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BILLET D'ÉTAT

TUESDAY, 29th OCTOBER, 2013

THE STATES OF GUERNSEY
BUDGET 2014

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BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice pursuant to Rule (1)(4) of the Rules of Procedure of the States of Deliberation that a Special Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **TUESDAY,** the **29th October, 2013** at **9.30 a.m.,** to consider the States of Guernsey Budget for 2014 which has been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey
9th October 2013

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

1 October 2013

Dear Sir,

2014 BUDGET REPORT

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

The Treasury and Resources Department is presenting this Budget Report against a backdrop of disappointing revenue forecasts for 2013. The overall deficit for 2013 is now anticipated to be £27million, which is £10million more than originally predicted, due to a reduction in the estimates of income tax and document duty receipts. However, these shortfalls should be temporary and the 2014 deficit is expected to reduce significantly to £14million, even after a £10million increase in the appropriation to the Capital Reserve. The Financial Transformation Programme is targeted to deliver a further on-going reduction of £12.5million in spending, contributing to an overall real terms reduction in budgeted States expenditure of 2.6% in 2014.

The Department is encouraged by some signs of recovery in Guernsey's economy and this Budget is intended to nurture this emerging growth. It is therefore proposed that document duty thresholds are permanently increased and document duty rates are temporarily reduced for lower value properties, in order to stimulate the property market which should lead to wider economic benefits. These measures are also aimed at assisting first-time buyers. In addition, a substantial appropriation of £35.35million to the Capital Reserve is recommended which will mean that nearly £80million of funds will be available to progress the 2014-2017 States Capital Investment Portfolio. However, the Board is also cognisant of the imperative of eliminating the budget deficit as soon as practicable and therefore modest real-terms increases in indirect taxes are recommended.

In advance of the conclusions and resulting recommendations of the review of Personal Tax, Pensions and Benefits, the Treasury and Resources Department does not consider it would be appropriate to propose any significant long-term structural changes to the personal taxation regime. As a short-term measure, it is recommended that personal income tax allowances are raised by 2.1% which is the same increase as that being recommended for all Social Security Department benefit rates, with the exception of family allowances.

The Contingency Reserve is budgeted to total £200million at the end of 2014 which, in cash terms, approximates to the balance in the Reserve prior to the implementation of the Economic and Taxation Strategy. The Tax Strategy element of the Contingency Reserve is estimated to be £52million at the end of 2014 as, although the States financial position has not returned to balance within the original anticipated timescale because of the extended recession in developed economies, withdrawals in order to fund the budget deficit have been lower than originally forecast. This is largely due to the effect of the Financial Transformation Programme, which is on course to deliver at least the minimum benefit of a £31million per annum on-going reduction in the States baseline budget providing, of course, the current commitment and momentum is sustained.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A Spruce	H Adam	R Perrot	J Hollis
Members			Non-States Member

2014 BUDGET REPORT

Background

1.1 The 2013 Budget Report forecast a deficit of £17million in 2013 but due to income being below estimates in the areas of corporate tax and document duty, the revised forecast is a deficit of £27million (paragraph 4.4).

1.2 The Policy Council's Guernsey Economic Overview 2013 (issued on 18 September 2013 and attached as Appendix I) includes that *"The central expectation remains that 2013 will see the resumption of economic growth, led by the finance sector and mainly driven by improved profits. However, it may still take time for this to feed through into consumer and general confidence. Following a flat first six months, growth in 2013 is dependent on increased activity in the second half of the year. Analysis of the labour market and local property market points to a potential second half improvement and whilst there are always risks on the downside, these are less than in previous years."*

1.3 The local property market activity during the first half of 2013 was approximately 20% less than the same period in 2012 with decreased demand being mainly attributable to a weaker local economy (and associated levels of confidence). It is expected that improvements in domestic economic conditions will result in a return of confidence and feed through into an increase in volumes over the course of the next six months.

1.4 In respect of 2013, notwithstanding that the global equity markets are around the expected level, the Gross Domestic Product (GDP)[a] growth forecast in the 2013 Budget Report has been slightly downgraded from 1.3% to 0.9% and this is a contributory factor in the revised forecast for income tax receipts being lower than originally anticipated. The forecast GDP growth in 2014 is 1.4%. However, economic forecasts are inherently uncertain and the current forecasts will be revised as more data becomes available.

1.5 RPIX, which excludes mortgage interest costs, was adopted by the States of Guernsey as the preferred measure of inflation in 2009. During 2011 and 2012, RPIX was at around the target level of 3% (as set out in the Fiscal and Economic Plan) but it has fallen during the first half of 2013 to 2.1%. This lower level reflects a lower level of confidence after four years of contraction and sub-par growth as well as competitive forces on the high street. As fortunes are improving, present forecasts anticipate inflation rising during the second half of 2013 and into 2014. Therefore, the Treasury and Resources Department has prepared this Budget Report on the basis of an RPIX of 3.3% in 2014.

1.6 As set out in the 2013 Budget Report, the Treasury and Resources and Social Security Departments are carrying out a review of Guernsey's personal tax, Social Insurance, old-age pension and benefits systems. The objectives of this Review are to ensure:

- the long term sustainability of public finances, pensions, benefits and services; and
- a greater degree of equity in the system.

1.7 In phase two of the review, during 2014, the Treasury and Resources and Social Security Departments will prepare a joint report outlining the findings of the review including its recommendations regarding the wider issues and more significant long-term structural changes.

1.8 In advance of the second phase of this review, the Treasury and Resources Department does not consider it appropriate to propose, as part of this Budget Report, any significant short-term changes to either the structure or rates of taxation.

[a] 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.

1.9 This Budget 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:

- An ‘assumed norm’ for Taxation of an average of 21% of GDP;
- Real terms freeze on aggregate States revenue expenditure;
- The maximum annual operating deficit of the States may not exceed 3% of GDP;
- An ‘assumed norm’ for Capital Investment of an average 3% of GDP.

Summary

1.10 The main proposals contained within this year’s Budget Report are as follows:

- A 2.1% increase in personal income tax allowances (£200 on the Single Person’s Allowance) which is the same increase as is being recommended for all Social Security Department benefit rates, with the exception of family allowances;
- A 3% real-terms increase in the rate of duty on tobacco; a 1.7% real-terms increase in the duty on alcohol and fuel;
- Tax on Real Property rates to increase by 1.7% in real-terms for domestic and commercial property and land (£9 per annum for a typical domestic property);
- A permanent increase in the document duty rate thresholds and a temporary decrease in the rates of document duty for transactions where the value is less than £400,000;
- Total Cash Limits of £363.2million – a real terms reduction of £9.4million;
- Transfer of £35.35million to the Capital Reserve – an increase of £10million;
- Transfer of £14million from the Contingency Reserve (Tax Strategy).

1.11 The following table summarises the States financial position:

		2014 Budget Estimate £m	2013 Current Estimate £m	2013 Budget Estimate £m	2012 Actual £m
Revenue Income	*	384	361	372	362
Revenue Expenditure	*	(356)	(349)	(348)	(342)
Revenue Surplus		**28**	**12**	**24**	**20**
Routine Capital Allocations	*	(7)	(13)	(13)	(16)
Capital Income		-	10	-	1
Operating Surplus / (Deficit)		**21**	**9**	**11**	**5**
Transfer to Capital Reserve		(35)	(34)	(25)	(25)
Transfer to Strategic Development Fund		-	(3)	(3)	-
Transfer from / (to) General Revenue Account Reserve		-	1	-	(3)
Deficit		**(14)**	**(27)**	**(17)**	**(23)**
Funded by transfer from: Contingency Reserve (Tax Strategy)		**14**	**27**	**17**	**23**

* The funding arrangement for the Corporate Housing Programme has been revised with effect from 1 January 2014. As set out in paragraphs 3.5 to 3.10, the effect of this is to reduce the overall deficit by £3.85million with increased revenue income of £6.25million, increased revenue expenditure of £8.4million and decreased capital allocations of £6million.

2014 BUDGET REPORT

Section 2: Income Proposals

Review of Personal Tax, Pensions and Benefits

2.1 In the 2013 Budget Report, the Treasury and Resources Department announced its intention to undertake 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. During early 2013, the Department worked closely with the Social Security Department and jointly launched the Review of Personal Tax, Pensions and Benefits which commenced with a public consultation in April 2013. The objectives of the review are to ensure:

- the long term sustainability of public finances, pensions, benefits and services; and
- a greater degree of equity in the system.

2.2 At a political level, sustainability is considered the core principle; with the Boards of both Departments agreeing that a sustainable tax system is key to providing high quality public services in the long-term.

2.3 This consultation recognised that to be able to balance the books in the long term the States must overcome two challenges, namely eliminating the current short term budget deficit and then developing a long-term balance in light of future projected cost pressures, including the cost of caring for an ageing population. It sought the views of the community on the:

- maximum amount the States should spend on public services, pensions and benefits;
- appropriate limit on the amount of money that should be taken out of the local economy to fund this expenditure;
- maximum amount of this which should be generated by personal taxes.

2.4 This consultation was part of the first phase of a review process to be staged over two years. The Departments published a report summarising the consultation responses in August 2013. Phase one now continues with this Budget Report and the Social Security Department's Uprating and Modernisation of the Supplementary Benefit Scheme States Report. The Department has given consideration to the public opinion expressed in the consultation in preparing this Budget Report.

2.5 In phase two, during 2014, the Treasury and Resources and Social Security Departments will prepare a joint report outlining the findings of the review including their recommendations regarding the wider issues and more significant long-term structural changes.

2.6 As a result of the feedback from the Personal Tax, Pensions and Benefits Review consultation, it is intended to commence an examination on the specific issue of pensions product provision and regulation.

2.7 A successful amendment to the 2013 Budget Report was *"To direct that as part of their comprehensive review of personal taxation referred to in paragraphs 3.1 to 3.4 of that Report the Treasury and Resources Department shall consider the rôle of taxation in deterring property speculation (having regard inter alia to the suspension in 2009 of the Dwellings Profits Tax (Guernsey) Law, 1975 and the effects thereof), and shall include in their 2014 Budget Report their conclusions together with any recommendations considered necessary."* This matter is, as directed, being considered as part of the Personal Tax, Pensions and Benefits Review and will be included within the phase two report in 2014. Therefore, the Department is not in a position to report back on this matter at this time.

Personal Income Tax

2014 Personal Income Tax Allowances

2.8 The Treasury and Resources Department is reviewing, as part of the implementation of measures emanating from the Personal Tax, Pensions and Benefits Review, the values and structure of personal income tax allowances. However, in advance of phase two of that Review, it is not considered appropriate to propose any significant changes to personal income tax allowances within this Budget Report.

2.9 Therefore, it is recommended that the **2014 basic personal income tax allowances are increased by 2.1% compared to 2013. Similar percentage increases will be made to the supplementary personal income tax allowances.** This is the same increase as is being recommended for all Social Security Department benefit rates, with the exception of family allowances.

2.10 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 £1.7million per annum. The personal allowances for 2014 are recommended to be as follows:

	2014	**2013**
Single persons	£9,675	£9,475
Single entitled to age relief	£11,450	£11,225
Married persons	£19,350	£18,950
Married, one entitled to age relief	£21,125	£20,700
Married, both entitled to age relief	£22,900	£22,450

2.11 The following table details the effect of these proposed increases in personal income tax allowances:

	Reduction in Income Tax Payable Per Annum
Single persons	**£40**
Single entitled to age relief	**£45**
Married persons	**£80**
Married one entitled to age relief	**£85**
Married both entitled to age relief	**£90**

2.12 The supplementary personal income tax allowances for 2014 are recommended to be as follows:

	2014	2013
Dependent relative *	£3,125	£3,050
Housekeeper *	£3,125	£3,050
Infirm Persons *	£3,125	£3,050
Charge of Children	£6,550	£6,425

∗ 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 have been admitted for the Year of Charge 2009 or will be admitted for any subsequent year of charge. Existing claims, however, will continue to be allowed, so long as they continue to meet the conditions.

For 2014, the Wife's Earned Income Allowance will remain in line with the Single Person's Allowance, i.e. £9,675. 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 granted.

For 2014, the income limit of a dependent relative before the Dependent Relative Allowance is reduced will be increased from £6,425 to £6,550.

Benefits in Kind

2.13 *"Benefits in Kind"* are non-cash benefits, received by an employee from their employer, commonly consisting of the use of assets (eg occupation of a property or use of a motor vehicle) without a transfer of ownership, or from third parties (such as gifts from customers or their employer). Regulations are required to set the amount to be charged to income tax for certain such benefits.

2.14 In order to maintain the real value of Benefits in Kind charges, which were last increased in 2009, **it is recommended that they are increased at a fixed percentage of 3% per annum, compounded, for each of the next three years (2014 – 2016 inclusive).** By scheduling the proposed charges now, rather than increasing charges annually, employers who provide such benefits will be able to plan for the proposed increases when amending their payroll systems, rather than requiring an amendment each year.

2.15 The Benefit In Kind charges for 2014-2016 are recommended to be as follows:

Benefit in Kind Charges	2013	2014	2015	2016
Cars:				
Limited private use only	£1,050	£1,080	£1,115	£1,150
Cost less than £10,000	£3,150	£3,240	£3,345	£3,450
Cost £10,000 - £19,999	£5,250	£5,400	£5,575	£5,750
Where the cost is £20,000 or more, the taxable benefit is 35% of the cost, per annum.				
3,4 and 5 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£1,995	£2,055	£2,120	£2,180
Married Person	£3,335	£3,435	£3,540	£3,645
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£315	£325	£335	£345
Children between 5-16 years *	£895	£920	£950	£980
Children age 17+ and still in formal education *	£1,315	£1,355	£1,395	£1,440
1and 2 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£1,735	£1,790	£1,840	£1,895
Married Person	£2,900	£2,990	£3,080	£3,170
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£315	£325	£335	£345
Children between 5-16 years *	£780	£800	£825	£850
Children age 17+ and still in formal education *	£1,155	£1,190	£1,225	£1,260
Employed managers (other than proprietary managers) and other employees:				
Accommodation (per week)	£20	£20	£20	£20
Food (per week)	£20	£20	£20	£20

∗ At 31 December in the relevant year.

2.16 The following example shows the effect of this change:

An employee is provided with a vehicle that costs £18,000. In 2013, the actual tax due would be £1,050. Under the proposed rates, this would increase to actual tax due of £1,080 (2014), £1,115 (2015) and £1,150 (2016), an increase of £30 in 2014, a further £35 in 2015 and a further £35 in 2016.

Retirement Annuity Allowance

2.17 Retirement Annuity Allowance (RAA) is an income tax allowance in respect of contributions to Guernsey approved pension schemes. The maximum RAA which may be given to a taxpayer in any year of charge is the lower of 100% of the income of the taxpayer and spouse, and such limit as is set by the Treasury and Resources Department. That limit, which applies to the overall contributions or premiums made to all schemes (approved retirement annuity schemes and approved occupational pension schemes) is currently £50,000 per annum.

2.18 The conditions for entitlement to a RAA currently mean that in the case of married couples, the £50,000 maximum still applies; ie each spouse is not entitled to relief of £50,000 each (which would be the case for two co-habiting but unmarried individuals). The Treasury and Resources Department wishes to remove this anomaly and thus ensure that married couples are not treated less favourably. Therefore, **it is recommended that these conditions are amended so that both spouses are entitled to claim a Retirement Annuity Allowance, where they have sufficient income in their own right to enable them to contribute to an approved retirement annuity scheme / trust scheme.** It is estimated that the maximum cost of this proposal would be £300,000 per annum.

Excise Duty on Tobacco

2.19 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."* The Treasury and Resources Department has consulted with the Health and Social Services Department which has advised that it is planning to submit a States Report in 2014 recommending a revised tobacco strategy and, in respect of excise duty rates on tobacco and tobacco products, requested that the existing policy is continued.

2.20 Therefore, the Treasury and Resources Department is recommending **an increase in excise duty in respect of tobacco of 5.7%** (being 3.0% plus the increase in the Guernsey RPI as at June 2013 of 2.7%) as follows:

Description of Goods	Proposed Rate of Duty Per Kilogram	Present Rate of Duty Per Kilogram
Cigarettes	£265.44	£251.13
Cigars	£246.49	£233.20
Hand rolling tobacco	£229.54	£217.16
Other manufactured tobacco	£199.10	£188.36
Tobacco leaf – unstemmed	£221.01	£209.09
Tobacco leaf – stemmed	£223.24	£211.20

2.21 The excise duty on an average packet of 20 cigarettes would increase from £3.69 to £3.90 (compared to £4.51 plus GST in Jersey pre-Budget and £4.78 plus VAT in the UK).

2.22 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 considered to be a powerful motivator for smokers to quit and to deter young people from starting smoking. However, although decreasing import volumes indicate that less tobacco is being consumed; this may be countered by an increase in the amount of tobacco products being consumed on which no duty has been paid. It is estimated that this proposal will still raise around an additional £250,000 per annum (i.e. no real terms increase).

Excise Duty on Alcohol

2.23 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 increased substantially in real terms.

2.24 The 2013 Budget Estimate for income from excise duty on alcohol is £11.1million (2012: £11million). However, due to a fall in import volumes, it is estimated that the actual outturn in 2013 may be a shortfall of up to £350,000.

2.25 **It is recommended that the increase in the duties levied on alcohol is 5% - a real terms increase of 1.7%**, raising an additional £550,000 per annum (£200,000 real terms increase). The Department is recommending that duties be changed as follows:

Description of Goods	Proposed Rate of Duty Per Litre	Present Rate of Duty Per Litre
Beer – small independent brewery	43p	41p
Other beer	68p	65p
Cider – small independent brewery	43p	41p
Other cider	68p	65p
Spirits (25% to 50% volume)	£11.15	£10.62
Light wines (5.5% to 15% volume)	£2.07	£1.97

2.26 The effect of these proposed duty changes is detailed in the table below:

Description of Goods	Proposed Duty	Present Duty	Increase in Duty
Beer / cider – small independent brewery – 1 pint	24.42p	23.29p	**1.13p**
Other beer / cider - 1 pint	38.62p	36.92p	**1.70p**
Spirits (25% to 50% volume) – 25mls	27.88p	26.55p	**1.33p**
Light wines (5.5% to 15% volume) – 125mls	25.88p	24.63p	**1.25p**

2.27 The Treasury and Resources Department is intending to review, in conjunction with the Home Department, the current system of charging excise duty on alcohol including whether to move from the current system of using bands to categorise products to a system based on alcohol by volume. This review will also consider the current small independent brewery excise duty rate and whether it should be extended to all alcohol products. This review will include a consultation exercise and any recommendations for changing the current system will be included in the 2015 Budget Report.

Excise Duty on Motor Fuel

2.28 The 2013 Budget Estimate for income from excise duty on motor fuel is £15.4million (2012: £15.3million). However, due to a slight fall in import volumes, it is estimated that the actual outturn in 2013 may be a shortfall of up to £250,000.

2.29 The Department is recommending that **excise duty on motor fuel is increased by 5% (1.7% in real terms) – an increase of 2.3p per litre to 48.8p per litre**. This compares to 42.93p plus GST in Jersey pre-Budget and 57.95p plus VAT in the United Kingdom. This would raise approximately an additional £750,000 per annum (£250,000 in real terms). The annual increase in duty payable on the purchase of 20 litres of motor fuel per week would be approximately £24.

2.30 Diesel for marine (and other non-road) use would remain exempt from duty and the concessionary rate of duty on petrol for marine use will be 33.6p per litre.

2.31 There are an increasing number of vehicles using local roads which are fuelled by biodiesel which is currently not subject to excise duty. In the United Kingdom, excise duty is charged on biodiesel at the same rate as standard petrol and diesel but an individual is allowed to manufacture up to 2,500 litres of biodiesel per year before being required to register with Her Majesty's Revenue and Customs as a producer and pay excise duty on amounts of biofuels put to road use over 2,500 litres per annum. The Treasury and Resources Department intends, in conjunction with the Home Department, to consider whether excise duty should be levied on biodiesel in the Bailiwick and any proposals as regards the mechanism of a scheme and an excise duty rate will be included in the 2015 Budget Report.

