies	
6,153	6,822	6,115	<i>Measured</i>	6,984
3,576	3,373	3,600	<i>Unmeasured</i>	3,498
			Waste Water	
-	1,975	1,855	<i>Measured</i>	2,117
-	977	1,076	<i>Unmeasured</i>	975
-	1,000	999	<i>Cesspit Emptying Charges</i>	1,048
-	1,315	1,315	<i>Grant from General Revenue</i>	-
218	166	205	Surplus on other trading activities before management expenses and depreciation	182
<u>9,947</u>	<u>15,628</u>	<u>15,165</u>		<u>14,804</u>
<b>Expenditure</b>				
			Operating Expenses	
(421)	(541)	(667)	<i>Asset Management</i>	(417)
-	(1,034)	(940)	<i>Pumping Stations</i>	(1,076)
-	(3,053)	(2,788)	<i>Sewers</i>	(3,046)
(715)	(774)	(716)	<i>Water distribution</i>	(747)
(2,032)	(2,212)	(1,977)	<i>Water production</i>	(2,220)
			Management Expenses	
(157)	(327)	(319)	<i>Compliance</i>	(777)
(977)	(792)	(903)	<i>Customer services</i>	(839)
(324)	(365)	(327)	<i>Finance</i>	(350)
(232)	(306)	(261)	<i>Management and general</i>	(666)
(367)	(388)	(479)	<i>Support Services</i>	(633)
<u>(5,225)</u>	<u>(9,792)</u>	<u>(9,377)</u>		<u>(10,771)</u>
4,722	5,836	5,788	<b>Operating surplus before depreciation</b>	4,033
(1,636)	(1,667)	(2,500)	Depreciation	(2,500)
<u>3,086</u>	<u>4,169</u>	<u>3,288</u>	<b>Operating Surplus for the year</b>	<u>1,533</u>
118	66	200	Net Interest receivable	95
1518	830	830	Surplus on sale of fixed assets	715
<u>4,722</u>	<u>5,065</u>	<u>4,318</u>	<b>Surplus for the Year</b>	<u>2,343</u>
(1,223)	(1,339)	(1,500)	Transfer to reserve for renewal of assets	(1,500)
<u><u>3,499</u></u>	<u><u>3,726</u></u>	<u><u>2,818</u></u>	<b>Retained surplus for the year transferred to Revenue Account Reserve</b>	<u><u>843</u></u>

On 8 February 2012 the States agreed to the management of clean water and waste water through a single organisation, namely Guernsey Water, and that the full financial and operational merger between the two units should proceed. It was also agreed that the current level of general revenue funding toward waste water would continue in 2012.

# GUERNSEY WATER

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
			<b><u>Capital Expenditure</u></b>	
-	(300)	(300)	Demand Management	(1,800)
(3,084)	(632)	(822)	General	(534)
-	-	(350)	Pumping Stations	(895)
-	(250)	(250)	Quality - Environmental Protection	(675)
-	(400)	(400)	Sewers	(1,279)
(312)	(608)	(421)	Water distribution	(388)
(681)	(1,852)	(2,083)	Water resources	(1,330)
(625)	(1,783)	(1,783)	Water treatment	(985)
(4,702)	(5,825)	(6,409)	<b>Gross Capital Investment</b>	(7,886)
1,539	830	830	Customer contributions and asset sales	726
-	1,450	1,800	Transfer from General Revenue	-
<b>(3,163)</b>	<b>(3,545)</b>	<b>(3,779)</b>	<b>Net Capital Investment</b>	<b>(7,160)</b>