Implementation of Excise Duty Budget Proposals

2.32 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. 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)

2.33 The 2013 Budget Estimate for income from Tax on Real Property is £16.3million (2012: £16.0million) and it is estimated that the actual outturn in 2013 will be slightly above budget. In advance of the implementation of any measures emanating from the Personal Tax, Pensions and Benefits Review, the Treasury and Resources Department does not consider it appropriate to propose any significant changes to either the rates or structure of Tax on Real Property. Therefore**, it is recommended that domestic, commercial and land tariffs are increased by 5%** (a real terms increase of 1.7%) which will raise approximately an additional £800,000 per annum (£300,000 in real terms).

2.34 The following table details the 2013 TRP rate per unit, the proposed change and the proposed 2014 TRP rate per unit (commercial rates are rounded to the nearest 5p):

	Proposed 2014 TRP rate per unit	Proposed increase	2013 TRP rate per unit
Buildings (all zero-rated for Herm)			
Domestic (whole unit) Local Market	99p	5.0%	94p
Domestic (flat) Local Market	99p	5.0%	94p
Domestic (glasshouse) Local Market	5p	-	5p
Domestic (outbuildings) Local Market	49p	5.0%	47p
Domestic (garaging & parking) (non-owner- occupied) Local Market	99p	5.0%	94p
Domestic (whole unit) Open Market	99p	5.0%	94p
Domestic (flat) Open Market	99p	5.0%	94p
Domestic (glasshouse) Open Market	5p	-	5p
Domestic (outbuildings) Open Market	49p	5.0%	47p
Domestic (garaging & parking) (non-owner- occupied) Open Market	99p	5.0%	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	£4.55	5.0%	£4.35
Self-catering accommodation	£2.85	5.0%	£2.70
Motor and marine trade	£3.85	5.0%	£3.65
Retail	£8.45	5.0%	£8.05
Warehousing	£4.15	5.0%	£3.95
Industrial and workshop	£3.30	5.0%	£3.15
Recreational and sporting premises	£1.95	5.0%	£1.85
Garaging and parking (non-domestic)	£4.15	5.0%	£3.95
Utilities providers	£32.50	5.0%	£30.95
Office and ancillary accommodation (regulated finance industries)	£30.35	5.0%	£28.90
Office and ancillary accommodation (other than regulated finance industries)	£10.15	5.0%	£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)	49p	5.0%	47p
Development buildings (non-domestic)	£4.30	5.0%	£4.10

	Proposed 2014 TRP rate per unit	Proposed increase	2013 TRP rate per unit
Land (all zero-rated for Alderney and Herm)			
Communal (flat) Local Market	13p	5.0%	12p
Communal (flat) Open Market	13p	5.0%	12p
Hostelry and food outlets	25p	5.0%	24p
Self-catering accommodation	25p	5.0%	24p
Motor and marine trade	25p	5.0%	24p
Retail	25p	5.0%	24p
Warehousing	25p	5.0%	24p
Industrial	25p	5.0%	24p
Recreational and sporting premises	25p	5.0%	24p
Office and ancillary accommodation (regulated finance industries)	86p	5.0%	82p
Office and ancillary accommodation (other than regulated finance industries)	29p	5.0%	28p
Utilities providers	25p	5.0%	24p
Approved development site	86p	5.0%	82p
Domestic Local Market	13p	5.0%	12p
Domestic Open Market	13p	5.0%	12p
Horticulture	13p	5.0%	12p
Agriculture	13p	5.0%	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)	25p	5.0%	24p

2.35 The following table illustrates the effect of the increase in TRP rates on different domestic properties:

TRP of Property	Proposed TRP Payable	Current TRP Payable	Increase in TRP Payable
75	£74.25	£70.50	**£3.75**
150	£148.50	£141.00	**£7.50**
225	£222.75	£211.50	**£11.25**
300	£297.00	£282.00	**£15.00**
375	£371.25	£352.50	**£18.75**

2.36 The Department is aware that concerns have been raised about the extent of empty or derelict properties, including glasshouses and it has been suggested that the TRP regime could be used as a mechanism to address this issue. Whilst there are insufficient fiscal reasons for the Treasury and Resources Department to recommend the setting of a TRP penal rate to be applied for such properties, Members would be very likely to support any such proposal brought forward for social, environmental or other public policy reasons by another States Department.

Document Duty

2.37 The 2013 Budget Estimate for income from Document Duty (which includes conveyancing - £15.9million and bonds - £2.1million) was £18million (2012: £17.1million). However, property market activity during the first half of 2013 was approximately 20% less than in 2012 with decreased demand being mainly attributable to a combination of a weaker local economy (and resulting decline in levels of confidence) and associated lower net levels of migration. It is expected that improvements in domestic economic conditions will result in a return of confidence and feed through into an increase in volumes and document duty income including in respect of the open market. Therefore, it is estimated that the actual outturn in 2013 will be substantially below estimate at £14.25million and the 2014 estimate is projected to be £15.5million.

2.38 The current rates of document duty payable for a straightforward conveyance (that is not being a gift of realty inter vivos, an exchange of realty, partage or conveyance by way of délaissance of realty or an amendment of a conveyance of realty involving an increase in the value of the transaction) are:

- 2% of the value of the transaction where the value of the transaction is £150,000 or less;
- 2.5% of the value of the transaction where the value exceeds £150,000 but does not exceed £250,000;
- 3% of the value of the transaction where the value exceeds £250,000;
- 3% for all other categories of conveyance.

2.39 The thresholds were last reviewed in 2002 and, therefore, to maintain their real value in respect of average property price and increase their real value in respect of inflation, **the Treasury and Resources Department is recommending they are permanently increased as follows:**

- **2% of the value of the transaction where the value of the transaction is £250,000 or less;**
- **2.5% of the value of the transaction where the value exceeds £250,000 but does not exceed £400,000;**
- **3% of the value of the transaction where the value exceeds £400,000;**
- **3% for all other categories of conveyance.**

2.40 Furthermore, in order to stimulate and encourage the property market which should lead to an increase in transaction volumes and a consequential recovery in document duty income and benefit the Islands' economy through the economic multiplier effect due to increased expenditure in several associated areas, **the Treasury and Resources Department is recommending a temporary reduction, ending on 31 October 2014, in the document duty rate charged on the two lower thresholds to:**

- **1% of the value of the transaction where the value of the transaction is £250,000 or less;**

- **2% of the value of the transaction where the value exceeds £250,000 but does not exceed £400,000;**

2.41 The Treasury and Resources Department is of the view that a permanent increase in the document duty thresholds and the temporary reduction in document duty rates for lower band properties should particularly benefit first-time buyers and some second-time buyers / down-sizers. It is not anticipated that the reduction in document duty rates will, due to the temporary nature of this measure, have any ongoing distorting effect on the property market. The following table illustrates the effect of the permanent increase in document duty thresholds and the temporary reduction in document duty rates on different transaction values:

Transaction Value	Proposed Temporary Document Duty Rate	Proposed Document Duty Payable	Current Document Duty Rate	Current Document Duty Payable	Reduction in Document Duty Payable
£150,000	1.0%	£1,500	2.0%	£3,000	**£1,500**
£200,000	1.0%	£2,000	2.5%	£5,000	**£3,000**
£250,000	1.0%	£2,500	2.5%	£6,250	**£3,750**
£300,000	2.0%	£6,000	3.0%	£9,000	**£3,000**
£350,000	2.0%	£7,000	3.0%	£10,500	**£3,500**
£399,999	2.0%	£8,000	3.0%	£12,000	**£4,000**

2.42 It is estimated that these proposed changes will cost (reduction in income) in the region of £500,000 (2013: £125,000) per annum for the permanent increase in the document duty thresholds with the temporary reduction in document duty rates a further £500,000 in 2014 (2013: £125,000). This will reduce the overall estimates for document duty income to £14million for 2013 and £14.5million for 2014.

2.43 The proposed reduction in document duty cannot take effect immediately on publication of the Budget Report and the current rates of document duty will continue to apply between the date of publication of this Report and the Budget Debate. However, the knowledge that the States will be considering reductions in the rates of document duty may mean that efforts will be made to delay some property transactions until after the Budget debate. This may cause disruption, particularly where a chain of transactions is involved. Therefore, in line with previous practice, **it is recommended that if the States agree to the proposals on document duty, a repayment be made in respect of all relevant documents registered between the date of publication of this Report and the Budget debate.**

Share Transfer Duty

2.44 The States approved a proposal in the 2012 Budget Report to introduce a Share Transfer Duty regime in Guernsey which taxes sales of interests in entities that own either commercial or domestic real property in Guernsey at the same rate as applied under the Document Duty Law for standard conveyances. The Policy Council, advised by the Prioritisation of Legislation Working Group, has categorised the drafting of this regime as Priority 1 and it is anticipated that a States Report containing the detailed policy together with the draft Law will be submitted during early 2014.

Impact of Indirect Taxation Proposals

2.45 Below is a summary of the impact of the indirect taxation proposals in terms of total additional revenue raised and the impact on inflation:

Budget Measure	Revenue Raised	Impact on RPIX
Motor Spirit Duty increased by 5%	£750,000	0.05%
Tobacco Duty increased by 5.7%	£250,000	0.08%
Alcohol Duty increased by 5%	£550,000	0.05%
TRP increased by 5%	£800,000	0.01%
Increases in thresholds for document duty	(£500,000)	
Temporary reduction in rates of document duty	(£500,000)	
TOTAL	**£1.35million**	

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Section 3: Expenditure Proposals

3.1 For the purposes of this Budget, RPIX of 3.3% has been used as the inflation forecast. **The Department is recommending that 2014 total Cash Limits are set at £363.2million calculated as follows:**

	Note	£m
2013 Cash Limits		360.7
Adjustment for 2013 inflation allowance	1	(3.2)
2014 inflation allowance (3.3%)		11.8
2014 ‘Base’		369.3
2014 Financial Transformation Programme targets		(12.5)
Transfer to Budget Reserve	2	4.0
Corporate Housing Programme funding arrangements revision	3	2.4
2014 Recommended Cash Limits		**363.2**

3.2 The 2014 recommended Cash Limits are £2.5million more than the 2013 Cash Limits; this real terms reduction of 2.6% is due to the FTP targets, partly offset by the transfer to Budget Reserve and change to the Corporate Housing Programme funding arrangements. Therefore, this complies with the Fiscal and Economic Plan target of a real terms freeze on aggregate States revenue expenditure

3.3 **Note 1** – The 2013 Cash Limits were set using an RPIX forecast for 2012 and 2013 of 3.0%. However, RPIX at December 2012 was 2.0% and the latest 2013 RPIX (June) is 2.1%. Therefore, the base is reduced by £3.2million to reflect the latest 2013 inflation being lower than assumed when setting the 2013 Cash Limits.

3.4 **Note 2** – For 2014 only, an additional sum of £4million is included within the recommended Budget Reserve to recognise that there are cases where a Department will have identified and initiated projects which have certain and ongoing benefits at least equal to the balance of their FTP target by the end of 2014 but a full year’s benefit may not be achieved until 2015 or subsequent years (paragraph 3.16)

3.5 **Note 3** – The Corporate Housing Programme Fund (CHPF) 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.

3.6 The 2013 Budget Report included that *"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."* This exercise has now concluded and 2014 is the first year of the new arrangements (as reflected in the budgets for the Housing Department and Corporate Housing Programme Fund in Appendix VI).

3.7 The effect on General Revenue expenditure is as follows:

	£'000	£'000
Increase in Housing Department Cash Limit :		
Housing Services management	2,080	
Housing Stock repairs and maintenance	5,940	
Guernsey Youth Housing Project grant	355	
	8,375	
Decrease in Housing Department routine capital allocation (transfer to CHPF)	(6,000)	
Net increase in General Revenue Expenditure		**2,375**

3.8 General Revenue income will increase by £6.225million arising from £1.35million of investment return / interest on the balance of the CHPF and interest paid on loans made from the Housing Development and Loan Fund (now closed) and £4.875million of rental income (net of rebates, including for tenants of the GHA nominated by the Housing Department) which were previously credited to the CHPF. The Housing Department will continue to manage the collection of the rents and the rent rebate scheme. Therefore, the net 2014 benefit to General Revenue of the new arrangements is £3.85million (being £6.225million less £2.375million).

3.9 The CHPF is projected to have a balance of £61million at the beginning of 2014 and, as set out in the Capital Prioritisation States Report; this will fund the Housing Stock Modernisation Programme and the Housing Development Programme. Unless monies are specifically voted to it, the CHPF will eventually become exhausted (not estimated to be until at least 2022), requiring the Housing Department to submit bids for funding from the Capital Reserve.

3.10 The Treasury and Resources Department commends the Housing Department for initiating this reconfiguration of the funding for housing management and development and welcomes the revision as being transparent and consistent with general States budgeting and accounting arrangements.

FTP Targets

3.11 FTP benefits totalling approximately £5million were realised up to the end of 2011. Since 2012, Departments have been allocated targets, as part of their Cash Limit, in order to incentivise delivery of the balance of £26million of the overall minimum FTP target of £31million. This was designed to ensure that the budget deficit is minimised whilst FTP benefits are being delivered. The targets are allocated to Departments based on the overall FTP savings profiles by Department, rather than simply to the size of their budget.

3.12 If the target is not achieved through the delivery of sustainable recurring FTP benefits, then Departments are still expected to balance their budgets though in-year cost reduction measures. However, it is recognised that it is imperative that the FTP targets do not imperil the delivery of frontline services and that suitable projects that can reasonably deliver the agreed targets are developed and monitored.

3.13 The overall value of targets allocated to Departments in 2012 and 2013 was £15.7million. A total of £12.3million has to date arisen from projects that have been approved and either implemented or in the delivery phase. Therefore, there remains a balance of £3.4million to be added to the 2014 FTP targets. Delivery of the 2014 balance would result in successful achievement of the overall minimum FTP target of £31million.

3.14 In 2013, in order to recognise the longer term transformation programmes being developed by the Education and Health and Social Services Departments and the need for these to be completely integrated with plans for the delivery of FTP benefits, the 2013 and 2014 FTP targets for these Departments were switched. This means that just these Departments have a greater FTP target in 2014 than 2013.

3.15 There are cases where a Department will have identified and initiated projects which have certain and ongoing benefits at least equal to the balance of their FTP target by the end of 2014 but a full year's benefit may not be achieved until 2015 or subsequent years. This is particularly true for the Education Department as outlined in paragraph 3.18. Any resulting in-year budget shortfall should be addressed by Departments making in-year savings, where possible.

3.16 However, it is recognised that this may not be fully achievable resulting in the potential for individual Departments to overspend their Cash Limits (which are net of FTP targets) as a direct result of the delivery of benefits arising from the FTP. Therefore, for 2014 only, an additional sum of £4million is included within the recommended Budget Reserve. In subsequent years, this £4million would effectively reduce the total budget for revenue expenditure and contribute towards elimination of the budget deficit.

3.17 The following table details, by Department:

- Column A - FTP targets for 2012 (included in the 2012 Budget Report);
- Column B - FTP targets for 2013 (included in the 2013 Budget Report);
- Column C - FTP targets for 2014;
- Column D - The 2014 value of the recurring benefits arising from projects that have, at this time, been approved and either implemented or in the delivery phase;
- Column E - The 2014 balance, for which measures are yet to be identified, approved and implemented. A portfolio of projects capable of delivering the target balance has been compiled.

	A 2012 FTP Targets £'000	B 2013 FTP Targets £'000	C 2014 FTP Targets £'000	D 2014 Value of Approved Projects £'000	E 2014 Balance (A+B+C+D) £'000
Policy Council	50	440	219	(399)	310
Treasury and Resources	560	1,072	535	(1,757)	410
Commerce and Employment	590	441	220	(769)	482
Culture and Leisure	100	559	279	(376)	562
Education	1,630	1,830	3,659	(2,694)	4,425
Environment	130	319	159	(534)	74
Health and Social Services	2,350	2,320	4,666	(3,191)	6,145
Home	620	1,325	662	(1,103)	1,504
Housing	60	142	70	(202)	70
Public Services	300	495	497	(978)	314
Social Security	80	179	1,461	(210)	1,510
Royal Court	10	29	19	(55)	3
Law Officers	20	58	24	(82)	20
	6,500	**9,209**	**12,470**	**(12,350)**	**15,829**

3.18 The Education Department is on course to meet its overall FTP target. However, it may face challenges in working within its 2014 Cash Limit due to timing differences resulting from:

- Certain changes can only be made at the end of an academic year – an example would be the Primary Education Transformation proposals for which substantial financial benefits only begin to accrue from September 2015, with the full year effect not available until 2016;

- Some projects have longer term timeframes for full benefit delivery – for example, the changes to College Grants agreed by the States in September 2011 have incremental annual benefits up until 2017 with £600,000 of the total not accruing until after 2014.

3.19 The Treasury and Resources Department understands these difficulties and will work closely with the Education Department, including regular monthly ministerial meetings, to monitor progress with the delivery of benefits during 2014. In the 2013 Budget Report, the size of the Budget Reserve was increased, inter alia, in recognition that there may be some pressures on departmental Cash Limits simply as a result of the timing of the delivery of benefits through the FTP. As set out in paragraph 3.16, the Budget Reserve makes further allowance for these timing differences.

3.20 Established staff budgets have been consistently underspent for a number of years (both across General Revenue as a whole and in most Departments). Therefore, with effect from 2014, a policy of budgeting for a 5% vacancy factor for established staff has been introduced. It is recognised that there could be some cases where, at Departmental level, this level of vacancies does not occur and, if so, budgets will be topped up from the Budget Reserve. It is planned to retain part (40%) of the budget reduction within the Budget Reserve and the remainder will contribute towards achieving the FTP target.

3.21 The Health and Social Services Department has an overall FTP target balance of £6.1million for 2014 which represents almost 6% of its net Cash Limit. It is acknowledged that achievement of this target will be particularly challenging but the Treasury and Resources Department is encouraged by the Financial Recovery Actions that have now been agreed that aim to deliver a balanced budget in 2014 including the delivery of FTP measures. The Treasury and Resources Department will continue to work closely with the Health and Social Services Department, at both political and staff level, to support delivery of these actions and monitor progress with the realisation of benefits during 2014.

3.22 The Treasury and Resources Department is very pleased to report that the Public Services Department has advised that its FTP target can be increased by £250,000 since it will exceed the existing target as it has identified £250,000 in additional benefits from existing initiatives.

3.23 During the course of 2013, the Policy Council agreed a revised FTP target with the Social Security Department based on its overall General Revenue budget and not purely on the non-Formula Led element as had previously been the case. This has increased the total FTP targets by nearly £1.4million. This is in recognition that there is significant scope for the Department to affect the total level of supplementary benefit payable by more effective management of benefit payments. The Department has already saved £565,000 by changing the way that incapacity claims are managed.

3.24 The total of benefits realised up to 2011 and FTP targets allocated to Departments since 2012 is £33million.

Incentivisation

3.25 The Treasury and Resources Department wishes to ensure that the States are able to deliver on the aim of the FTP to release a recurring reduction in General Revenue expenditure of at least £31million by the end of 2014. However, since 2014 is the final year of the programme, incentive to deliver sustainable savings by the end of the year will undoubtedly diminish as the year progresses. The Department is of the opinion that the £31million target remains achievable and indeed that it could be exceeded.

3.26 Therefore the Department is intending that, in advance of the development of any ongoing transformation programme and the Government Service Plan, a system of incentivisation is introduced for Departments who exceed their FTP targets during the course of 2014. The Department also believes that there are many opportunities for cross Departmental working which have not yet been fully explored and numerous prospects for closer working with Jersey that could release financial benefits. A recent example of joint working with Jersey is the appointment of a pan-Island Data Protection Commissioner by the Home Department. Therefore, the Treasury and Resources Department is intending that:

- For any benefits deriving from joint working with Jersey or other Departments: 60% will be retained by the Department for use in 2014 and included within its recommended 2015 Cash Limit and the remaining 40% used for deficit reduction; and

- For any other benefits: 40% will be retained by the Department for use in 2014 and included within its recommended 2015 Cash Limit and the remaining 60% used for deficit reduction.

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Cash Limits

3.27 The recommended Cash Limits for 2014 are detailed in the following table. Within their agreed Cash Limits, Departments have to consider very carefully their own priorities. The Treasury and Resources Department does not 'micro-manage' individual Department's budgets as this is the responsibility of the Departments concerned. Full line by line details of the 2014 budgets are included as Appendix VI.

	Revenue Cash Limit £'000s	Routine Capital £'000s	Total Cash Limit £'000s	2013 Cash Limit £'000s
Policy Council				
General	8,125		**8,125**	8,325
Formula Led	2,400		**2,400**	2,050
Treasury and Resources:	14,200			
Inter-Department transfers re WAN and Shared Services (The Hub)	2,250			
General	16,450	650	**17,100**	16,350
Formula Led	1,900		**1,900**	1,870
Commerce and Employment	10,625	100	**10,725**	11,175
Culture and Leisure	2,800	200	**3,000**	3,600
Education	71,400	700	**72,100**	75,400
Environment	7,725	100	**7,825**	8,125
Health and Social Services	104,200	1,100	**105,300**	109,670
Home	31,275	450	**31,725**	32,675
Housing:	1,625			
Change to funding arrangements for Corporate Housing Programme	8,375			
General	10,000		**10,000**	1,150
Transfer to CHPF	-		**-**	6,000
Public Services	3,950		**3,950**	4,500
Social Security				
General	2,675		**2,675**	2,800
Formula Led	54,400		**54,400**	54,150
Public Accounts Committee	275		**275**	325
Scrutiny Committee	275		**275**	275
States Review Committee	95		**95**	95
Royal Court	2,800		**2,800**	2,900
Law Officers	4,560		**4,560**	4,775
States of Alderney	1,960		**1,960**	1,940
	337,890	3,300	**341,190**	348,150
Service Developments *	978	-	**978**	1,278
Backlog property maintenance	-	1,500	**1,500**	-
Budget Reserve	17,032	2,500	**19,532**	11,272
	355,900	**7,300**	**363,200**	**360,700**

* The Treasury and Resources Department has approved business cases for projects totalling £4.2million for service developments prioritised within States Strategic Plans and appropriate provision has been made in the recommended 2014 Cash Limits. Funding of £978,000 for the remaining prioritised service developments will be released into budgets once a detailed business case has been approved.

3.28 In addition to funding for SSP and FTP projects, the recommended Cash Limits include adjustments in respect of the following:

- Policy Council – includes £120,000 for the 2014 Planning Inquiry (it is a statutory requirement for the Policy Council to finance and manage major planning inquiries and to consider and report on the draft Development Plan prepared by the Environment Department) and £75,000 to fund the costs of hosting the two day British-Irish Council Guernsey summit (all eight members of the British-Irish Council are obliged to host a summit on a cyclical basis. The British-Irish Council summit and supporting workstreams are an important and constructive part of Guernsey's international identity and network).

  In January 2012 (Billet d'État 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 2014 budget for Overseas Aid is £2.96million (including £200,000, which is ring-fenced for emergency aid[b]);

- Treasury and Resources Department – Following the two corporate projects to create a single Wide Area Network to support data, telephony and CCTV (Billet d'État III, 2012) and to develop a 'Shared Services' administration model (Billet d'État XVII, 2011), individual Departments have transferred budgets totalling £2.25million to the Treasury and Resources Department.

  The recommended Cash Limit, with the support of the Policy Council, includes an additional £160,000 to fund two additional posts in the Income Tax Section to implement Inter-Governmental Agreements including FATCA (Foreign Account Tax Compliance Act) and Exchange of Information requests and enhance the investigation and compliance function (the business case for this post anticipates that the average annual increase in income tax receipts will be at least double the employment costs);

- Education Department – In addition to a general increase of £100,000, further allowance of £157,000 (to the ongoing amounts of £55,000 and £285,000 included within the 2012 and 2013 Cash Limits respectively) 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'État XXIII, 2010);

- Health and Social Services Department – £1.05million allowance in recognition of cost pressures arising from medical inflation including the costs of off-island treatment. In addition, as directed by a successful amendment to the 2013 Budget Report, the recommended Cash Limit includes £50,000 to be used specifically to fund appropriate States and/or voluntary sector educational and other programmes to discourage commencement and/or encourage cessation of smoking;

- Home Department – a one-off amount of £138,000 is included to fund the charges levied for providing the initial call filtering service for all 999/112 calls to the emergency services. With effect from 2015, emergency calls will be taken directly into a planned Joint Emergency Services Control Room;

[b] In March 2004 (Billet d'État III), the States agreed that the any part of the ring-fenced budget for providing aid in respect of specific emergency disasters which is not used during the year in which it is allocated, shall be retained for distribution by the Overseas Aid Commission in the following year.

- Housing Department – following a revision of the arrangements pertaining to the Corporate Housing Programme, the recommended Cash Limit includes £8.375million in respect of revenue expenditure previously met from the Corporate Housing Programme Fund (Housing Services management, Housing Stock repairs and maintenance and Guernsey Youth Housing Project grant).

  In addition, a one-off allowance of £269,000 has been made in 2014 for Extra Care Housing (in advance of the opening of the new GHA facilities, resident numbers in the existing States facilities and hence operating income has declined and there are some initial and transitional costs). When fully operational, there is expected to be a substantial net saving arising from this project;

- Social Security Department – The recommended Cash Limit includes a non-recurring allowance of £56,000 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.

Routine Capital Allocations

3.29 Overall, Departments brought forward to 2013 nearly £6million of routine capital allocations and additional allocations of nearly £5million were approved in the 2013 Budget Report. Historically, Departments have tended to overestimate their routine capital requirements and, in most cases, fewer projects are carried out and at a later time than was included in the routine capital programme funding requests. Therefore, the recommended Departmental routine capital allocations for 2014 are generally lower than in previous years. However, the Budget Reserve includes a notional provision of £2.5million for transfers to Departmental routine capital allocations.

3.30 The recommended capital allocation for the Education Department includes a specific amount of £175,000 for (as set out in the Rebuilding of Les Beaucamps High School States Report [Billet d'État XXIII, 2010]), funding an ongoing schedule of planned preventative maintenance for elemental refurbishment with an annual amount of £175,000 being allocated for this purpose. The Treasury and Resources Department fully supports the Education Department in its plans to ensure that the school is maintained appropriately in order to maximise its useful life and deliver optimum value for money in return for the substantial capital sum expended. However, the funding mechanism of a sinking fund is not in accordance with existing States practice whereby such expenditure is planned and funded at the appropriate time through either routine capital allocation or as a Capital Reserve project. Therefore, the Treasury and Resources Department intends to discuss with the Education Department a more appropriate mechanism for funding future major maintenance at Les Beaucamps High School.

3.31 Following a revision of the arrangements pertaining to the Corporate Housing Programme, an annual transfer from routine capital allocation is no longer required.

3.32 The September 2013 Capital Prioritisation States Report includes *"The Treasury and Resources Department has undertaken condition surveys on buildings that the States are responsible for maintaining, including protected buildings and monuments. A sizeable backlog of maintenance liabilities has been identified and it is intended that this will be managed through the routine capital allocation process although, in future years, funding may be required from the Capital Reserve."*

3.33 Therefore, within the recommendations for routine capital allocations a ring-fenced sum (£1.5million for 2014) will be included specifically to fund backlog maintenance of property assets. It is intended that the Treasury and Resources Department's States Property Services Section will, in consultation with Departments, prepare a prioritised plan for carrying out the works. Approval of capital votes for individual projects would be subject to the existing procedures (including in respect of the Treasury and Resources Department being able to exercise its delegated authority).

3.34 In addition, the Treasury and Resources Department intends, each year, to carry forward any unused balance of the element of the Budget Reserve set aside for transfers to Departments' capital allocation (£2.5million in each of 2013 and 2014) to be added to the allocation for backlog maintenance of property assets.

Budget Reserve

3.35 The 2013 Budget included a Reserve of £11.3million of which £6million was in respect of anticipated pay awards. Appendix III details the non-pay award uses of the Budget Reserve in 2013[c]. The 2014 Budget Reserve is £19.5million which includes allowances for:

- Provision for pay awards for which budgets will be adjusted when the pay awards are settled. The 2014 effect of 2012 pay awards which had not been settled when the 2013 Cash Limits were set and settled 2013 pay awards will cost £2.2million, and this has been included in individual Cash Limits. The Budget Reserve includes £3.7million for the 2014 effect of 2013 pay awards which have not yet been settled and £2.6million for the effect of 2014 pay awards (largely only part-year effect – eg the Teachers' Pay Award is effective from September);

- Provision for increasing individual Department's staff budgets should the States approve the Social Security Department's proposal to increase by 0.5% the employer's contribution rate to the Guernsey Insurance Fund with effect from 1 January 2014;

- Provision for increasing established staff budgets if the assumed 5% level of vacancies does not occur (paragraph 3.20);

- 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 cases where a Department will have identified and initiated projects which have certain and ongoing benefits at least equal to the balance of their FTP target by the end of 2014 but a full year's benefit may not be achieved until 2015 or subsequent years. Any resulting in-year budget shortfall should be addressed by Departments making in-year savings, where possible. However, it is recognised that this may not be fully achievable resulting in the potential for individual Departments to overspend their Cash Limits (which are net of FTP targets) as a direct result of the delivery of benefits arising from the FTP. In these circumstances, resort to the Budget Reserve may be appropriate;

- Allowance for transfers to Departments routine capital allocations as there are a significant number of capital projects that may be progressed in 2014 but, at this stage, their timing or cost is not known with any degree of certainty.

[c] Although the Treasury and Resources Department has the delegated authority to increase its own budget, in the interests of transparency and openness, the Policy Council endorses any non-pay award transfers from the Budget Reserve to the budget of the Treasury and Resources Department.

Capital Reserve

3.36 In the 2013 Budget Report, it was reported that Guernsey Post Ltd. had recently undertaken a review of its asset portfolio and capital requirements in the context of the Company's future funding requirements and strategy and concluded that it was appropriate to return £5million to the States of Guernsey in the form of a buyback of shares. The recommendation to appropriate the £5million to the Capital Reserve was approved.

3.37 Following a further reassessment of its working capital requirements, Guernsey Post Ltd. has advised that it considers it appropriate to return a further £3.5million to the shareholders 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.

3.38 The Treasury and Resources Department considers that it would be appropriate for this sum to also be transferred to the Capital Reserve and be available for funding for the next capital programme. **It is therefore recommended that the £3.5million is appropriated to the Capital Reserve.**

3.39 In September 2013 (Billet d'État XIX, 2013), a Treasury and Resources Department States Report entitled *"Capital Prioritisation"* was considered and a States Capital Investment Portfolio approach for the delivery of capital projects during the period 2014-2017 was approved. A key objective of this approach is to ensure that an appropriate level of investment is made to maintain and enhance the Island's infrastructure in order not to adversely impact on its economic competitiveness with other jurisdictions.

3.40 The States Report included that *"Based on the proposals submitted and scored, it is recommended that £225million of projects are funded from the Capital Reserve during 2014 – 2017. However, this can only be done if the current funding arrangements are amended through additional annual appropriations to the Capital Reserve. The Treasury and Resources Department recognises that capital funding decisions cannot be made in isolation and, when considered in the context of the overall States financial position and other priorities, it may not be possible or desirable to make this level of investment. Therefore, it is intended that the 2014 Budget Report will include a recommendation as to the 2014 appropriation to the Capital Reserve and indications as to the 2015-2017 appropriations. The longer term funding will need to be considered alongside the ongoing Personal Tax, Pension and Benefits Review in order to develop a sustainable future funding model."* and

3.41 *"Following the 2014 Budget debate which should set out an anticipated funding profile for the 2014-2017 appropriations to the Capital Reserve...., a timetable for the States Capital Investment Portfolio would then be developed based on the optimum delivery model taking into account the availability of funding and the impact on the local construction industry. The Treasury and Resources Department intends to submit a States Report, for consideration before the end of the second quarter of 2014, to request States approval of the Capital Reserve funded States Capital Investment Portfolio (revised if necessary due to availability of funding) along with a timetable for its delivery."*

3.42 The current policy is that the annual appropriation to the Capital Reserve is maintained in real terms. The 2013 appropriation was £24.55million and the 2014 appropriation would be £25.35million. If this policy continues until 2017, there would be an estimated shortfall of approximately £70million on the estimated maximum portfolio value of £225million. Funding this shortfall by increasing the appropriation from General Revenue would require an additional £17million per annum over the four year period 2014 – 2017. The fiscal position does not currently allow this level of funding to be achieved. However, based on the budgeted financial position for 2014 which includes a cyclical fall in document duty receipts and a one-off increase in the Budget Reserve, it is recommended that the 2014 appropriation is increased by £10million.

3.43 Therefore, **the Treasury and Resources Department is recommending that £35.35million is transferred to the Capital Reserve on 1 January 2014**. It is the intention of the Treasury and Resources Department that at least this level of appropriation is maintained throughout the period of this States Capital Investment Portfolio. The Treasury and Resources Department acknowledges that this level of funding would not be sufficient to fund a £225million portfolio. However, the Department will be undertaking further work with Departments to review and refine the specification and scope of projects in order to obtain, inter alia, greater cost certainty. The Department also wishes to explore further all options for the sustainable future funding of States' capital investment alongside the Personal Tax, Benefits and Pensions Review. The Department will during the first half of 2014, as part of its States Report on the States Capital Investment Portfolio, report back on both further detail of the proposed portfolio and funding model.

3.44 The Capital Reserve is anticipated to have a balance of £68.7million at the end of 2013 and £61.2million at the end of 2014:

	Note:	£m
Balance at 1 January 2013		91.7
Transfer from General Revenue Account		24.5
Anticipated transfer from Ports Holding Account	1	2.4
2013 Investment Return		2.5
Sale of Property		1.5
Guernsey Post Ltd – share buyback		8.5
Expenditure on Projects	2	(62.4)
Anticipated Balance at 31 December 2013		**68.7**
Budget Appropriation		35.4
2014 Investment Return		2.0
Expenditure on Projects	2	(44.9)
Anticipated Balance at 31 December 2014		**61.2**

3.45 **Note 1** – As part of the 2009 – 2013 capital programme funding model, the States agreed that *"the operating surplus before depreciation shall be transferred to the Capital Reserve from the Ports Holding Account from 2010 until such time as the Ports Holding Account may be discontinued."* As Public Services Department forecast that the balance on the Ports Holding Account would be exhausted shortly, the States agreed a recommendation in the September 2013 Capital Prioritisation that, as an interim measure, from 2014, the operating surpluses before depreciation of the Ports Holding Account are retained to fund capital expenditure of the Ports.

3.46 **Note 2** – This table only includes expenditure on projects which were included in the 2009 – 2013 capital programme or earlier Capital Reserve funded projects. The States Report planned for before the end of the second quarter of 2014, will set out the planned timing and resultant expenditure profile of projects to be included within the 2014-2107 States Capital Investment Portfolio.

3.47 The States Fiscal Framework assumes a 'norm' for permanent capital expenditure of 3.0% of Gross Domestic Product (i.e. £60million per annum based on the 2012 GDP of £2,009million). Expenditure from the Capital Reserve is anticipated to be £62.4million 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 3.8% of 2012 GDP.

3.48 In respect of the 2014-2017, the recommended States Capital Investment Portfolio funded from the Capital Reserve equates to an average of approximately £56million per annum. Therefore, the States Fiscal Framework target would be achieved wholly from General Revenue by the Capital Reserve funded projects and existing routine capital allocations of £7million per annum.

2014 BUDGET REPORT

Section 4: Financial Position

4.1 The financial position can be summarised as follows:

		2014 Budget Estimate £m	2013 Current Estimate £m	2013 Budget Estimate £m	2012 Actual £m
Revenue Income					
Income Tax:					
Individuals		239	231	233	228
Companies		51	45	51	40
Distributions		9	9	8	13
		299	285	292	281
Customs Duties		37	35	36	35
Document Duty (conveyancing)		14	14	18	17
Company Fees		9	9	9	9
Tax on Real Property		17	16	16	16
States House Rents	*	5	-	-	-
Miscellaneous Income	*	3	2	1	4
Revenue Income		384	361	372	362
Revenue Expenditure	*	(356)	(349)	(348)	(342)
Revenue Surplus		**28**	**12**	**24**	**20**
Routine Capital Allocations		(7)	(13)	(13)	(16)
Capital Income		-	10	-	1
Operating Surplus		**21**	**9**	**11**	**5**
Transfer to Capital Reserve (including capital income)		(35)	(34)	(25)	(25)
Transfer to the Strategic Development Fund		-	(3)	(3)	-
Transfer from / (to) General Revenue Account Reserve		-	1	-	(3)
Deficit		**(14)**	**(27)**	**(17)**	**(23)**
Funded by transfer from: Contingency Reserve (Tax Strategy)		14	27	17	23

* The funding arrangement for the Corporate Housing Programme has been revised with effect from 1 January 2014. As set out in paragraphs 3.5 to 3.10, the effect of this is to reduce the overall deficit by £3.85million with increased revenue income of £6.25million, increased revenue expenditure of £8.4million and decreased capital allocations of £6million.

4.2 Taxation income in 2014 is anticipated to be £367million which is 18.3% of the 2012 GDP estimate of £2,009million compared to the Fiscal Framework 'assumed norm' for Taxation of an average of 21% of GDP.

4.3 The Fiscal Framework includes that the annual operating deficit of the States may not exceed 3% of GDP (£60million based on the 2012 GDP estimate of £2,009million). There is an operating surplus projected for 2014.

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2013 Probable Outturn

4.4 The 2013 projected deficit of £27million is a net £10million more than originally budgeted because of income being less than budgeted. This income shortfall is due to:

- A £7million anticipated shortfall in the additional income tax receipts budgeted to arise from the extension of the 10% income tax rate to insurance and fiduciary businesses (£12million). This is a prudent estimate for 2013 based on assessments raised to date as, being the first year of operation, there is still considerable uncertainty over how much the affected companies will pay. It is expected that this shortfall will be largely one-off in 2013 as, once tax returns have been submitted and liability assessed for 2013, estimated assessments can be issued in future years.

- Document duty receipts are anticipated to be £4million lower than budgeted following subdued activity in the property market during 2013.

4.5 **The increased estimated deficit will require a larger withdrawal from the Contingency Reserve in 2013 than originally estimated. It is recommended that the Treasury and Resources Department is given authority to transfer a maximum of £27million from the Contingency Reserve (Tax Strategy) during 2013 to fund the 2013 deficit.**

4.6 Total revenue expenditure in 2013 is expected to be broadly in line with the amount budgeted.

4.7 The additional formula-led expenditure by the Policy Council (legal aid grants) and Social Security Department (increased demand for supplementary-benefit payments partially offset by reductions in the General Revenue grants to the Social Security Funds) 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.

4.8 The Health and Social Services Department's latest forecast is that it will overspend its 2013 authorised budget by £1.3million largely due to delays in identifying and initiating FTP projects to achieve the full target of £3.3million of benefits in 2013.

4.9 By a majority, the Treasury and Resources Department has decided that it will exercise its delegated authority to increase the Health and Social Services Department's 2013 budget by a maximum of a further £1.3million (an increase of £726,000 in respect of unbudgeted specific cases impacting on the Looked After Children and Off-Island Complex Needs budget) was approved earlier in 2013) funded by transfer from the Budget Reserve.

4.10 The Health and Social Services Department has recently embarked on a programme of Financial Recovery Actions designed to improve efficiency and its internal prioritisation process in order to remain within Cash Limit and achieve its FTP target in 2014.