# STATES WORKS

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Income by Service Area</u></b>				
<b>Income</b>				
142	124	110	Administration	113
450	476	350	Building maintenance	300
2,090	2,117	2,100	Cleansing and Refuse	2,120
259	263	262	Drainage	263
1,044	997	925	Electrical and Mechanical	944
101	103	95	Emergency Services	97
527	644	644	Fleet Services	675
2,070	2,122	2,122	Grounds Maintenance	2,121
1,200	1,040	1,150	Highway Repairs	1,174
2,526	2,482	2,415	Landfill and Recycling	2,488
183	196	195	Management Services	201
2,118	2,086	2,146	Sewage Collection	2,159
369	371	360	Signs and Lines	361
526	566	520	Stores	530
<b>13,605</b>	<b>13,587</b>	<b>13,394</b>		<b>13,546</b>
<b>Expenditure</b>				
			Management Expenses	
(304)	(343)	(313)	<i>Administration Expenses</i>	(323)
(256)	(299)	(315)	<i>Building maintenance</i>	(325)
(809)	(881)	(690)	<i>Salaries, wages and superannuation</i>	(682)
			Operating Expenses	
(7,095)	(7,533)	(7,161)	<i>Labour</i>	(7,238)
(3,564)	(3,161)	(3,353)	<i>Materials</i>	(3,415)
(531)	(464)	(460)	<i>Transport and plant</i>	(474)
<b>(12,559)</b>	<b>(12,681)</b>	<b>(12,292)</b>		<b>(12,457)</b>
1,046	906	1,102	<b>Operating Surplus before depreciation</b>	1,089
(542)	(549)	(679)	Depreciation	(742)
<b>504</b>	<b>357</b>	<b>423</b>	<b>Operating Surplus for the year</b>	<b>347</b>
27	36	22	Net Interest Receivable	12
<b>531</b>	<b>393</b>	<b>445</b>	<b>Surplus for the year</b>	<b>359</b>
<b><u>Capital Expenditure</u></b>				
(17)	(25)	(33)	Site developments	(175)
(881)	(941)	(1,046)	Vehicles, plant, tools and equipment	(800)
(27)	(52)	(2)	Office equipment	(95)
<b>(925)</b>	<b>(1,018)</b>	<b>(1,081)</b>	<b>Total Capital Expenditure for the Financial year</b>	<b>(1,070)</b>



# GUERNSEY DAIRY

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b>Net Income by Service Area</b>				
1,352	1,165	1,299	Sales of milk and by-products	
5,308	5,456	5,499	<i>By-products</i>	1,300
			<i>Liquid Milk</i>	5,627
27	20	20	Sales of Sundry Trading Items	20
			Other Income	
9	6	18	<i>Bank Interest</i>	6
18	-	-	<i>Gain on sale of fixed asset</i>	-
<b>6,714</b>	<b>6,647</b>	<b>6,836</b>		<b>6,953</b>
<b>Cost of Sales - Direct</b>				
(14)	(16)	(16)	<i>Carriage inwards</i>	(16)
(26)	(38)	(36)	<i>Ingredients</i>	(38)
(3,137)	(3,269)	(3,408)	<i>Milk</i>	(3,454)
(130)	(159)	(138)	<i>Milk wastage</i>	(140)
(47)	(36)	(48)	<i>Offshore processing and freight</i>	(49)
(545)	(483)	(483)	<i>Packaging materials</i>	(490)
(766)	(805)	(775)	<i>Production wages</i>	(798)
<b>(4,665)</b>	<b>(4,806)</b>	<b>(4,904)</b>		<b>(4,985)</b>
<b>Expenses</b>				
(52)	(74)	(62)	<i>Advertising and promotion</i>	(127)
(8)	(9)	(9)	<i>Carriage outwards</i>	(10)
(59)	(65)	(63)	<i>Cleaning expenses</i>	(66)
(179)	(245)	(215)	<i>Depreciation</i>	(220)
(305)	(290)	(366)	<i>Fuel, light and water</i>	(370)
(30)	(31)	(22)	<i>General administration costs</i>	(25)
(85)	(81)	(81)	<i>Laboratory materials and equipment</i>	(82)
(28)	(24)	(20)	<i>Motor vehicle expenses</i>	(24)
(55)	(51)	(60)	<i>Other expenses</i>	(61)
(83)	(106)	(72)	<i>Professional fees</i>	(74)
			<i>Repairs, maintenance and insurance</i>	
(76)	(94)	(87)	<i>Plant and machinery</i>	(88)
(37)	(40)	(37)	<i>Site and buildings</i>	(38)
(564)	(537)	(564)	<i>Salaries and wages</i>	(580)
(6)	(2)	(3)	<i>Staff training and recruitment</i>	(3)
<b>(1,567)</b>	<b>(1,649)</b>	<b>(1,661)</b>		<b>(1,768)</b>
<b>(6,232)</b>	<b>(6,455)</b>	<b>(6,565)</b>	<b>Total Expenditure</b>	<b>(6,753)</b>
<b>482</b>	<b>192</b>	<b>271</b>	<b>Surplus for the Financial Year Transferred to General Reserve</b>	<b>200</b>
<b>Capital Expenditure</b>				
-	-	-	Laboratory equipment	(5)
(74)	-	(3)	Motor vehicles	-
(9)	(11)	-	Office equipment	-
(783)	(226)	(614)	Plant and machinery	(293)
(1)	(342)	(308)	Site roads and buildings	(330)
<b>(867)</b>	<b>(579)</b>	<b>(925)</b>	<b>Total Capital Expenditure for the Financial Year</b>	<b>(628)</b>