4.12 The following table details the anticipated 2013 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	8,325	8,822	8,250	572
Formula Led	2,050	2,256	2,348	(92)
Treasury and Resources				
General	15,150	16,091	16,000	91
Formula Led	1,870	1,870	1,870	-
Commerce and Employment	11,075	11,115	11,039	76
Culture and Leisure	3,250	3,345	3,047	298
Education	74,400	75,436	75,071	365
Environment	8,075	8,321	7,749	572
Health and Social Services	108,170	109,102	110,414	(1,312)
Home	31,925	32,322	32,322	-
Housing	1,600	1,630	1,629	1
Public Services	4,500	4,576	4,097	479
Social Security				
General	2,800	2,850	2,696	154
Formula Led	54,150	54,150	54,500	(350)
Public Accounts Committee	325	409	405	4
Scrutiny Committee	275	275	246	29
States Review Committee	95	95	90	5
Royal Court	2,900	2,915	2,710	205
Law Officers	4,775	4,818	4,666	152
States of Alderney	1,940	1,972	1,960	12
	337,650	342,370	341,109	1,261
Service Developments and Budget Reserve	10,050	6,528	6,528	-
	347,700	**348,898**	**347,637**	**1,261**

* 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, inter-Department transfers and timing differences where an item of expenditure or project was budgeted in 2012 but delayed until 2013 (£1.2million which is funded by a transfer from the General Revenue Account Reserve).

4.13 Although the table above indicates a projected net underspend of approximately £1.3million in 2013, this does not include any allowance for Departments funding voluntary severances which would deliver ongoing financial payback. Therefore, it has been prudently assumed that overall revenue expenditure will be in line with the Authorised Budget.

2014 BUDGET REPORT

2014 Budget Estimate

4.14 The 2014 Budget Estimate of an overall deficit of £14million is a net £3million lower than the 2013 Budget Estimate due to:

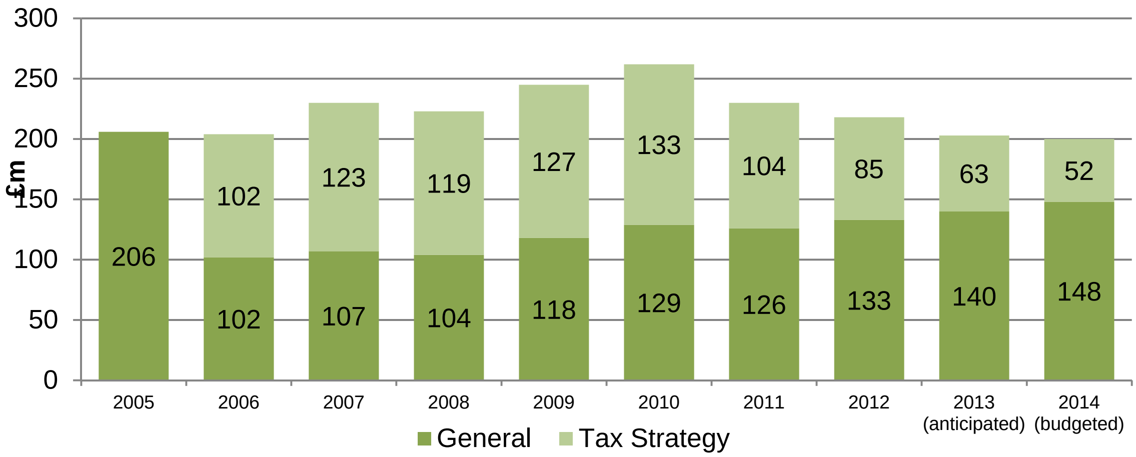
- £6 million real-terms reduction in expenditure due to the FTP targets;
- A net £4million additional income due to the revisions to the funding arrangements of the Corporate Housing Programme;
- A £10million increase in the transfer to the Capital Reserve;
- 2013 including a £3million transfer to the Strategic Policy Development Reserve.

Contingency Reserve

4.15 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, it was agreed that £100million of that balance, plus any new monies transferred into the Reserve, plus the interest and investment gain accumulated on such sums, would be available to fund public services during the first phase.

4.16 The 2013 Budget Report authorised the Treasury and Resources Department to transfer a maximum of £17million during 2013 from the Contingency Reserve (Tax Strategy) to fund the deficit. Withdrawals are timed to match cash flow requirements in order to maximise the potential for investment return on the Fund and a withdrawal of £27million is now anticipated in 2013.

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



4.18 **It is recommended that the Treasury and Resources Department is given authority to transfer a maximum of £14million from the Contingency Reserve (Tax Strategy) during 2014 to fund the 2014 deficit.**

4.19 The Policy Council's expectation was that the first stage of the implementation of the Economic and Taxation Strategy would run for three to five years (until 2011 / 2013) and then, taking into account international events, economic performance and GST history in Jersey, a second stage would be commenced. However, it was acknowledged that, largely depending on economic conditions, stage two might be delayed or may even be unnecessary. Whilst States finances have been in deficit for longer than originally forecast, the requirement for withdrawals from the Contingency Reserve (Tax Strategy) has been less than anticipated. Therefore, it is budgeted that a balance of £52million will be available in the Contingency Reserve (Tax Strategy) at the end of 2014.

4.20 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 less favourable than that projected in the 2011-2016 States Strategic Plan.

4.21 However, the 2014 financial position is negatively impacted by a one-off £4million increase in the Budget Reserve and a temporary fall in Document Duty receipts of £3million. Therefore, the underlying deficit is calculated to be £7million. Furthermore, the proposed transfer to the Capital Reserve in 2014 is £10million more than would have been made in accordance with the previous policy. A deficit of £7million represents less than 2% of States' annual income or expenditure and could, therefore, be eliminated within two years in which either income increases in real terms by 1% (£3.8million) or expenditure growth is limited to 1% below inflation (£3.6million).

Future Organisational Transformation

4.22 It has become clear over the last year or so that not all of the projects originally envisaged are likely to be fully delivered within the five year programme timescale of the FTP, although it is forecast that at least the minimum target level of benefits will be achieved. This is not due to the benefits not being clearly identified and understood, but rather to the timeframes remaining - examples include the property savings from the delivery of the Strategic Asset Management Plan and the second phase of the Transforming Support Services which was intended to deliver savings through the consolidation of support services such as IT, property and procurement.

4.23 In addition, the longer term transformation of services in the Health and Social Services Department (through the 20:20 Vision), Education Department (through delivery of its Vision) and Home Department all have the potential to release further savings and lead to more efficient working. In the future, the Treasury and Resources Department believes that it will only be possible to develop and deliver new services if such transformation measures continue to be sought and delivered. The Department therefore intends to continue to work with Departments to drive financial transformation and efficiency.

4.24 The Tribal Fundamental Spending Review Phase 2 Report, July 2009, said: "*We recommend that, in order to realise the significant benefits identified by the FSR, the States of Guernsey establishes an integrated Transformation Programme, a fundamental part of which is a Financial Change Programme delivering the recommendations included in this report. A Financial Change Programme within an integrated Transformation Programme will enable the organisation to be properly structured and balanced to enable efficiency to be both established and maintained and ensure that changes are embedded. It will also identify and exploit emerging synergies and ensure continued congruence with the overall objectives of the FSR."*

4.25 Whilst the Department recognises that a conscious decision was made in 2009 not to seek to establish such an integrated programme, it believes that part of the reason that some of the FTP opportunities originally envisaged have not been converted into successful projects releasing timely savings is a lack of organisational readiness for the change. As such the Treasury and Resources Department believes that the need for such a programme remains.

4.26 It is essential that any future transformation programmes are shaped by all interested parties, prepared in consultation with all Departments and the States Review Committee and should not be primarily financially driven. It is vital to take account of the lessons learned through delivery of the FTP, build on the substantial progress that has been made with regard to the management of programmes and portfolios by the organisation over the last four years and align to any recommendations from the States Review Committee. The Department therefore intends to facilitate investigations into the design of any future organisational transformation which the Policy Council would submit for consideration by the States during 2014.

Strategic Development Fund

4.27 As part of the 2013 Budget Report, the establishment of the Strategic Development Fund with effect from 1 January 2013 with an initial balance of £3million was approved. The purpose of this Fund is 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.

4.28 The Fund is intended to facilitate the delivery of fiscal, economic, social and environmental policy objectives including, of course, cost effective, efficient public services in a sustainable and diversified economy. The Strategic Development Fund is not 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.

4.29 To date, this Fund has not been used and it is not recommended that a transfer to the Strategic Development Fund is made during 2014.

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

4.31 The Treasury and Resources Department believes that the requirement for any bid to have States approval could, in some instances, hinder the expedient development of such opportunities. Therefore, the Treasury and Resources Department may, where appropriate and on the recommendation of the Policy Council, use its delegated authority to approve bids for funding from the Strategic Development Fund following consideration of a full business case.

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Section 5: Other Matters

Loans from States Treasury

5.1 The following loans, with interest payable at the States Treasury rate, are outstanding as at 30 June 2013:

- Commerce and Employment Department – Company Registry fit-out £0.1million (30.06.12: £0.2million) and IT system £0.2million (30.06.12: £0.2million);

- Health and Social Services Department Accommodation Fund: £2.2million (30.06.12: £2.4million);

- JamesCo750 Limited (holding company for the oil tank ships): £14.1million (30.06.12: £14.5million).

5.2 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

5.3 The Treasury and Resources Department has made available to St John Ambulance and Rescue Service (SJARS) a short-term loan facility of a maximum of £650,000. 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 which includes recommendations for the future level of services to be provided by SJARS and their funding arrangements including recoverability of this loan. The Health and Social Services Department has carried out the review and is intending to submit this States Report during the first half of 2014 which will include arrangements for an agreed repayment plan for this loan.

Use of Delegated Authority

5.4 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. The Department is required to report on the use of delegated powers to the States twice a year (Appendix III).

5.5 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.

5.6 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.

5.7 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".* The States agreed a recommendation in the September 2013 Capital Prioritisation States Report to *"Delegate authority to the Treasury and Resources Department to approve capital votes, without financial limit, for projects funded from routine capital allocations".*

5.8 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

5.9 Since the States approved the Rules in November 2009 (Billet d'État XXXI, 2009 - vol. 1), the Treasury and Resources Department has continued its programme of reviewing the former States financial procedures and producing the underlying Directives.

5.10 As set out in the States Report, *"New Rules and material changes to existing Rules would be reported to the States by way of the annual Budget Report."* During 2013, the Treasury and Resources Department has revised the Finance: Fraud Rule and Directives and the Cross Cutting: Risk Management Rule and issued a new Cross Cutting Rule on Health and Safety.

5.11 The Treasury and Resources Department intends to review, during 2014, the Donations, Grants and Loans Rules with a view to standardising and, where appropriate, strengthening the arrangements pertaining to States expenditure on donations, grants and subsidies. This review would encompass the information necessary before a donation, grant or subsidy is allocated, the requirement to set objectives including, if appropriate, a service level agreement and a periodic review and reporting back mechanism including key performance indicators. There will be consultation with States Departments and key non-States bodies.

5.12 The Procurement Rules are currently under review and the Treasury and Resources Department is developing a policy designed to ensure the wider benefits of on-island procurement are taken into account when assessing tenders and awarding contracts.

5.13 Since the last Budget Report, the Treasury and Resources Department has granted a limited number of waivers in respect of compliance with the tendering elements of the Procurement Rules and Directives following submission of a compelling case detailing why a tender process would add no value or benefit to the States of Guernsey in selection of the end supplier.

Investment Rules – States General Investment Pool

5.14 In the 2012 Budget Report, the Treasury and Resources Department advised that it *"has decided to manage, for investment purposes, the bulk of the assets of the States Treasury Cash Pool with those of the Contingency Reserve in order to reduce risk, increase diversification and optimise returns. This new investment arrangement will be called the States General Investment Pool."* The States have not previously approved any investment rules for the States General Investment Pool although the rules for the Contingency Reserve (which were last updated in November 2007) have been applied. Therefore, **Appendix IV is the proposed investment rules for the States General Investment Pool which are based on the investment rules for the Contingency Reserve and mirror those for the Superannuation Fund which were approved in the 2010 Budget Report.**

Seized Assets Fund

5.15 Her Majesty's Receiver General currently operates a Fund known as the Seized Assets Fund which benefits from time to time by receiving forfeited assets confiscated locally and from foreign jurisdictions, through criminal as well as civil proceedings. This Fund is used to supplement the resources available to the Guernsey law enforcement agencies to prevent or combat criminal conduct, including the obtaining, analysing and dissemination of intelligence; to promote effective co-operation between agencies involved in preventing and combating crime in the Bailiwick, and corresponding agencies of other jurisdictions; and to facilitate the work of government or non-government bodies in the Bailiwick to prevent crime, support victims and re-habilitate offenders. Decisions concerning the application of the Fund are taken by Her Majesty's Receiver General after consulting with a Committee.

5.16 This arrangement has worked well in the past and ensured that asset sharing agreements are complied with and the law enforcement agencies are appropriately supported. However, it is the intention of the Treasury and Resources Department and Her Majesty's Receiver General to review the mandate of the Seized Assets Fund with a view to ensuring enhanced transparency, political engagement as appropriate, and sustainable funding for the crucial work of law enforcement.

States Trading Companies

5.17 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).

5.18 Under the terms of the States Trading Companies Ordinance, 2001, the Department is required to publish as an appendix to a Billet d'État on an annual basis the accounts and annual reports of both Guernsey Electricity Ltd and Guernsey Post Ltd. When the companies' accounts for the year ending 31 March, 2012, were published as an appendix to the Billet in January of this year, the States accepted a motion to debate the accounts. At the time, the point was made that publishing them as an appendix was insufficient to give them the prominence they deserved and that, in the interests of accountability, Members of the States should have an opportunity to debate the accounts in the same manner that they would the accounts of the States of Guernsey. The Department shares the view that there would be merit in the States having the opportunity to debate the accounts and annual reports each year.

5.19 The Law Officers have subsequently advised that an amendment to the above Ordinance would be required to enable the accounts to be debated and, therefore, the Department is proposing that **section 8 of the States Trading Companies Ordinance, 2001 is amended to require the Treasury and Resources Department to submit for consideration by the States the annual report and accounts for Guernsey Electricity Limited and Guernsey Post Limited, as soon as is practicable after receiving them.**

5.20 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.

Cabernet Limited

5.21 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*."

5.22 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 31 August 2013, £9.1million (30.9.12: £6.0million) was drawn-down.

5.23 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*".

5.24 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 31 August 2013, £14.1million (30.9.12: £15.1million) was outstanding.

5.25 In July 2013 (Billet d'État XVII, 2013, the States agreed *"To authorise the Treasury and Resources Department to facilitate any borrowing by the Aurigny Group to finance the purchase of such additional aircraft as are required to service the Aurigny network by providing guarantees for borrowing from third parties or by offering the Group a loan from the States General Investment Pool, subject to this delegated authority expiring on 30th July 2014."* Following the States decisions in July and after consultation with the Policy Council, the Department approved Aurigny's business case for the purchase of a new Embraer 195 jet aircraft seating 122 passengers. The decision was reached following consideration of a range of different aircraft options, both new and second hand, and of different purchase and lease options. Aurigny will be investing approximately £23million in the introduction of the new jet, including start-up costs, crew training, ancillary ground equipment, hangar modifications and so forth.

5.26 Appendix V details the 2012 financial results of the Cabernet Group and the most recent (unaudited) 2013 position including a forecast of the outturn. In respect of 2012, the loss of £3million includes exceptional items totalling £2.05m comprising in the Aurigny Accounts a £1.45million write-down in the value of the Trislander fleet (as a prudent provision in anticipation of fleet replacement) and, in the Anglo Normandy Aero-Engineering Accounts, there is an associated £0.4million write-down of the stock of spare parts for the Trislander fleet and £0.2m of restructuring costs following action which was taken to ensure the long term viability of the engineering business. Without these items, the loss would have been just under £1million.

5.27 The 2013 projection is a loss of approximately £3.5million which is primarily due to a reduction in revenue resulting from lower yields following the introduction of increased capacity by competitors on some routes, poor weather and higher expenditure in the areas of maintenance and leasing in of aircraft.

5.28 The Treasury and Resources Department is intending to submit a States Report, during 2014, on the long-term financial, strategic and operating arrangements for the airline, the objectives that are set for it and, subject to the outcome of the capital prioritisation process, the recapitalisation of the Aurigny Group. Pending submission of this Report, as Cabernet Limited will shortly exhaust its loan facility, the States have authorised it to borrow on a short-term basis from the States General Investment Pool to fund its operating expenses.

JamesCo750 Limited

5.29 On 29 January 2009, after consideration of a States Report from the Policy Council (Billet d'État 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."*

5.30 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."

5.31 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.

5.32 The principal activity of the company is the bareboat charter contract[d] 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).

5.33 The Treasury and Resources Department is pleased to note that JamesCo750 Limited made a profit of £163,000 in 2012 (2011: £326,000) 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.

[d] A bareboat 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, 2013

THE STATES, in pursuance of their Resolution of 29th October 2013 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[a], 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	£265.44 per kilo
b.	Cigars	£246.49 per kilo
c.	Hand rolling tobacco	£229.54 per kilo
d.	Other manufactured tobacco	£199.10 per kilo
e.	Tobacco leaf – unstemmed	£221.01 per kilo
f.	Tobacco leaf – stemmed	£223.24 per kilo

2. Petrol and Gas oil –

a.	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	48.8p per litre
b.	Petrol used for the purpose of marine navigation	33.6p per litre where supplied by an approved trader except where supplied to an approved trader in which case 48.8p per litre[b]
c.	Gas oil	48.8p per litre

3. Beer

a.	Beer brewed by an independent small brewery	43p per litre
b.	Other beer	68p per litre

4. Spirits

a.	Spirits not exceeding 5.5 per cent volume	60p per litre
b.	Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£8.39 per litre
c.	Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£11.15 per litre
d.	Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume.

[a] Ordres en Conseil Vol. XXIII, p.573; Vol. XXIV, p.87; Vol. XXXIII, p.217; No.X of 2004; Receuil d'Ordonnances Tome XXXII, pp. 607 and 668; Ordinance No.L of 2012.

[b] 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	43p per litre
	b.	Other cider	68p per litre

6. Wines

	a.	Light wines not exceeding 5.5 per cent volume	50p per litre
	b.	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£2.07 per litre
	c.	Other wines	£3.30 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, 2012[c] is repealed.

Citation

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2013.

Commencement

5. This Ordinance shall come into force on 29th October 2013.

[c] Ordinance No. L of 2012

Draft Ordinance Entitled

The Property Tax (Rates) (Guernsey and Alderney) Ordinance, 2013

THE STATES, in pursuance of their resolution of 29th October 2013 and 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[a], 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[b] substitute the tables in the Schedule to this Ordinance.

Repeal

2. The Property Tax Rates (Guernsey and Alderney) Ordinance, 2012[c] 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, 2013 and shall come into force on 1st January 2014.

[a] Order in Council No. X of 2006.
[b] Recueil d'Ordonnances Tome XXXII, p.504, Ordinance Nos.XLVIII of 2011 and LI of 2012.
[c] Ordinance No. LI of 2012.