# SUPERANNUATION FUND ADMINISTRATION

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>				
			Pay costs	
242	280	260	<i>Established Staff</i>	350
242	280	260		350
			Non Pay costs	
251	250	230	<i>Consultants Fees</i>	180
33	35	285	<i>Support Services</i>	35
284	285	515		215
<b>526</b>	<b>565</b>	<b>775</b>	<b>Total Expenditure by Category</b>	<b>565</b>
<b><u>Routine Capital Expenditure</u></b>				
100	-	-	ICT System	-
<b>100</b>	<b>-</b>	<b>-</b>	<b>Routine Capital Expenditure</b>	<b>-</b>

# SOCIAL SECURITY DEPARTMENT - CONTRIBUTORY FUNDS ADMINISTRATION

2011 Actual £'000s	2012 Original Budget £'000s	2012 Probable Outturn £'000s		2013 Budget £'000s
<b><u>Net Expenditure by Category</u></b>				
			Pay costs	
3,386	3,393	3,393	<i>Established Staff</i>	3,798
31	-	-	<i>Public Service Employees</i>	-
48	51	51	<i>Other Pay Groups</i>	79
<b>3,465</b>	<b>3,444</b>	<b>3,444</b>		<b>3,877</b>
			Non Pay costs	
9	27	27	<i>Staff Non Pay costs</i>	19
1,519	1,616	1,552	<i>Support Services</i>	1,604
13	41	70	<i>Premises</i>	54
166	172	172	<i>Supplies &amp; Services</i>	170
<b>1,707</b>	<b>1,856</b>	<b>1,821</b>		<b>1,847</b>
<b>1,158</b>	<b>1,155</b>	<b>1,155</b>	Depreciation	916
<b>6,330</b>	<b>6,455</b>	<b>6,420</b>	<b>Total Expenditure by Category</b>	<b>6,640</b>
<b><u>Net Expenditure by Service Area</u></b>				
5,217	5,310	5,290	Guernsey Insurance Fund	5,470
930	970	960	Guernsey Health Service Fund	995
183	175	170	Long-term Care Insurance Fund	175
<b>6,330</b>	<b>6,455</b>	<b>6,420</b>	<b>Net Expenditure by Service Area</b>	<b>6,640</b>
<b><u>Routine Capital Expenditure</u></b>				
62	50	50	Buildings and Structures	50
8	50	50	Plant and Equipment	50
31	50	50	ICT Systems - equipment and software	50
-	50	50	ICT Systems - development	50
<b>101</b>	<b>200</b>	<b>200</b>	<b>Net Routine Capital Expenditure</b>	<b>200</b>

# THE LADIES COLLEGE (Senior School)

2010/2011	2011/2012		2012/2013
Actual	Budget		Budget
£'000s	£'000s		£'000s
<b><u>Net Income by Category</u></b>			
<b>Income</b>			
32	-	<i>Bank Interest Received</i>	-
1,483	1,506	<i>Fees</i>	1,598
28	23	<i>Miscellaneous Income</i>	28
5	-	<i>Registration Fees</i>	-
1,932	1,932	<i>States Grant</i>	1,928
<b>3,480</b>	<b>3,461</b>		<b>3,554</b>
<b>Expenditure</b>			
7	9	<i>Art</i>	9
7	8	<i>Audit Fee</i>	8
69	84	<i>Books and Stationery</i>	79
49	68	<i>Examination Fees</i>	74
74	79	<i>Fixed Asset Acquisition Costs</i>	70
21	34	<i>General Administrative Expenses</i>	34
14	17	<i>Laboratory and Design and Technology Expenses</i>	17
156	169	<i>Maintenance of Buildings, Grounds and Equipment</i>	175
39	11	<i>Marketing and Development Expenses</i>	11
2	-	<i>Professional Fees</i>	-
12	29	<i>Rates, Taxes and Insurance</i>	29
20	27	<i>Recruitment and Relocation</i>	27
2,370	2,617	<i>Salaries and Wages</i>	2,722
21	34	<i>Sports, conferences, field trips etc</i>	34
7	12	<i>Staff training</i>	12
65	70	<i>Utilities</i>	74
<b>2,933</b>	<b>3,268</b>		<b>3,375</b>
<b>547</b>	<b>193</b>	<b>REVENUE SURPLUS FOR THE YEAR</b>	<b>179</b>
411	1,257	Balance b/f from previous year	1,151
<b>958</b>	<b>1,450</b>	<b>Balance c/f to next year</b>	<b>1,330</b>