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	99p
B1.2	Domestic (flat) Local Market	99p
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	49p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	99p
B2.1	Domestic (whole unit) Open Market	99p
B2.2	Domestic (flat) Open Market	99p
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	49p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	99p
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	£4.55
B4.2	Self-catering accommodation	£2.85
B4.3	Motor and marine trade	£3.85
B4.4	Retail	£8.45
B4.5	Warehousing	£4.15
B4.6	Industrial and workshop	£3.30
B4.7	Recreational and sporting premises	£1.95
B4.8	Garaging and parking (non-domestic)	£4.15
B5.1	Utilities providers	£32.50
B6.1	Office and ancillary accommodation (regulated finance industries)	£30.35
B6.2	Office and ancillary accommodation (other than regulated finance industries)	£10.15
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)	49p
B13.2	Development buildings (non-domestic)	£4.30

SCHEDULE

GUERNSEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
L1.1	Communal (flat) Local Market	13p
L1.2	Communal (flat) Open Market	13p
L1.3	Hostelry and food outlets	25p
L1.4	Self-catering accommodation	25p
L1.5	Motor and marine trade	25p
L1.6	Retail	25p
L1.7	Warehousing	25p
L1.8	Industrial	25p
L1.9	Recreational and sporting premises	25p
L1.10	Office and ancillary accommodation (regulated finance industries)	86p
L1.11	Office and ancillary accommodation (other than regulated finance industries)	29p
L1.12	Utilities providers	25p
L2.1	Approved development site	86p
L3.1	Domestic Local Market	13p
L3.2	Domestic Open Market	13p
L3.3	Horticulture	13p
L3.4	Agriculture	13p
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)	25p

SCHEDULE

TABLE (B)

ALDERNEY REAL PROPERTY

ALDERNEY BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1A	Domestic (whole unit)	99p
B1.2A	Domestic (flat)	99p
B1.3A	Domestic (glasshouse)	5p
B1.4A	Domestic (outbuildings)	49p
B1.5A	Domestic (garaging and parking) (non-owner-occupied)	99p
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	£4.55
B4.2A	Self-catering accommodation	£2.85
B4.3A	Motor and marine trade	£3.85
B4.4A	Retail	£8.45
B4.5A	Warehousing	£4.15
B4.6A	Industrial and workshop	£3.30
B4.7A	Recreational and sporting premises	£1.95
B4.8A	Garaging and parking (non-domestic)	£4.15
B5.1A	Utilities providers	£32.50
B6.1A	Office and ancillary accommodation (regulated finance industries)	£30.35
B6.2A	Office and ancillary accommodation (other than regulated finance industries)	£10.15
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)	49p
B13.2A	Development building (non-domestic)	£4.30

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

1 Property Reference	2 Property Description/Usage	3 Tariff
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 (non-domestic)	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

Draft Ordinance Entitled

The Document Duty (Amendment) Ordinance, 2013

THE STATES, in pursuance of their Resolution of 29th October 2013[a] and in exercise of the powers conferred upon them by sections 1 and 6 of the Document Duty (Guernsey) Law, 1973, as amended[b], hereby order:-

Amendment to Schedule 1

1. In Schedule 1 to the Document Duty Ordinance 2003 as amended[c], for the entries in each of the columns at item 1 substitute:

"

1.	Conveyance of realty other than a conveyance within item 2, 3, or 5:	
	(a) where the realty is, or includes, a dwelling and the value of the transaction does not exceed £250,000	For conveyances registered on or before 31st October 2014, 1.0% of the value of the transaction; for conveyances registered thereafter, 2.0% of the value of the transaction
	(b) where the realty is, or includes, a dwelling and the value of the transaction exceeds £250,000 but does not exceed £400,000	For conveyances registered on or before 31st October 2014, 2.0% of the value of the transaction; for conveyances registered thereafter, 2.5% of the value of the transaction
	(c) where the realty does not include a dwelling, and in any case where the value of the transaction exceeds £400,000	3.0% of the value of the transaction

".

Extent

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

Citation

3. This Ordinance may be cited as the Document Duty (Amendment) Ordinance, 2013.

Commencement

4. This Ordinance shall come into force on 29th October 2013.

[a] On Article 1 of Billet d'Êtat XXI of 2013.

[b] Ordres en Conseil Vol. XXIV, p. 74; as amended by the Uniform Scale of Fines (Bailiwick of Guernsey) Law, 1989 (Ordres en Conseil Vol. XXXI, p. 278); the Feudal Dues (General Abolition of Congé) (Guernsey) Law, 2002 (Ordres en Conseil Vol.XLII(2), p. 1324; as applied to Alderney by the Document Duty Ordinance, 2003 (Recueil d'Ordonnances Tome XXIX, p.284).

[c] Recueil d'Ordonnances Tome XXIX, p. 284; amended by the Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2003 (Tome XXIX, p. 406); by the Incorporated Cell Companies Ordinance, 2006 (Tome XXXI, p. 436); by Tome XXXII, pp. 617 and 620; and by Tome XXXIII, p. 342.

POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

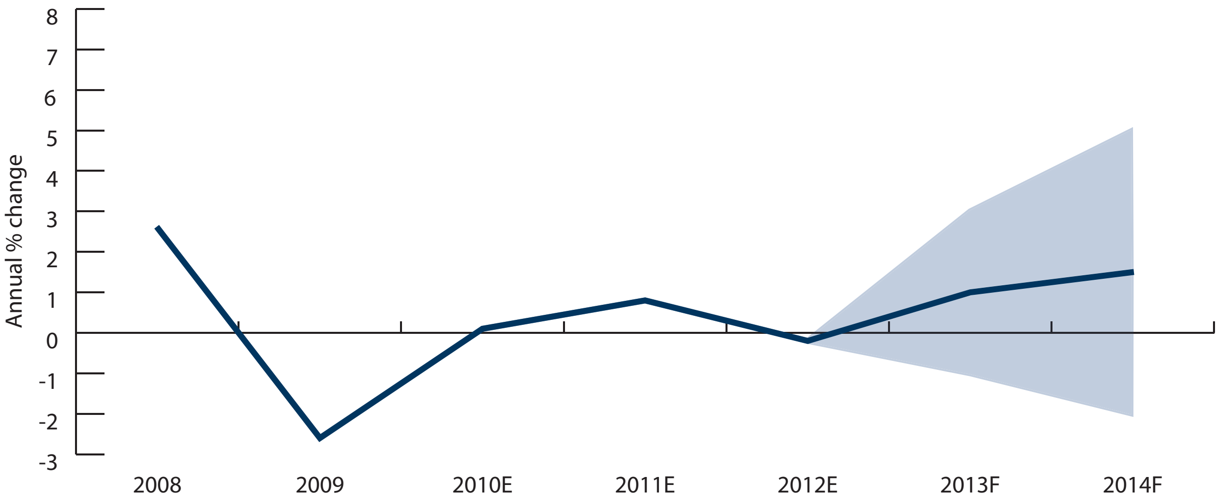
The Guernsey Economic Overview publishes first estimates of Gross Domestic Product (GDP) for 2012, together with revised forecasts for 2013 and first forecasts for 2014. It includes an assessment of current international and domestic conditions.

2.1 Summary

The global picture is markedly different to last summer. Even if the underlying fundamentals of fiscal problems in Europe and the US have not been resolved, it would seem clear now that the US, UK and northern EU economies are finally set on a growth path, albeit at rates lower than experienced in previous recoveries – part of the 'new normal' referred to in last year's Economic Overview.

Domestic conditions have been subdued, if not weak, during the course of the first half of 2013, in terms of exports (which is, in the main, the finance sector), domestic conditions and confidence. Although US, UK and EU prospects and forecasts have clearly been improving through the course of the year, local confidence has possibly been muted. Whilst recent high profile business failures will not have helped, local consumer confidence in some areas has been, perhaps, overly negative during the first half of the year: a result, perhaps, of the fact that it had remained high through the early years of the global downturn and "caught up" after four years of below par or negative growth.

Figure 2.1.1 Annual growth in Gross Domestic Product
Real change, as at September 2013
Source: Policy and Research Unit



E = Estimate
F = Forecast

The central expectation remains that 2013 will see the resumption of economic growth, led by the finance sector and mainly driven by improved profits. However, it may still take time for this to feed through into consumer and general confidence. Following a flat first six months, growth for 2013 is dependent on increased activity in the second half of the year. Analysis of the labour market and local property market points to a potential second half improvement and whilst there are always risks on the downside, these are less than in previous years.

2.1 Summary

Table 2.1.1 Total GDP (nominal and real)

Source: Policy and Research Unit

	Nominal GDP (£M)	Real GDP (£M) 2012 prices	Percentage change in real GDP (%)
2008	1,841	2,050	2.6
2009	1,832	1,995	-2.6
2010E	1,875	1,997	0.1
2011E	1,950	2,013	0.8
2012E	2,009	2,009	-0.2

First estimates of GDP for 2012 report that Guernsey's economy contracted slightly last year by -0.2%, however, this is subject to future revision. Experience suggests that a future revision may well lower this estimate. Guernsey revises GDP estimates for up to three years (in order to include new data) prior to reporting finalised figures. 2010 estimates have been revised in 2013 and now report growth of 0.1%, well within the margin of error but, significantly, positive rather than negative. The latest revision of 2011 figures still reports growth of 0.9%. Thus the pattern of growth looks, retrospectively, slightly more positive with total output of just over £2bn, in 2012 prices, for the Guernsey economy overall (see ***Figure 2.1.1*** and ***Table 2.1.1***) last year.

3.1 Outlook - Global

The World Economic Outlook [WEO] update, published by the International Monetary Fund (IMF) in July 2013, revised down forecasts of global growth to slightly above 3% in 2013; the same growth as seen in 2012. This downwards revision was largely due to weaker domestic demand and slower growth in several key emerging market economies, together with a lingering recession in the Euro area, with countries such as Greece, Spain and Ireland continuing to struggle with unsustainable levels of Sovereign debt.

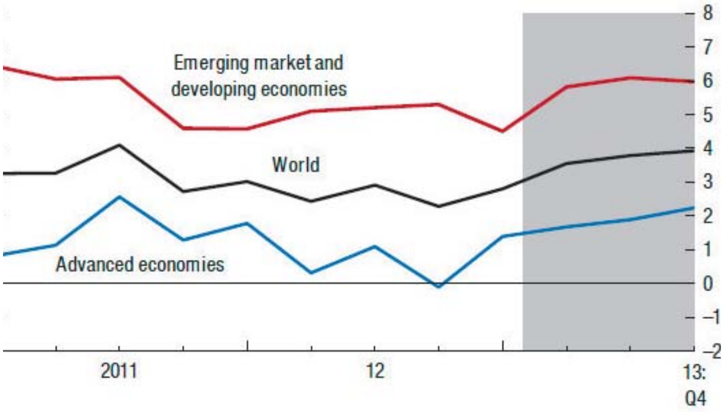
2014 forecasts show 4% growth in global GDP, with improvements in both developing markets and advanced economies. The Euro area is expected to come out of recession and recoveries in the US, UK and other advanced economies to gain a little strength.

If the US confirmation of growth trajectory was the story of the early part of the year, the UK confirmation of growth story has been the focus in recent weeks. Reported UK economic growth and forecasts are being revised upwards but it is important to maintain a proper sense of perspective - the rate of increase in activity is still far below pre-crisis rates and there is no expectation that long-term trend growth rates will match those experienced pre-crisis. In that respect, little has changed.

Figure 3.1.1 Annual growth in GDP

Percentage change, annualised quarter over quarter

Source: International Monetary Fund, World Economic Outlook, July 2013

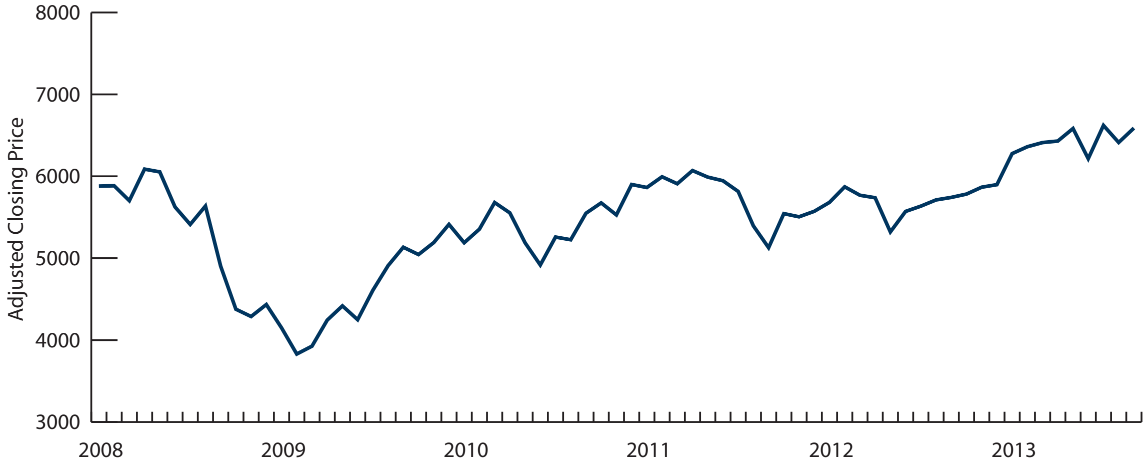


The IMF forecast (see ***Figure 3.1.1***) assumes the increase in financial market volatility experienced in May and June (and associated yield) will partly reverse as it largely reflects a one-off repricing of risk due to the changing outlook of emerging market economies and the uncertainty surrounding the United States exit from the monetary policy stimulus. Risks remain on the downside including the possibility of a longer slowdown of growth in emerging market economies, as well as the possibility of tighter financial conditions if the anticipated unwinding of monetary policy stimulus in the US leads to sustained reversals of capital flow.

3.2 Outlook - Finance sector and global markets

Figure 3.2.1 FTSE 100 performance from 2008 to 2013

Source: Yahoo Finance



The forecast produced last year (2012) for Guernsey GDP growth in 2013 was based in part on a forecast for the FTSE (as a proxy for Global Indices) of 6500 for summer 2013 and an assumption that such a level would stimulate finance sector activity on the Island. As seen from ***Figure 3.2.1***, the FTSE is around 10% higher than its level at the start of year and has been range bound between 6400 and 6600 since early July. This performance still underpins the view that market activity should be picking up; a view supported by comment from industry representatives during the course of the late summer. Similar to last year, conditions across the sub-sectors are mixed: the banking sector continues to experience difficult secular conditions and contraction, but the insurance sector, as recently reported by Guernsey Finance, continues to perform well. The funds sector has experienced growth, despite evidence (albeit anecdotal) suggesting that the uncertainty of the Alternative Investment Fund Managers Directive (AIFMD) in the early part of the year curtailed activity. However, commentators are suggesting that the signing of the 27 Bilateral Agreements with EU Member States in early July should lead to a boost in activity. Conditions across the trust sector remain flat.

2012 was clearly a tougher year for the industry than had been anticipated, mainly as a result of the huge uncertainties that hung over the year, and profits, in general, were down. It is acknowledged that trade links between the City and Guernsey are strong; growth of Guernsey's finance sector over the last 20 years strongly correlates with that of the UK finance sector. Analysis published by the Office for Budget Responsibility in the UK Budget reported that whilst total UK finance sector activity was up in the year, finance sector exports fell by around 10%. It is the exports component of City activity that is our finance sector driver and explains our weaker 2012 finance sector performance.

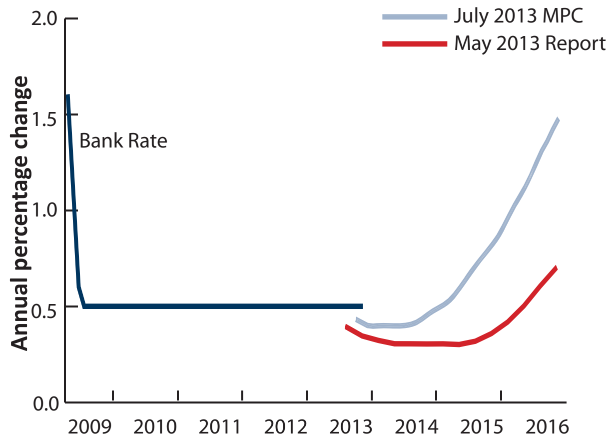
In many respects, the cause of this dichotomy is explainable. Prospects for actual real financial services activity have been dampened by both general economic conditions in near markets (in particular EU) and the regulatory response to the financial crisis. This response itself has likely driven an increase in 'unproductive' regulatory, compliance and audit activity by professional service firms in the UK. However, City confidence has improved and this, together with market developments such as the AIFMD, underpins the forecast of growth over the course of the latter part of 2013 and the central forecast of growth of around 1.4% in 2014.

Balancing this positive view is the acknowledgement that our industry will face increasing costs through further regulatory change and increased reporting requirements under the various international agreements on tax information exchange. Long-term finance sector growth will be dependent on firms successfully adapting to the higher cost environment.

3.3 Outlook - Interest rates

Figure 3.3.1 Bank of England Rate and forward market interest rates

Source: Bank of England and Bloomberg



As was written in the Inflation Outlook bulletin in August 2013:

"The key words on monetary policy makers' lips in recent days have been 'forward guidance' - a new policy introduced by the new Governor of the Bank of England (BoE), Mark Carney. In recent decades a strict inflation target has been set, the BoE stating it will do whatever is necessary to maintain the target. It has then been left to the markets to judge what the BoE is likely to do to achieve this in setting their expectations for policy and future market prices. Forward guidance, in layman's terms, basically outlines what the BoE intend to do subject to certain conditions. In specific terms, the BoE have stated that interest rates are on hold until unemployment falls below 7% and that it does not expect this to happen before 2016. The Governor stated that he hoped this would move back market expectations of interest rate rises, which had been moving ever closer (see ***Figure 3.3.1***), further into the future. Perversely, this has had the opposite effect. Commentators have judged that the BoE has misjudged the level of 'slack' or 'spare capacity' in the economy and that unemployment will fall faster than projected. Some also believe that the BoE may have to move on interest rates to quell the early signs of a housing bubble created by the UK Government's various mortgage subsidy schemes. The combined impact would put upwards pressure on inflation in the UK which, by the Bank's admission, is in any event likely to remain above target for the next twelve months, rising in the very short term."

The recent drop in UK unemployment, which fell to 7.7% in June 2013, has reinforced these views with some now suggesting that rates could rise as early as towards the end of 2014. This would be a double edged sword. It would increase borrowing costs for individuals and firms but similarly could increase the supply of credit in the UK. For the finance sector, some areas such as banking would be positively impacted but in other areas, where cheap money has provided liquidity, activity may be hampered. The recent, fully subscribed, record debt offering by Verizon points to a higher risk appetite and a desire for yield by global investors, both of which point to increasing confidence and increased financial activity.

Registered unemployment, both in terms of the number of people registered unemployed and the unemployment rate, rose rapidly during 2011 (see ***Figures 4.1.1*** and ***4.1.2***). Although this increase slowed in 2012 and early 2013, unemployment in Guernsey remains well above the pre-recession average and was higher in March 2013 than at any point since the early 1990s. Conditions in the labour market tend to lag behind improvements in the economy; the decline in unemployment in August 2013 and the slowing rate of decline of total employment suggest, albeit that perhaps it may be premature to call, that the labour market ought to improve soon.

As stated earlier, improvements in general economic conditions are expected to take a little while to feed through. Employee Tax Instalment (ETI) revenues ("pay as you earn" income tax receipts) for 2013 are up year on year, if below budget. It should be noted that the 2012 States Accounts report significantly higher non-ETI revenues from individuals, perhaps suggesting higher rates of self-employment and short-term contract work in the labour market. It could be the case that effective employment levels may be a little higher than reported in the official statistics.

Figure 4.1.1 Total unemployment

Registered unemployment.
Actual and SA trend, as at June 2013.
Source: Policy and Research Unit

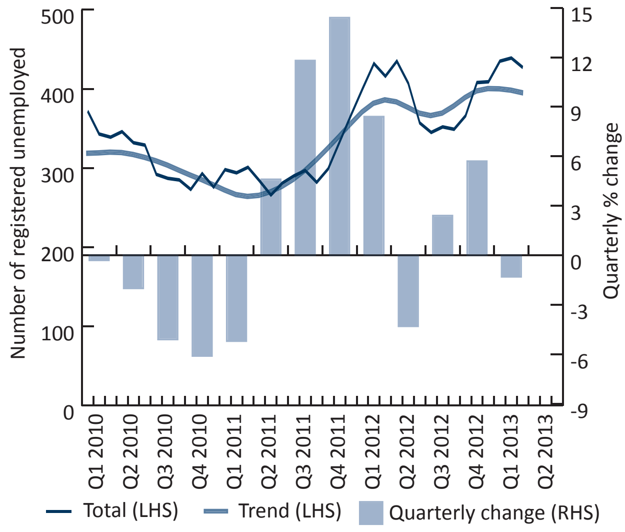
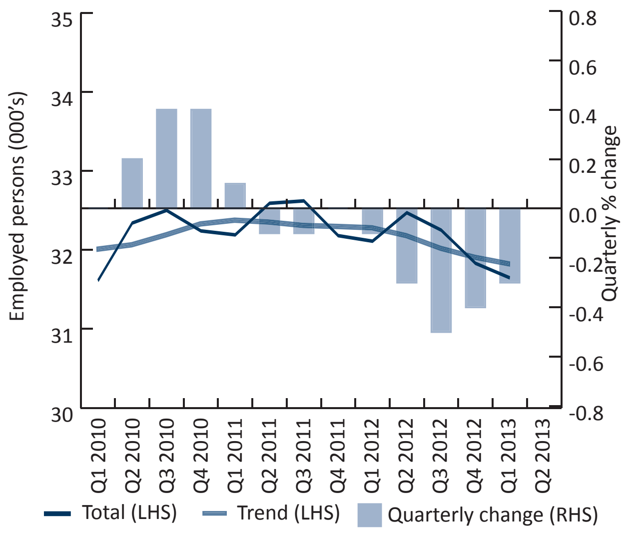


Figure 4.1.2 Total employment

Total employed and self-employed people.
Actual and SA trend, as at June 2013.
Source: Policy and Research Unit



4.2 Domestic conditions - Local property market

Figure 4.2.1 Annual percentage change in mix adjusted average purchase price

Source: Policy and Research Unit

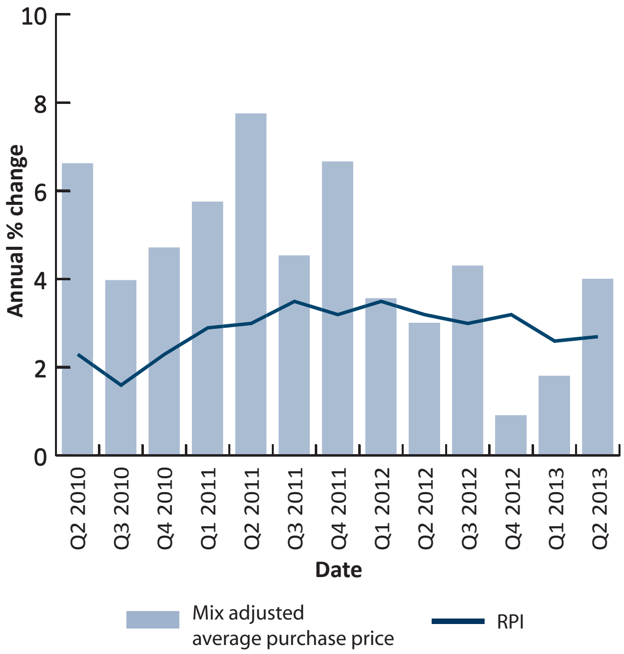
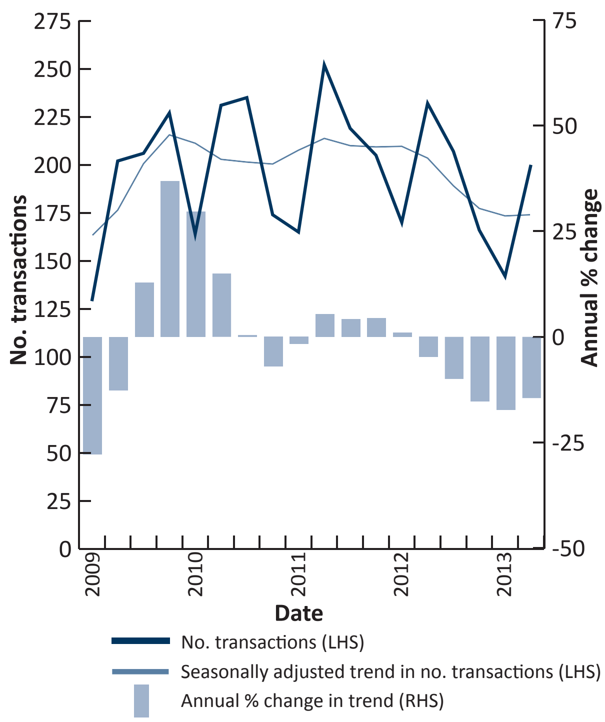


Figure 4.2.2 Number of transactions and annual percentage change

Source: Policy and Research Unit



Local Market activity in the first half of 2013 was generally down on 2012 in the region of 20%: a result of reduced demand due to a combination of a weaker local economy (and associated lower levels of confidence), lower levels of net migration and a more than plentiful supply of properties on the market. Analysis suggests that over the last 18-24 months, some marketed prices of properties have been set in line with price rises of 10% per anum, against actual market price rises of no more than 3-4% per annum. This is also likely to have been a factor.

However, at current rates of property inflation, relative affordability of property has stabilised over the past two years. Improvements in domestic economic conditions ought to feed through into an increase in volumes. As already stated earlier this year, a return of confidence and activity should not lead to more rapid house price inflation than presently experienced. Weak earnings growth does not support more rapid increases, neither do we believe the market can sustain a further widening of price to earnings ratios.

However, the rate of decline in volumes has slowed and very recent signs both from reported sales on estate agents' websites and recorded sales also indicate that conditions might well be improving already.

4.3 Domestic conditions - Inflation

RPIX, the States' preferred measure of inflation, stood at 2.1% at the end of the second quarter. Our target rate of 3% is set at a rate of 'not too much, not too little' and has been remarkably successful since its introduction in 2009. However, inflation was unusually low for the first two quarters of the year, in essence reflecting a subdued local economy and continued pressure on retailers. We expect inflation to rise in the coming quarters and to be back at more 'normal' levels by about this time next year – a little over three per cent.

As reported in the Inflation Outlook bulletin, published in August 2013, expectations of higher inflation a year out are driven primarily by two factors:

1. *Global*: 'Forward guidance', the new Bank of England policy, has had an immediate opposite effect to that intended, moving market expectations of interest rises forward rather than back. This, combined with early signs of a UK housing bubble driven by the UK Government mortgage subsidy policy, could put upward pressure on inflation.

2. *Local*: Our expectations are of improved economic conditions a year hence. The Chamber of Commerce's Annual Business survey has proven to be a reliable forward indicator in the past and underpins our view that this year will see positive (if slight) growth.

Figure 4.3.1 Forecast Guernsey RPIX

Source: Policy and Research Unit

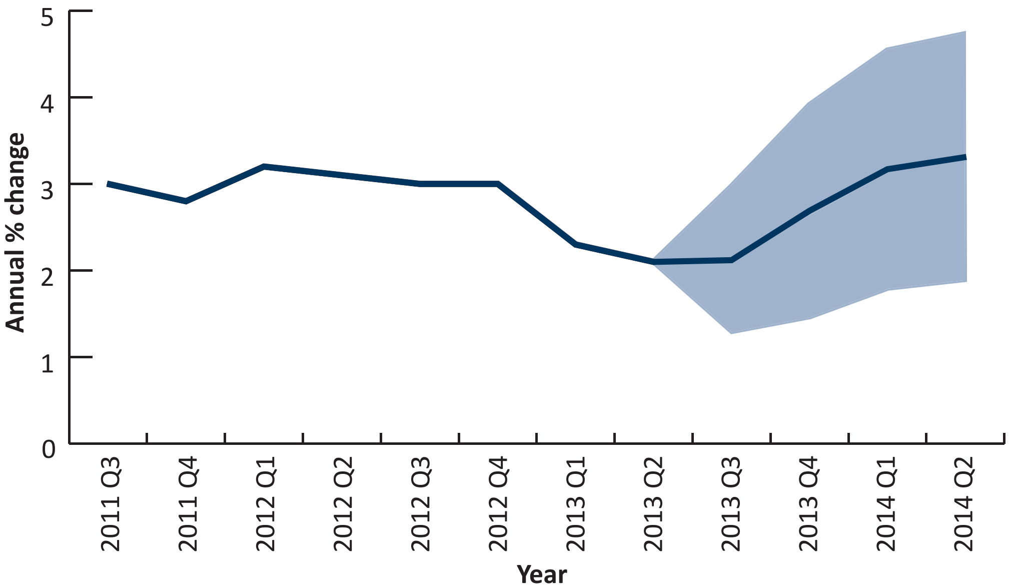


Figure 4.4.1: Overall survey scores for reported and projected year on year growth in turnover (March 2013)

Source: Chamber of Commerce Annual Business Confidence Survey; Policy and Research Unit

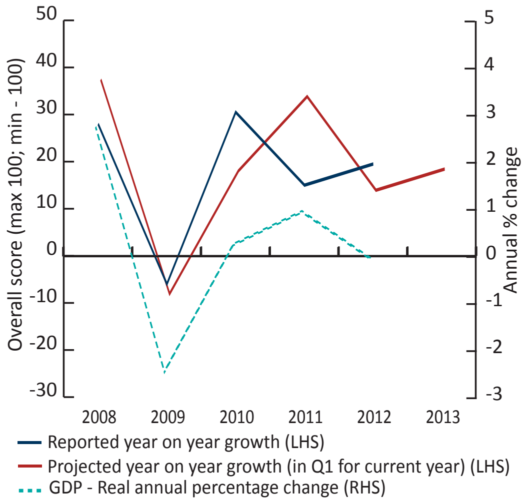
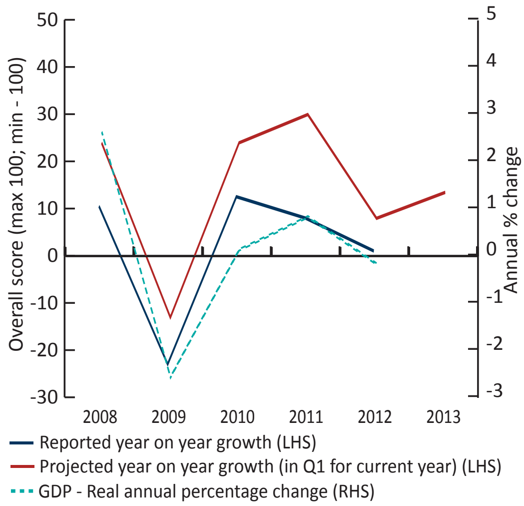


Figure 4.4.2: Overall survey scores for reported and projected year on year growth in profits (March 2013)

Source: Chamber of Commerce Annual Business Confidence Survey; Policy and Research Unit



Earlier this year the Chamber of Commerce Annual Business Confidence Survey indicated that firms were more positive about 2013. The Chamber survey has proven to be a reasonably reliable forward indicator over the last few years, as illustrated below - net positive/negative responses reasonably correlating with GDP growth[1]. Similarly, informal soundings with industry, both earlier this year and over recent weeks, also suggest that 2013 business levels should be higher than 2012. Together with the signs of a general improvement in financial market activity and confidence, this supports the central expectation that there will be growth (albeit most probably slight) in 2013 and supports the central projection of growth of around 1.4% in 2014.

[1] However, the survey suffers from optimism and pessimism bias, and the size of the net positive/negative responses is much larger than the actual change in GDP.

5.1 Conclusion

Guernsey experienced flat conditions during the first half of the year, following a year in which economic performance was mildly worse than originally anticipated as global confidence and activity in the developed economies was laid low by structural fiscal problems in the Euro zone and US. The latter half of 2012 and the first half of 2013 was also the time when the tough economic conditions of the recent past finally caught up with domestic confidence and fed through into weaker conditions in the local property market and other areas of spending.

However, as the year has progressed, the developed economies have been confirming their growth trajectories, albeit as stated several times, at much lower rates than previous recoveries. Global financial market confidence and indices have improved as we forecast over the first half of the year and that is filtering through into higher levels of activity and a search for yield and a higher risk appetite. These conditions should soon feed through into Guernsey's finance sector. Informal soundings suggest that is underway and, together with previously reported business expectations of a better 2013, underpins the view that growth will return to the Guernsey economy in the second half of the year and also the central forecast of 1.4% growth for 2014.

6.1 Contact details and further information

Please contact the States of Guernsey Policy and Research Unit for further information.

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SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION

Duty on Tobacco

2014	5.7% increase (RPI plus 3%)
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

2014	5% increase
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 Motor Fuel

2014	5% increase
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

2014	Permanent increase in thresholds and temporary reduction in rates for lower band properties
2008 - 2013	No change

Tax on Rateable Value / Tax on Real Property

2014	5% increase	
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 2012 Accounts in July 2013, since that time:

The Department has approved the following increase in 2013 revenue budgets in accordance with the States decision of 30 September 2010 after consideration of the 2010 – 2015 States Strategic Plan:

	£
Policy Council – Legal Aid Funding of Mental Health Review Tribunals	225,000
TOTAL	**225,000**

In addition the Department has approved the following transfers from the Budget Reserve to increase 2013 revenue budgets:

	£
Policy Council – Financial Management Review of the Health and Social Services Department	21,000
Policy Council – Corporate Approach to Risk Management and Health and Safety Management	195,000
Treasury and Resources Department - two additional posts in the Income Tax Section to implement Inter-Governmental Agreements including FATCA (Foreign Account Tax Compliance Act) and Exchange of Information requests and enhance the investigation and compliance function	75,000
Health and Social Services Department - unbudgeted specific cases impacting on the Looked After Children and Off-Island Complex Needs budget	726,000
Public Services Department – exceptional costs incurred following the storm and blizzards of 11 and 12 March 2013	158,000
TOTAL	**1,175,000**

The following capital projects have been approved:

	£
Policy Council	
Rolling Electronic Census	633,000
Treasury and Resources Department	
St James the Less repairs	160,000
Baubigny Arsenal reroofing	130,000
IT Network switches	65,000
IT Corporate hardware / software	33,312
Culture and Leisure Department	
Footes Lane running track repairs	130,000
Beau Sejour theatre roof repairs	85,000
La Vallette path reconstruction	30,000
Guernsey Museum and Art Gallery roof refurbishment phase 2	25,000
Education Department	
Grammar School refurbishment phase 2	200,000
Grammar School roof refurbishment	100,000
Vauvert School roof refurbishment	55,000
Minibus replacement	40,000
Link Centre Design and Technology classroom refurbishment	40,000
La Mare de Carteret Schools toilets refurbishment	38,000
La Mare de Carteret Schools catering equipment replacement	15,500
Grammar School heating system replacement – consultants	13,000
St Martins School heating system replacement – consultants	9,200
La Mare de Carteret Schools equipment replacement	5,469
Les Beaucamps High School cleaning equipment	4,100
Grammar School cleaning equipment	2,700

Environment Department	
Perelle seawall remedial works (funded by a transfer from the Budget Reserve)	550,000
Bus depot works	25,000
Health and Social Services Department	
Princess Elizabeth Hospital boilers replacement	1,065,000
Hospital equipment additional / replacement	235,000
Endobase project	65,000
Telephony project	53,200
Central Stores replacement	30,000
Home Department	
IT hardware replacement	100,000
Connection to Police National Database	70,500
Prison fence replacement	65,000
Police vehicles replacement	62,500
Prison visiting areas refurbishment	50,000
Guernsey Border Agency radio replacements	40,000
Fire Service handheld TETRA radio replacements	35,000
Fire Service emergency generator replacement	34,000
Prison building management system	30,000
Police method of entry training rig	17,000
Fire Service trailers	15,000
Prison secondary glazing refurbishment	13,500
Prison 'K' wing refurbishment	10,000
Prison mattresses replacement	10,000
Prison oven replacement	9,000
Public Services Department	
Alderney Airport fire appliances replacement	500,000
Alderney Breakwater repairs phase 2	467,000
States of Alderney	
St Anne's Church repairs	317,000
Works Department vehicles replacement	30,300
Alderney census	30,000
Harbour buildings refurbishment	12,100
Capital Projects funded from the Capital Reserve	
Education Department – La Mare de Carteret Schools consultants	100,000
TOTAL	**5,855,381**

The following property purchases and sales have been approved:

	£
<u>Purchases</u>	
None	
<u>Sales</u>	
Treasury and Resources Department	
Mare de Carteret, Castel – Agreement not to operate as a recycling and bringback site from 1 January 2014	75,000
Route du Braye, Vale – wayleave	10,000
Housing Department	
Old Boys Grammar School, Brock Road, St Peter Port (Conveyed to the Guernsey Housing Association LBG)	1
Public Services Department – Guernsey Water	
Vale Mill Quarry and Land, Hougue du Moulin Vale	35,500
TOTAL SALES	**120,501**

STATES GENERAL INVESTMENT POOL – PROPOSED PERMITTED INVESTMENT RULES

The States Treasury and Resources Department (hereinafter referred to as "the Department") shall arrange for the investment of the States General Investment Pool in investments of all or any of the following descriptions:

Permitted Investments

a) Bonds

Debentures, debenture stocks, loan notes, unsecured loan stocks, bonds, structured products, secured loans and short term interest bearing instruments (such as certificates of deposit, bills and commercial paper), issued or guaranteed by, and interest bearing deposits with:

i) any Government of any country or territory, or

ii) the States of Guernsey, or

iii) any local authority or other public body in any of the above countries or territories, or

iv) any building society in the United Kingdom, or

v) any supranational institution,

vi) or any company incorporated in any country or territory.

b) Equities

Equity stocks and shares, whether nil paid, partly paid or fully paid, of companies incorporated in any country, provided that they are traded on or under the rules of a Stock Exchange recognised for this purpose by the Department.

c) Property

Real property or interests in real property including:

i) commercial property,

ii) residential property,

iii) land for residential or commercial use,

iv) agricultural land,

v) forestry,

vi) any form of pooled investments for categories i) to v), including, but not limited to, limited partnerships, property unit trusts, fund of property unitised vehicles, societies d'investissement a capital variable (SICAVs) and real estate investment trusts.

d) Derivatives

Derivative instruments based on financial securities, currencies or financial markets such as options, warrants, futures contracts, swaps, forward foreign exchange contracts, and contracts for differences, whether quoted on a stock market or an exchange or over the counter.

e) Pooled Funds

i) any form of pooled investment including, but not limited to, a limited partnership, unit trust, SICAV, fund of funds or exchange traded fund,

ii) policies issued by a properly constituted insurance or assurance company.

f) Other Assets

The following assets may be held:

i) Hedge funds of any type including fund of hedge funds,

ii) Infrastructure assets of any type, including Private Finance Initiative investments,

iii) Private equity,

iv) Currency and currency overlays,

v) Pooled funds where the underlying assets are commodities.

g) Other Controls

The Department will set detailed controls on position, size and quality of all investments to ensure the Pool is properly and fully diversified by individual security and asset type.

Additional Powers

The Pool has power to:

i) sub underwrite or underwrite a new issue,

ii) enter into stock lending arrangements with financial institutions,

iii) guarantee the obligation of a company owned or partly owned by the Pool,

iv) borrow on a temporary basis to a maximum of 5% of the total market value of the Pool,

v) enter into arrangements for a common investment fund with other Funds of the States of Guernsey excluding the Funds under the control and management of the Social Security Department, namely the Guernsey Insurance Fund, the Guernsey Health Services Fund and the Long-term Care Insurance Fund.

vi) The investment functions of the Department under these Rules may be delegated by the Department (in whole or in part) to professional fund or investment managers.