# PROPOSITIONS

The Treasury and Resources Department recommends the States:

1. To rescind resolution 1 of Billet d'Etat XXII of 15 December 2011 and to authorise the Treasury and Resources Department to transfer from the Contingency Reserve (Tax Strategy) to General Revenue a maximum sum of £31,000,000 during 2012.
2. To authorise the Treasury and Resources Department to transfer from the Contingency Reserve (Tax Strategy) to General Revenue a maximum sum of £17,000,000 during 2013.
3. To transfer the sum of £24,550,000 from General Revenue to the Capital Reserve on 1 January 2013
4. To establish a Strategic Development Fund with effect from 1 January 2013 by transferring £3,000,000 from General Revenue and to delegate authority to the Treasury and Resources Department to approve use of this Fund.
5. To approve the cash limits for ordinary revenue and capital expenditure for 2013 for individual Departments and Committees totalling £360,700,000 as set out in paragraph 4.13 of this Report.
6. That the rates of excise duty in Guernsey and Alderney on the under mentioned goods shall be varied as follows:
 

Cigarettes	£248.78 per kilogram
Cigars	£231.02 per kilogram
Hand rolling tobacco	£215.13 per kilogram
Other manufactured tobacco	£186.60 per kilogram
Tobacco leaf – unstemmed	£207.13 per kilogram
Tobacco leaf – stemmed	£209.22 per kilogram
 Petrol other than any fuel used for the purpose of air navigation	 46.5p per litre
Petrol used for the purpose of marine navigation where supplied by an approved trader	31.3p per litre
Gas oil	46.5p per litre
 Beer brewed by an independent small brewery	 41p per litre
Other beer	65p per litre
 Spirits not exceeding 5.5 per cent volume	 57p per litre
Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£7.99 per litre
Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£10.62 per litre
Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume
 Cider produced by an independent small cider-maker	 41p per litre
Other cider	65p per litre
 Light wines not exceeding 5.5 per cent volume	 48p per litre
Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£1.97 per litre
Other wines	£3.14 per litre
7. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2012” and to direct that the same shall have effect as an Ordinance of the States.
8. That the rates of Tax on Real Property in Guernsey and Alderney with effect from 1 January 2013 shall be as set out in paragraph 3.26 of this Report.

# PROPOSITIONS

9. To approve the draft Ordinance entitled “The Property Tax (Rates) (Guernsey and Alderney) Ordinance, 2012” and to direct that the same shall have effect as an Ordinance of the States.
10. To delegate authority to the Treasury and Resources Department to increase a Department’s routine capital allocation, funded by a transfer from the Budget Reserve.
11. To authorise the Treasury and Resources Department, pursuant to Section 2(4) of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, to agree to and implement the Board of Guernsey Post Limited’s proposal to repurchase £5million of shares reducing the shareholding of the States accordingly, and subject to Guernsey Post Limited complying with its obligations under the Companies (Guernsey) Law, 2008.
12. That the sum of £5million received from Guernsey Post Limited for the repurchase of shares shall be transferred to the Capital Reserve.
13. That the net capital proceeds received from the sale of Granville House, Mont Durand, St Peter Port and Edessa, Monument Gardens, St Peter Port totalling £1,597,816 shall be transferred to the Capital Reserve with immediate effect.
14. To authorise Guernsey Electricity Limited to borrow, either from the States General Investment Pool or third parties, to finance capital expenditure and to authorise the Treasury and Resources Department to facilitate, if necessary by providing guarantees, any third party borrowings.
15. To approve that references in all legislation and other documents to the “Chief Accountant” be changed so as to refer to the “States Treasurer” and to direct the preparation of such legislation as may be necessary to give effect to this decision.
16. To extend the company intermediate income tax rate (10%) to licensed fiduciaries (in respect of regulated activities), licensed insurers (in respect of domestic business) and licensed insurance intermediaries and licensed insurance managers (in respect of the carrying on of business and acting as such) and to direct the preparation of such legislation as may be necessary to give effect to this decision.
17. To agree that with effect from 1 January 2014 interest relief will only be provided for mortgages not exceeding £350,000 and to direct the preparation of such legislation as may be necessary to give effect to this decision.
18. (a) That, subject to the provisions of the Income Tax (Guernsey), Law 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2013 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition.  
  