AURIGNY & ANGLO NORMANDY: TRADING POSITION (TO AUGUST 2013)

Aurigny Air Services Limited

	Projected Outturn 2013 £'000	Year to Date Actual 2013 £'000	Year to Date Budget 2013 £'000	Full Year Actual 2012 £'000
Revenue	31,036	20,903	22,137	31,783
Direct Costs	(27,531)	(18,555)	(18,915)	(26,398)
Operating Result	**3,505**	**2,348**	**3,222**	**5,385**
Overheads	(5,527)	(3,731)	(3,658)	(5,108)
Other Operating Income	11	7	16	11
Operating Profit / (Loss)	**(2,011)**	**(1,376)**	**(420)**	**288**
Net Interest Payable	(993)	(629)	(627)	(950)
Extraordinary Items	(275)	(188)	-	(1,446)
(Loss)	**(3,279)**	**(2,193)**	**(1,047)**	**(2,108)**

Anglo Normandy Aero Engineering Limited

	Projected Outturn 2013 £'000	Year to Date Actual 2013 £'000	Year to Date Budget 2013 £'000	Full Year Actual 2012 £'000
Revenue	3,884	2,875	2,596	5,009
Direct Costs	(3,301)	(2,481)	(2,006)	(4,354)
Operating Result	**583**	**394**	**590**	**655**
Overheads	(790)	(511)	(524)	(965)
Operating Profit / (Loss)	**(207)**	**(117)**	**66**	**(310)**
Net Interest Payable	-	-	-	(5)
Extraordinary Items	-	-	-	(610)
Profit / (Loss)	**(207)**	**(117)**	**66**	**(925)**

INCOME AND EXPENDITURE ACCOUNT

2012 Actual £'000s	2013 Original Budget £'000s	Income and Expenditure by Category	Note	2014 Budget £'000s
		Income		
280,904	291,500	*Income Taxes*	1	299,000
77,443	78,550	*Other Taxes*	2	77,050
3,996	1,200	*Miscellaneous Income*		8,500
362,343	371,250	General Revenue Income		384,550
33,608	32,720	Departmental Operating Income		33,818
395,951	403,970	**Total Income**		418,368
		Less **Expenditure**		
198,775	201,260	*Pay*	3	199,208
118,099	121,683	*Non-Pay*	4	128,129
2,318	-	*Exceptional Expenditure*		-
56,128	58,070	*Formula-Led*	5	60,200
-	(10,643)	*Financial Transformation Programme Target*		(15,829)
375,320	370,370	Revenue Expenditure		371,708
-	1,278	Service Developments		978
-	8,772	Budget Reserve		17,032
20,631	23,550	**Revenue Surplus**		28,650
1,193	-	Capital Income		-
16,361	13,000	Less Routine Capital Expenditure	6	7,300
5,463	**10,550**	**Net Surplus**		**21,350**
		Transfers		
(25,448)	(24,550)	*To Capital Reserve*		(35,350)
-	(3,000)	*To Strategic Development Fund*		-
23,300	17,000	*From Contingency Reserve (Tax Strategy)*		14,000
3,315	-	**Transfer to General Revenue Account Reserve**		-

Note: The funding arrangement for the Corporate Housing Programme has been revised with effect from 1 January 2014. The effect of this is to increase revenue income by £6.25million, increase revenue expenditure by £8.4million and decrease routine capital expenditure by £6million.

INCOME AND EXPENDITURE ACCOUNT

2012 Actual £'000s	2013 Original Budget £'000s	Income and Expenditure by Service Area	2014 Budget £'000s
362,343	371,250	Revenue Income	384,550
1,193	-	Capital Income	-
363,536	371,250	**Total Income**	384,550
		Net Revenue Expenditure	
9,260	10,375	*Policy Council*	10,525
17,168	17,020	*Treasury & Resources Department*	18,350
10,701	11,075	*Commerce & Employment Department*	10,625
3,100	3,250	*Culture & Leisure Department*	2,800
75,730	74,400	*Education Department*	71,400
7,964	8,075	*Environment Department*	7,725
111,055	108,170	*Health & Social Services Department*	104,200
32,409	31,925	*Home Department*	31,275
1,661	1,600	*Housing Department*	10,000
5,990	4,500	*Public Services Department*	3,950
54,854	56,950	*Social Security Department*	57,075
227	325	*Public Accounts Committee*	275
207	275	*Scrutiny Committee*	275
16	95	*States Review Committee*	95
2,605	2,900	*Royal Court*	2,800
4,483	4,775	*Law Officers*	4,560
1,964	1,940	*States of Alderney*	1,960
-	1,278	*Service Developments*	978
-	8,772	*Budget Reserve*	17,032
2,318	-	*Exceptional Expenditure*	-
341,712	347,700		355,900
		Routine Capital Expenditure	
1,058	1,200	*Treasury & Resources Department*	650
245	100	*Commerce & Employment Department*	100
672	350	*Culture & Leisure Department*	200
670	1,000	*Education Department*	700
225	50	*Environment Department*	100
1,819	1,500	*Health & Social Services Department*	1,100
947	750	*Home Department*	450
8,050	5,550	*Housing Department*	-
2,620	-	*Public Services Department*	-
36	-	*Royal Court*	-
19	-	*Law Officers*	-
-	-	*Backlog property maintenance*	1,500
-	2,500	*Budget Reserve*	2,500
16,361	13,000		7,300
358,073	360,700	**Total Cash Limits**	363,200
5,463	**10,550**	**Net Surplus**	**21,350**
		Transfers	
(25,448)	(24,550)	*To Capital Reserve*	(35,350)
-	(3,000)	*To Strategic Development Fund*	-
23,300	17,000	*From Contingency Reserve (Tax Strategy)*	14,000
3,315	-	**Transfer to General Revenue Account Reserve**	**-**

NOTES

1. Income Taxes

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
227,463	233,000	Individuals	239,500
40,288	50,500	Companies (including Banks)	50,500
13,153	8,000	Distributed Profits	9,000
280,904	**291,500**	**Income Taxes**	**299,000**

2. Other Taxes

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Customs - Excise and Import Duties	
2,989	3,200	*Beer*	3,050
706	700	*Cider*	750
15,258	15,400	*Motor Fuel*	15,800
2,760	2,650	*Spirits*	2,800
7,838	8,250	*Tobacco*	8,350
4,539	4,550	*Wine*	4,700
(267)	(300)	*Duties Collected for Sark*	(300)
1,306	1,300	*Import duties*	1,350
35,129	35,750		36,500
9,217	8,500	Company Fees	8,800
17,098	18,000	Document Duty - Conveyancing and Bonds	14,500
15,999	16,300	Tax on Real Property	17,250
77,443	**78,550**	**Other Taxes**	**77,050**

NOTES

3. Pay Costs by Pay Group

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
78,619	84,519	Established Staff	80,736
16,730	17,741	Public Service Employees	16,993
38,109	39,197	Nurses and Medical Consultants	39,906
41,181	40,068	Teachers and Teaching Assistants	41,337
3,569	3,534	Fire Officers	3,566
9,546	9,668	Police Officers	10,009
3,154	3,340	Prison Officers	3,286
1,540	1,577	Crown Officers, Magistrates and Royal Court Judge	1,618
6,327	1,616	Other Pay Groups	1,757
198,775	**201,260**	**Pay Costs by Pay Group**	**199,208**

NOTES

4. Non-Pay Costs by Expenditure Category

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Staff Non Pay Costs	
1,783	2,119	*Recruitment*	1,993
1,307	2,203	*Training*	2,246
539	555	*Other Staff Costs*	680
3,629	4,877		4,919
		Support Services	
2,284	1,989	*Advertising Marketing and PR*	1,943
230	191	*Audit Fees*	199
115	117	*Bank Charges*	122
9,649	10,315	*Communications and IT*	10,399
2,003	2,051	*Consultants Fees*	1,946
10,229	11,224	*Contracted Out Work*	10,561
104	-	*Incidental and Other costs*	79
1,993	2,148	*Postage, Stationery and Printing*	2,120
1,846	1,961	*Risk Management and Insurance*	1,998
28,453	29,996		29,367
		Premises	
954	893	*Equipment, Fixtures and Fittings*	617
2,414	2,153	*Rents and Leasing*	2,524
7,159	7,764	*Repairs, Maintenance and Servicing*	14,083
5,955	6,100	*Utilities*	6,614
16,482	16,910		23,838
		Third Party Payments	
296	298	*Benefit Payments*	235
29,109	28,710	*Grants and Subsidies*	28,911
29,405	29,008		29,146
		Transport	
1,490	1,424	*Vehicles and Vessels*	1,430
		Supplies and Services	
25,085	26,340	*Services*	25,737
13,555	13,128	*Supplies*	13,692
38,640	39,468		39,429
118,099	**121,683**	**Non-Pay Costs by Expenditure Category**	**128,129**

NOTES

5. Formula-led Costs by expenditure category

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
1,843	1,870	Payments to States Members	1,900
		Third Party Payments	
33,673	34,755	*Benefit Payments*	36,820
20,612	21,445	*Grants and Subsidies*	21,480
56,128	**58,070**	**Formula-led Costs**	**60,200**

6. Routine Capital Expenditure

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
435	-	Construction and Development Projects	-
3,621	5,425	Miscellaneous Capital Works	6,246
8,000	6,000	Transfer to Corporate Housing Programme	-
1,070	2,050	IT Projects and Equipment	1,913
1,436	3,205	Equipment Machinery and Vehicles	1,525
39	960	Alderney Airport net capital expenditure	162
1,760	-	Transfer to Guernsey Water	-
-	2,500	Budget Reserve	2,500
16,361	20,140		12,346
-	(7,140)	Use of Accumulated Capital Allocation	(5,046)
16,361	**13,000**	**Net Routine Capital Expenditure**	**7,300**

POLICY COUNCIL

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
12	16	**Operating Income**	11
		Non Formula-Led Expenditure	
3,201	4,261	Pay costs	3,858
		Non Pay costs	
47	248	*Staff Non Pay costs*	269
486	611	*Support Services*	529
39	55	*Premises*	55
3,214	3,180	*Third Party Payments*	3,245
1	1	*Transport*	1
193	440	*Supplies & Services*	489
3,980	4,535		4,588
7,169	8,780	**Net Non Formula-Led Expenditure by Category**	8,435
		Formula-Led Expenditure	
2,091	2,050	*Third Party Payments*	2,400
2,091	2,050	**Formula-Led Expenditure by Category**	2,400
-	(455)	**Financial Transformation Programme Target**	(310)
9,260	**10,375**	**Total Net Expenditure by Category**	**10,525**
		Net Expenditure by Service Area	
		Non Formula-Led Expenditure	
784	841	*Administration*	787
253	265	*Archive Services*	259
2,624	2,780	*Contribution to Aid Overseas*	2,860
-	-	*Corporate Initiatives*	-
1,046	1,171	*External Affairs*	1,074
1,201	2,322	*Human Resources*	2,121
313	320	*Legal Aid Administration*	331
819	962	*Policy and Research*	902
129	119	*Tribunals*	101
7,169	8,780		8,435
		Formula-Led Expenditure	
1,158	1,231	*Civil Legal Aid*	1,535
933	819	*Criminal Legal Aid*	865
2,091	2,050		2,400
-	(455)	**Financial Transformation Programme Target**	(310)
9,260	**10,375**	**Net Expenditure by Service Area**	**10,525**

POLICY COUNCIL

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Routine Capital Expenditure	
-	300	IT Projects and Equipment	247
-	(300)	Use of Accumulated Capital Allocation	(247)
-	**-**	**Net Routine Capital Expenditure**	**-**

TREASURY AND RESOURCES DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
3,953	3,059	**Operating Income**	3,587
		Non Formula-Led Expenditure	
10,890	11,260	Pay costs	11,727
		Non Pay costs	
80	159	*Staff Non Pay costs*	181
5,271	5,209	*Support Services*	5,439
2,084	1,754	*Premises*	1,847
662	622	*Third Party Payments*	638
17	19	*Transport*	20
274	582	*Supplies & Services*	595
8,388	8,345		8,720
15,325	**16,546**	**Net Non Formula-Led Expenditure by Category**	**16,860**
		Formula-Led Expenditure	
1,843	1,870	Payments to States Members	1,900
1,843	**1,870**	**Formula-Led Expenditure by Category**	**1,900**
-	(1,396)	**Financial Transformation Programme Target**	(410)
17,168	**17,020**	**Net Expenditure by Category**	**18,350**

TREASURY AND RESOURCES DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Service Area	2014 Budget £'000s
		Non Formula-Led Expenditure	
287	327	Administration	273
1,638	2,007	Central Services	3,285
54	63	Commonwealth Parliamentary Association	55
460	379	Corporate Procurement Services	355
787	759	H.E. Lieutenant Governor	782
4,488	4,713	Income Tax	4,438
3,127	2,855	Information and Communications Technology	3,137
1,704	2,562	States Property Services	1,781
2,780	2,881	Treasury	2,754
15,325	**16,546**	**Net Non Formula-Led Expenditure by Service Area**	**16,860**
		Formula-Led Expenditure	
1,843	1,870	Payments to States Members	1,900
1,843	**1,870**	**Net Formula-Led Expenditure by Service Area**	**1,900**
-	(1,396)	**Financial Transformation Programme Target**	(410)
17,168	**17,020**	**Net Expenditure by Service Area**	**18,350**

Note: Following the two corporate projects to create a single Wide Area Network to support data, telephony and CCTV (Billet d'Etat III, 2012) and to develop a 'Shared Services' administration model (Billet d'Etat XVIII, 2011), individual Departments have transferred budgets totalling £2.5million to the Treasury and Resources Department.

2012 Actual £'000s	2013 Original Budget £'000s	Routine Capital Expenditure	2014 Budget £'000s
891	1,590	Miscellaneous Capital Works	430
167	430	IT Projects and Equipment	559
-	10	Equipment, Machinery and Vehicles	12
1,058	2,030		1,001
-	(830)	Use of Accumulated Capital Allocation	(351)
1,058	**1,200**	**Net Routine Capital Expenditure**	**650**

COMMERCE AND EMPLOYMENT DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Category	2014 Budget £'000s
806	796	**Operating Income**	777
		Non Formula-Led Expenditure	
4,125	4,477	Pay costs	4,150
		Non Pay costs	
42	61	*Staff Non Pay costs*	82
2,623	2,977	*Support Services*	2,916
245	176	*Premises*	253
4,058	4,099	*Third Party Payments*	4,061
45	131	*Transport*	94
369	329	*Supplies & Services*	328
7,382	7,773		7,734
-	(379)	**Financial Transformation Programme Target**	(482)
10,701	**11,075**	**Net Non Formula-Led Expenditure by Category**	**10,625**

COMMERCE AND EMPLOYMENT DEPARTMENT

Net Expenditure by Service Area

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Administration and Central Services	
259	307	*Facilities*	290
76	99	*Human Resources*	47
156	149	*ICT*	111
398	525	*Management and Administration*	468
40	20	*Office of Public Trustee*	20
929	1,100		936
		Client Services	
488	415	*Agriculture and Rural Environment Service*	450
274	343	*Employment Relations Service*	332
315	334	*Farm and Field Services*	309
2,047	2,068	*Grants and Support Schemes*	2,096
376	455	*Health and Safety Executive*	426
178	179	*Management and Administration*	169
152	160	*Plant Protection and Laboratory Services*	150
320	369	*Sea Fisheries*	368
287	296	*Trading Standards Service*	295
4,437	4,619		4,595
		Economic Development	
7	11	*Civil Aviation Office*	5
320	374	*Finance Sector Development*	445
1,772	1,810	*Grants and Support Schemes*	1,745
470	528	*Management and Administration*	377
165	238	*Strategic Projects*	229
2,734	2,961		2,801
		Marketing and Tourism	
900	923	*Consumer Marketing*	905
205	220	*Grants and Support Schemes*	220
444	445	*Marketing Communications*	447
59	73	*Quality Development*	70
594	646	*Strategic Marketing*	663
399	467	*Trade and Media Relations*	470
2,601	2,774		2,775
10,701	11,454		11,107
-	(379)	**Financial Transformation Programme Target**	(482)
10,701	**11,075**	**Net Expenditure by Service Area**	**10,625**

Routine Capital Expenditure

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
192	725	Miscellaneous Capital Works	24
-	-	IT Projects and Equipment	-
53	90	Equipment, Machinery and Vehicles	80
245	815		104
-	(715)	Use of Accumulated Capital Allocation	(4)
245	**100**	**Net Routine Capital Expenditure**	**100**

CULTURE AND LEISURE DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
4,148	4,235	**Operating Income**	4,271
		Non Formula-Led Expenditure	
4,720	5,024	Pay costs	4,276
		Non Pay costs	
26	37	*Staff Non Pay costs*	31
415	400	*Support Services*	419
988	1,092	*Premises*	1,301
451	614	*Third Party Payments*	604
14	11	*Transport*	14
634	910	*Supplies & Services*	988
2,528	3,064		3,357
-	(603)	**Financial Transformation Programme Target**	(562)
3,100	**3,250**	**Net Non Formula-Led Expenditure by Category**	**2,800**
		Net Expenditure by Service Area	
175	176	Arts Commission	175
276	886	Beau Sejour Centre	684
725	736	Central Services	662
62	117	Cultural Activities Inside the Island	68
280	291	Events and Information	230
1,143	1,182	Museums Service	1,119
164	199	Outdoor Sports Facilities	161
275	266	Sports Commission	263
3,100	3,853		3,362
-	(603)	**Financial Transformation Programme Target**	(562)
3,100	**3,250**	**Net Expenditure by Service Area**	**2,800**
		Routine Capital Expenditure	
574	655	Miscellaneous Capital Works	458
98	60	Equipment, Machinery and Vehicles	-
672	715		458
-	(365)	Use of Accumulated Capital Allocation	(258)
672	**350**	**Net Routine Capital Expenditure**	**200**

EDUCATION DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
1,294	1,402	**Operating Income**	1,386
		Non Formula-Led Expenditure	
51,692	50,740	Pay costs	50,780
		Non Pay costs	
750	993	*Staff Non Pay costs*	1,052
4,204	4,586	*Support Services*	3,879
3,800	4,238	*Premises*	4,067
13,500	14,315	*Third Party Payments*	14,204
237	222	*Transport*	220
2,841	2,858	*Supplies & Services*	3,009
25,332	27,212		26,431
-	(2,150)	**Financial Transformation Programme Target**	(4,425)
75,730	**74,400**	**Net Non Formula-Led Expenditure by Category**	**71,400**
		Net Expenditure by Service Area	
4,837	4,404	Education Office	4,417
11,186	10,945	School & Pupil Support Services	9,046
7,488	7,539	College of Further Education	7,266
39,600	40,362	Schools	42,190
5,725	6,500	Higher Education	6,283
4,945	4,835	Grants to Colleges	4,658
1,949	1,965	Grants to Libraries	1,965
75,730	76,550		75,825
-	(2,150)	**Financial Transformation Programme Target**	(4,425)
75,730	**74,400**	**Net Expenditure by Service Area**	**71,400**
		Routine Capital Expenditure	
626	1,285	Miscellaneous Capital Works	1,370
-	-	IT Projects and Equipment	-
44	120	Equipment, Machinery and Vehicles	-
670	1,405		1,370
-	(405)	Use of Accumulated Capital Allocation	(670)
670	**1,000**	**Net Routine Capital Expenditure**	**700**

ENVIRONMENT DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
2,052	1,955	**Operating Income**	2,111
		Non Formula-Led Expenditure	
3,924	4,054	Pay costs	3,676
		Non Pay costs	
138	165	*Staff Non Pay costs*	144
1,653	1,689	*Support Services*	1,632
1,535	1,527	*Premises*	1,690
2,569	2,690	*Third Party Payments*	2,590
81	30	*Transport*	31
116	146	*Supplies & Services*	147
6,092	6,247		6,234
-	(271)	**Financial Transformation Programme Target**	(74)
7,964	**8,075**	**Net Non Formula-Led Expenditure by Category**	**7,725**
		Net Expenditure by Service Area	
1,471	1,706	Planning Services	1,449
394	409	Central Support Services	332
2,067	2,083	Environmental Services	2,072
4,032	4,148	Traffic and Transport Services	3,946
7,964	8,346		7,799
-	(271)	**Financial Transformation Programme Target**	(74)
7,964	**8,075**	**Net Expenditure by Service Area**	**7,725**
		Routine Capital Expenditure	
56	65	Miscellaneous Capital Works	335
80	215	IT Projects and Equipment	15
89	85	Equipment, Machinery and Vehicles	30
225	365		380
-	(315)	Use of Accumulated Capital Allocation	(280)
225	**50**	**Net Routine Capital Expenditure**	**100**