(b) That the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey), Law 1975, and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled.  
  
(c) That:  
  
“Family Allowances” means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and  
  
“the Income Tax (Guernsey) Law, 1975” means that Law as amended, extended or applied by or under any other enactment.

# PROPOSITIONS

## FIRST SCHEDULE

### Year of Charge 2013

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate.

<u>NATURE OF ALLOWANCE</u>	<u>AMOUNT OF ALLOWANCE</u>
<b>1. Personal Allowance</b>	
(i) for married persons	<p>Tax at the standard rate on £18,950. Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce, or separation). Provided thirdly that in the case of the death of a husband, the deceased shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the widow for the remainder of the year of charge from (and including) the husband's date of death; and in the case of the death of a wife, the husband shall be entitled to the allowance for the full year of charge.</p> <p>For the purposes of this paragraph and paragraphs (ii) to (v) below, "divorce" means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof</p>

# PROPOSITIONS

- (ii) for married persons where, at the commencement of the year of charge either he, or his wife living with him, was of the age of 64 years or over.

Tax at the standard rate on £20,700. Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce or separation). Provided thirdly that in the case of the death of a husband, the deceased shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the widow for the remainder of the year of charge from (and including) the husband's date of death; and in the case of the death of a wife, the husband shall be entitled to the allowance for the full year of charge.

- (iii) for married persons where, at the commencement of the year of charge, both he, and his wife living with him, were of the age of 64 years or over.

Tax at the standard rate on £22,450. Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce or separation). Provided thirdly that in the case of the death of a husband, the deceased shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the widow for the remainder of the year of charge from (and including) the husband's date of death; and in the case of the death of a wife, the husband shall be entitled to the allowance for the full year of charge.

- (iv) for single persons.

Tax at the standard rate on £9,475, but subject to the second and third provisos relating to divorce, separation or death set out in (i), (ii) or (iii) above.



# PROPOSITIONS

(v) for single persons aged 64 years or over at the commencement of the year of charge.

Tax at the standard rate on £11,225, but subject to the second and third provisos relating to divorce, separation or death set out in (i), (ii) or (iii) above.

## 2. Dependent Relative Allowance

In respect of each dependent relative - tax at the standard rate on £3,050 or on the amount of the contributions whichever is less:

Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £6,425 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,050 the sum of £1 for every pound by which the dependent relative's income exceeds £6,425.

Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £3,050, or such lesser sum as remains after deducting from £3,050 the sum of £1 for every pound by which the dependent relative's income exceeds £6,425, the sum of £254 for every month in the year of charge for which such Family Allowances are payable.

## 3. Infirm Person's Allowance

Tax at the standard rate on £3,050.

## 4. Housekeeper Allowance

Tax at the standard rate on £3,050.

## 5. Wife's Earned Income Allowance

Tax at the standard rate on a sum equal to the amount of the claimant's wife's net qualifying income but not exceeding tax at the standard rate on £9,475.

## 6. Charge of Children Allowance

Tax at the standard rate on £6,450.

## 7. Retirement Annuity Allowance

Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

# PROPOSITIONS

## SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

### 1. Personal Allowance

(1) The conditions to be fulfilled to entitle the claimant to the personal allowance are:

(a) in respect of the allowance specified in paragraph 1(i), (ii) or (iii) of the First Schedule ("married persons") -

(i) that at the commencement of the year of charge the claimant's wife is living with him or is wholly maintained by him; and

(ii) that in computing his assessable income for that year the claimant is not entitled to make any reduction on account of any payment made for his wife's maintenance.

*Provided that if any question arises as to whether a wife is or is not wholly maintained by her husband, the question shall be determined by reference to the financial circumstances of the wife.*

(b) in respect of the allowance specified in paragraph 1(iv) or (v) of the First Schedule ("single persons")-

(i) that the claimant is not entitled to an allowance specified in paragraph 1(i), (ii) or (iii) of the First Schedule ("married persons"); or

(ii) that the claimant is subject to the second or third proviso relating to divorce, separation or death set out in the said paragraph 1(i), (ii) or (iii).

### 2. Dependent Relative Allowance

A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:

(a) that the child in respect of whom an allowance is claimed -

(i) is the child of the claimant, or

(ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;

(b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.

(3) Where a man and a woman are cohabiting as husband and wife and either has a child in respect of whom a dependent relative allowance is claimable the man or woman as the case may be, and by a notice in writing addressed to the Administrator, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of the cohabitee.

(4) In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.

# PROPOSITIONS

- (5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.
- B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:
  - (a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and
  - (b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and
  - (c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

## 3. Infirm Person's Allowance

- (1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:
  - (a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;  
  
*Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.*
  - (b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;
  - (c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) Not more than one allowance shall be allowed to any claimant for any year.

## 4. Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:
  - (a) that the claimant is a widow or widower.
  - (b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;
  - (c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;

# PROPOSITIONS

- (d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.
- (2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.
- (3) A housekeeper allowance shall not be granted to any individual for any year if such individual is entitled for that year to a personal allowance for married persons, or to an infirm person's allowance.
- (4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.

## 5. Wife's Earned Income Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a wife's earned income allowance are that the claimant is entitled to the personal allowance for married persons and that there is included in the claimant's assessable income some earned income arising or accruing to the claimant's wife.
- (2) "Earned income" has the meaning assigned to it by section 148 of the Income Tax (Guernsey) Law, 1975.

## 6. Charge of Children Allowance

- (1) The conditions to be fulfilled to entitle a claimant who is also entitled to the personal allowance for married persons to a charge of children allowance are:
  - (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children, and
  - (b) that the claimant proves that throughout the year either he or his wife is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by him for the purpose of having the charge and care of the child, and
  - (c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if he or any other individual is so entitled, that the claim has been relinquished.
- (2) The conditions to be fulfilled to entitle a claimant who is entitled to the personal allowance appropriate to persons other than married persons to a charge of children allowance are that in the year of charge:
  - (a) the claimant is in receipt of Family Allowances in respect of one or more children, and
  - (b) the claimant is not cohabiting with another person, except where -
    - (i) the claimant proves that throughout the year either he or his cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by him for the purpose of having the charge and care of the child, and
    - (ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if he or any other individual is so entitled that the claim has been relinquished.

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Provided that where the recipient of a family allowance is not entitled to claim the charge of children allowance because he is cohabiting with another person, he may, in respect of the year of charge, by notice in writing addressed to the Administrator, elect that the whole, or any unused part of, the personal allowance to which he would otherwise be entitled shall cease to be his and shall become an additional personal allowance of the person with whom he is cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph "cohabiting" means living with another person as that person's husband or wife throughout the year of charge.

- (3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.
- (4) Where an individual is entitled to claim a dependent relative allowance in the case of a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.

- (5) Not more than one allowance shall be granted to any claimant for any year.

## **7. Retirement Annuity Allowance**

- (1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance are that the claimant or his wife pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975.
- (2) Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant or his wife during the year of computation of the income of the claimant or his wife assessable for the year of charge.
- (3) Notwithstanding the provisions of the preceding paragraph no allowance shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:
  - a) 100% of the income of the claimant, or of the claimant and the claimant's wife, as the case may be, during the year of computation referred to in the preceding paragraph.
  - b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Department.

# PROPOSITIONS

II. To approve the following Expenditure Budgets for the year 2013:

1. Policy Council
2. Treasury and Resources Department
3. Commerce and Employment Department
4. Culture and Leisure Department
5. Education Department
6. Environment Department
7. Health and Social Services Department
8. Home Department
9. Housing Department
10. Public Services Department
11. Social Security Department
12. Public Accounts Committee
13. Scrutiny Committee
14. States Review Committee
15. Royal Court
16. Law Officers
17. Capital Reserve

III. To approve the following Budgets for the year 2013 and Probable Outturns for 2012:

1. Corporate Housing Programme
2. Guernsey Registry
3. Ports
4. Guernsey Water
5. States Works
6. Guernsey Dairy
7. Superannuation Fund Administration
8. Social Security Department – Contributory Funds Administration

IV. To note the Budget for the States of Alderney for 2013.

**(NB. The Policy Council supports the 2013 Budget Report).**





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