HEALTH AND SOCIAL SERVICES DEPARTMENT

Net Expenditure by Category

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
9,601	8,899	**Operating Income**	9,716
		Non Formula-Led Expenditure	
77,050	76,815	Pay costs	76,184
		Non Pay costs	
1,700	2,102	*Staff Non Pay costs*	2,007
5,660	5,497	*Support Services*	4,648
5,127	5,093	*Premises*	5,776
2,930	2,596	*Third Party Payments*	2,620
633	535	*Transport*	607
27,556	27,716	*Supplies & Services*	28,219
43,606	43,539		43,877
-	(3,285)	**Financial Transformation Programme Target**	(6,145)
111,055	**108,170**	**Net Non Formula-Led Expenditure by Category**	**104,200**

HEALTH AND SOCIAL SERVICES DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Service Area	
		Corporate Services Directorate	
12,734	13,140	*Estates and Facilities Management*	13,219
641	721	*Governance and Assurance*	717
2,362	2,138	*Human Resources Management*	1,956
1,415	1,499	*Strategy, Policy and Engagement*	1,388
17,152	17,498		17,280
		Finance & Performance Management	
7,585	6,622	*Acute Off Island Treatments*	6,868
8,092	8,103	*Complex Placements*	8,245
817	930	*Finance*	1,050
1,797	3,112	*Procurement and Commercial Services*	2,159
3,136	2,786	*Systems and Performance Management*	2,779
2,143	2,170	*St John Ambulance & Rescue Service Grant*	2,200
23,570	23,723		23,301
		Health & Social Care	
22,112	21,386	*Acute Hospital Services*	21,127
12,236	12,141	*Children and Maternity Services*	13,097
11,735	13,087	*Community, Disability and Cancer Services*	11,589
1,847	1,856	*Health and Social Care Management*	1,563
2,758	3,092	*Institute of Health and Social Care Studies*	3,026
16,889	15,590	*Specialist Services*	16,178
67,577	67,152		66,580
		Public Health & Strategy	
1,130	1,268	*Community Health & Wellbeing*	1,263
828	867	*Medical Public Health*	951
301	395	*Public Health Management*	385
2,259	2,530		2,599
497	552	Office of the Children's Convenor	585
111,055	111,455		110,345
-	(3,285)	**Financial Transformation Programme Target**	(6,145)
111,055	**108,170**	**Net Expenditure by Service Area**	**104,200**
		Routine Capital Expenditure	
666	500	Miscellaneous Capital Works	1,295
512	200	IT Projects and Equipment	400
641	2,200	Equipment, Machinery and Vehicles	737
1,819	2,900		2,432
-	(1,400)	Use of Accumulated Capital Allocation	(1,332)
1,819	**1,500**	**Net Routine Capital Expenditure**	**1,100**

HOME DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
1,317	1,068	**Operating Income**	1,084
		Non Formula-Led Expenditure	
26,523	27,066	Pay costs	26,382
		Non Pay costs	
555	851	*Staff Non Pay costs*	855
2,259	2,588	*Support Services*	2,850
1,602	1,614	*Premises*	1,673
121	102	*Third Party Payments*	93
199	266	*Transport*	258
2,467	1,831	*Supplies & Services*	1,752
7,203	7,252		7,481
-	(1,325)	**Financial Transformation Programme Target**	(1,504)
32,409	**31,925**	**Net Non Formula-Led Expenditure by Category**	**31,275**
		Net Expenditure by Service Area	
1,924	2,101	Administration and Central Services	2,337
402	421	Bailiwick Drug and Alcohol Strategy	416
61	(1)	Broadcasting	-
97	165	Data Protection	111
162	147	Emergency Planning	143
3,996	3,966	Fire and Rescue Service	3,981
(21)	(24)	Gambling Control	(25)
6,224	6,280	Guernsey Border Agency	5,700
12,631	13,059	Police Force	13,162
5,163	5,283	Prison Service	5,175
1,770	1,853	Probation Service	1,779
32,409	33,250		32,779
-	(1,325)	**Financial Transformation Programme Target**	(1,504)
32,409	**31,925**	**Net Expenditure by Service Area**	**31,275**
		Routine Capital Expenditure	
163	275	Miscellaneous Capital Works	440
292	540	IT Projects and Equipment	282
492	600	Equipment, Machinery and Vehicles	646
947	1,415		1,368
-	(665)	Use of Accumulated Capital Allocation	(918)
947	**750**	**Net Routine Capital Expenditure**	**450**

HOUSING DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
1,528	1,592	**Operating Income**	1,292
		Non Formula-Led Expenditure	
2,739	2,862	Pay costs	4,342
		Non Pay costs	
11	10	*Staff Non Pay costs*	38
68	70	*Support Services*	316
196	204	*Premises*	6,051
-	-	*Third Party Payments*	354
3	3	*Transport*	43
172	185	*Supplies & Services*	218
450	472		7,020
-	(142)	**Financial Transformation Programme Target**	(70)
1,661	**1,600**	**Net Non Formula-Led Expenditure by Category**	**10,000**
		Net Expenditure by Service Area	
154	132	Housing Control	7
-	-	Property Management	6,270
-	-	Tenancy Management	576
1,507	1,610	Residential Homes / Domiciliary Care Service	1,786
-	-	Strategy and Administration	1,431
1,661	1,742		10,070
-	(142)	**Financial Transformation Programme Target**	(70)
1,661	**1,600**	**Net Expenditure by Service Area**	**10,000**
		Routine Capital Expenditure	
45	5	Miscellaneous Capital Works	-
12	15	IT Projects and Equipment	-
8,000	6,000	Transfer to Corporate Housing Programme	-
(7)	-	Equipment, Machinery and Vehicles	-
8,050	6,020		-
-	(470)	Use of Accumulated Capital Allocation	-
8,050	**5,550**	**Net Routine Capital Expenditure**	**-**

Note: The funding arrangement for the Corporate Housing Programme has been revised with effect from 1 January 2014 and Housing Department's Cash Limit will fund Housing Services management, Housing Stock repairs and maintenance and the Guernsey Youth Housing Project grant.

PUBLIC SERVICES DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Category	2014 Budget £'000s
5,464	6,412	**Operating Income**	6,452
		Non Formula-Led Expenditure	
2,330	2,441	Pay costs	1,992
		Non Pay costs	
31	59	*Staff Non Pay costs*	53
4,420	4,856	*Support Services*	5,217
219	510	*Premises*	491
1,126	3	*Third Party Payments*	-
51	53	*Transport*	23
3,277	3,478	*Supplies & Services*	2,940
9,124	8,959		8,724
-	(488)	**Financial Transformation Programme Target**	(314)
5,990	**4,500**	**Net Non Formula-Led Expenditure by Category**	**3,950**

PUBLIC SERVICES DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Service Area	
		Alderney Airport	
(612)	(565)	*Income*	(678)
353	228	*Administration*	367
635	645	*Aerodrome Fire Service*	661
135	140	*Airport Infrastructure*	50
296	308	*Navigational Services*	329
807	756		729
443	440	Alderney Breakwater	290
72	73	Emergency Services	74
870	938	Policy and Corporate Services	719
		Roads	
1,189	1,198	*Road Cleansing*	1,208
2,281	2,610	*Resurfacing and Reconstruction*	2,626
377	302	*Minor Repairs and Maintenance*	386
3,847	4,110		4,220
		Solid Waste	
(2,180)	(2,305)	*Refuse Disposal and Land Reclamation*	(2,442)
1,005	976	*Recycling and Waste Minimisation*	674
(1,175)	(1,329)		(1,768)
1,126	-	Waste water (see Note)	-
5,990	4,988		4,264
-	(488)	**Financial Transformation Programme Target**	(314)
5,990	**4,500**	**Net Expenditure by Service Area**	**3,950**
		Routine Capital Expenditure	
435	-	Foul Water Network Extension Plan	-
353	275	Miscellaneous Capital Works	364
7	-	IT Projects and Equipment	-
26	40	Equipment, Machinery and Vehicles	20
39	960	Alderney Airport capital expenditure	162
1,760	-	Transfer to Guernsey Water	-
2,620	1,275		546
-	(1,275)	Use of Accumulated Capital Allocation	(546)
2,620	**-**	**Net Routine Capital Expenditure**	**-**

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 2012 would be the final year in which there is General Revenue funding towards waste water operations.

SOCIAL SECURITY DEPARTMENT

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
		Non Formula-Led Expenditure	
1,417	1,551	Pay costs	1,454
		Non Pay costs	
6	3	*Staff Non Pay costs*	3
521	543	*Support Services*	535
170	160	*Premises*	159
535	576	*Third Party Payments*	506
6	7	*Transport*	6
5	32	*Supplies & Services*	22
1,243	1,321		1,231
2,660	2,872	**Non Formula-Led Expenditure by Category**	2,685
		Formula-Led Expenditure	
52,194	54,150	Third Party Payments	55,900
52,194	54,150	**Formula-Led Expenditure by Category**	55,900
-	(72)	**Financial Transformation Programme Target**	(1,510)
54,854	**56,950**	**Total Net Expenditure by Category**	**57,075**

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Service Area	
		Non Formula-Led Expenditure by Service Area	
2,660	2,872	Non-Contributory Services	2,685
2,660	2,872	**Non Formula-Led Expenditure by Service Area**	2,685
		Formula-Led Expenditure	
3,749	4,065	Attendance and Invalid Care Allowance	4,630
586	620	Concessionary TV Licences for the Elderly	630
9,564	9,870	Family Allowance	9,870
4,298	4,495	Health Service Grant	4,500
14,223	14,900	Social Insurance Grant	14,580
19,774	20,200	Supplementary Benefit	21,690
52,194	54,150	**Formula-Led Expenditure by Service Area**	55,900
-	(72)	**Financial Transformation Programme Target**	(1,510)
54,854	**56,950**	**Total Net Expenditure by Service Area**	**57,075**

PUBLIC ACCOUNTS COMMITTEE

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Category	2014 Budget £'000s
		Non Formula-Led Expenditure	
160	197	Pay costs	205
		Non Pay costs	
-	4	*Staff Non Pay costs*	3
61	101	*Support Services*	51
-	-	*Premises*	1
6	23	*Supplies & Services*	15
67	128		70
227	**325**	**Non Formula-Led Expenditure by Category**	**275**

SCRUTINY COMMITTEE

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Category	2014 Budget £'000s
		Non Formula-Led Expenditure	
192	197	Pay costs	205
		Non Pay costs	
-	4	*Staff Non Pay costs*	3
10	52	*Support Services*	42
1	-	*Premises*	-
4	22	*Supplies & Services*	25
15	78		70
207	**275**	**Non Formula-Led Expenditure by Category**	**275**

STATES REVIEW COMMITTEE

2012 Actual £'000s	2013 Original Budget £'000s	Net Expenditure by Category	2014 Budget £'000s
		Non Formula-Led Expenditure	
16	75	Pay costs	73
		Non Pay costs	
-	-	*Staff Non Pay costs*	1
-	7	*Support Services*	13
-	13	*Supplies & Services*	8
-	20		22
16	**95**	**Net Non Formula-Led Expenditure by Category**	**95**

ROYAL COURT

Net Expenditure by Category

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
1,641	1,560	**Operating Income**	1,564
		Non Formula-Led Expenditure	
3,506	3,626	Pay costs	3,524
		Non Pay costs	
8	20	*Staff Non Pay costs*	7
272	389	*Support Services*	327
201	237	*Premises*	251
37	10	*Third Party Payments*	10
-	13	*Transport*	8
222	194	*Supplies & Services*	240
740	863		843
-	(29)	**Financial Transformation Programme Target**	(3)
2,605	**2,900**	**Net Non Formula-Led Expenditure by Category**	**2,800**

Net Expenditure by Service Area

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
840	874	Bailiffs Office	867
453	747	Client Services	696
1,134	1,150	Court Services	1,077
178	158	Parliament	163
2,605	2,929		2,803
-	(29)	**Financial Transformation Programme Target**	(3)
2,605	**2,900**	**Net Expenditure by Service Area**	**2,800**

Routine Capital Expenditure

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
36	-	Miscellaneous Capital Works	-
-	255	IT Projects and Equipment	230
36	255		230
-	(255)	Use of Accumulated Capital Allocation	(230)
36	**-**	**Net Routine Capital Expenditure**	**-**

LAW OFFICERS

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
203	185	**Operating Income**	197
		Non Formula-Led Expenditure	
4,363	4,615	Pay costs	4,358
		Non Pay costs	
69	70	*Staff Non Pay costs*	80
76	48	*Support Services*	162
25	40	*Premises*	38
-	2	*Transport*	-
153	233	*Supplies & Services*	139
323	393		419
-	(48)	**Financial Transformation Programme Target**	(20)
4,483	**4,775**	**Net Non Formula-Led Expenditure by Category**	**4,560**
		Routine Capital Expenditure	
19	50	Miscellaneous Capital Works	30
-	95	IT Projects and Equipment	180
19	145		210
-	(145)	Use of Accumulated Capital Allocation	(210)
19	**-**	**Net Routine Capital Expenditure**	**-**

STATES OF ALDERNEY

2012 Actual £'000s	2013 Original Budget £'000s		2014 Budget £'000s
		Net Expenditure by Category	
1,588	1,541	**Operating Income**	1,370
		Non Formula-Led Expenditure	
1,929	1,999	Pay costs	2,022
		Non Pay costs	
166	91	*Staff Non Pay costs*	110
454	373	*Support Services*	392
250	210	*Premises*	185
202	201	*Third Party Payments*	221
203	131	*Transport*	105
348	476	*Supplies & Services*	295
1,623	1,482		1,308
1,964	**1,940**	**Net Non Formula-Led Expenditure by Category**	**1,960**
		Net Expenditure by Committee	
		Income	
24	21	Building and Development Control Committee	12
227	315	General Services Committee	216
762	735	Policy and Finance Committee	731
1,013	1,071		959
		Expenditure	
93	90	Building and Development Control Committee	79
1,575	1,631	General Services Committee	1,552
1,309	1,290	Policy and Finance Committee	1,288
2,977	3,011		2,919
1,964	**1,940**	Net revenue cash allocation from the States of Guernsey	**1,960**
		Capital Account	
		Capital Income	
121	207	General Services Committee	6
319	1,200	Policy and Finance Committee	250
3,061	2,250	Transfers from Alderney Gambling Control Commission	2,000
3,501	3,657		2,256
		Capital Expenditure	
2,146	3,004	General Services Committee	2,469
-	1,436	Policy and Finance Committee	643
2,146	4,440		3,112
(1,355)	783	Increase / (Decrease) in Accumulated Capital Allocation	856
-	-		-

CAPITAL RESERVE EXPENDITURE ACCOUNT

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Treasury and Resources Department	
-	-	-	Cabernet Limited Recapitalisation	17,000
840	-	-	Corporate Asset Management IT system (£0.84m)	-
326	650	330	IT Wide Area Network (£1.09m)	433
			Education Department	
12	15	1	College of Further Education - Phase A (£8.13m)	-
621	25	92	College of Further Education - Les Ozouets Campus (£3.7m)	-
17	-	-	College of Further Education - other projects	-
-	100	12	Le Rondin Special Needs School (£13.9m)	-
15,213	8,750	7,868	Les Beaucamps High School (£36.8m)	760
94	200	(30)	Les Nicolles Secondary and Special Needs Schools (£44.4m)	226
436	650	518	Project Execution plan	690
			Environment Department	
10	-	56	Traffic signal replacement programme (£1.73m)	-
			Health and Social Services Department	
			Site Development Plan	
351	12,000	9,640	Adult Acute Mental Health Facilities (£24m)	12,625
307	-	98	Clinical Block (£36.1m)	-
214	325	183	Electronic Health and Social Care record (£3.9m)	371
			Home Department	
-	750	50	eBorders, eCustoms and Passport IT system	550
-	1,200	80	Police Core IT system	720
69	-	50	Tetra Radio (£1.8m)	-
			Public Services Department	
-	-	120	Belle Greve Wastewater Disposal Facility - Phase IVb	5,000
5,126	5,000	5,276	Belle Greve Wastewater Disposal Facility - Phase V (£11.03m)	-
			Public Services Department - Ports	
34,159	22,000	31,100	Airport Pavements (£78.2m)	2,000
1,746	850	1,000	Airport Radar (£3.25m)	300
2,174	6,750	6,000	St Peter Port Harbour Crane Strategy (£13.675m)	4,224
-	250	-	St Peter Port Harbour Pontoons	-
-	1,500	-	Sarnia Work Boat	-
61,715	**61,015**	**62,444**		**44,899**

CORPORATE HOUSING PROGRAMME FUND

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Income and Expenditure by Category	
			Income	
8,000	6,000	6,000	Allocation from General Revenue for Rent Rebates	-
7,627	7,682	7,672	Net Rents Receivable	-
2,658	1,180	1,380	Interest Receivable	-
470	1,000	300	Sale of Incompatible Housing Stock	-
18,755	15,862	15,352	**Total Income**	-
			Expenditure	
			Pay costs	
(1,494)	(1,774)	(1,558)	*Established Staff*	-
			Non Pay costs	
(26)	(43)	(28)	*Staff Non Pay costs*	-
(376)	(450)	(384)	*Support Services*	-
(5,880)	(7,856)	(7,377)	*Premises*	(1,215)
(21,520)	(4,265)	(4,463)	*Third Party Payments*	(8,795)
(17)	(24)	(21)	*Transport*	-
(6)	(9)	(5)	*Supplies & Services*	-
(27,825)	(12,647)	(12,278)		(10,010)
(10,564)	**1,441**	**1,516**	**Net Surplus / (Deficit) for the year**	**(10,010)**
			Net Income / (Expenditure) by Service Area	
			Operational Expenditure	
2,416	870	1,161	*Finance & IT*	-
(1,475)	(1,620)	(1,743)	*GHA Rent Rebates*	-
(70)	(1,215)	(795)	*Modernisation*	(1,215)
(5,756)	(6,716)	(6,527)	*Property Management*	-
119	643	(73)	*Strategy*	-
14,259	12,133	12,250	*Tenancy Management*	-
9,493	4,095	4,273		(1,215)
			Corporate Initiatives & Strategies	
-	(1,000)	(90)	*Key Worker Housing Strategy*	-
(16,892)	(534)	(1,120)	*Older People Housing & Support*	(5,100)
(2,811)	(766)	(1,209)	*Social Housing Development Programme*	(3,695)
(10)	-	-	*Supported Housing Strategy*	-
(19,713)	(2,300)	(2,419)		(8,795)
(344)	(354)	(338)	Revenue Grant - Guernsey Youth Housing	-
(10,564)	**1,441**	**1,516**	**Net Surplus / (Deficit) for the year**	**(10,010)**
70,586	54,940	60,022	Balance of Fund at 1st January	61,538
(10,564)	1,441	1,516	Net Surplus / (Deficit) for the year	(10,010)
60,022	**56,381**	**61,538**	**Balance of Fund at 31st December**	**51,528**

Note: The funding arrangement for the Corporate Housing Programme has been revised with effect from 1 January 2014 and the Corporate Housing Programme Fund will fund the Housing Stock Modernisation Programme and the Housing Development Programme.

GUERNSEY REGISTRY

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			<u>Net Income by Category</u>	
			Income	
9,559	9,202	9,279	Operating Income	9,245
			Expenditure	
(567)	(702)	(528)	Pay costs	(571)
			Non Pay costs	
(17)	(22)	(19)	*Staff Non Pay costs*	(22)
(270)	(504)	(364)	*Support Services*	(286)
(114)	(141)	(125)	*Premises*	(133)
(2)	(3)	(83)	*Supplies & Services*	(103)
(403)	(670)	(591)		(544)
8,589	**7,830**	**8,160**	**Surplus transferred to General Revenue**	**8,130**
			<u>Net Income / (Expenditure) by Service</u>	
			Company Registry	
9,440	9,081	9,169	Income	9,124
(791)	(1,092)	(903)	Expenditure	(879)
8,649	7,989	8,266		8,245
			Intellectual Property Office	
119	121	110	Income	121
(179)	(280)	(216)	Expenditure	(236)
(60)	(159)	(106)		(115)
8,589	**7,830**	**8,160**	**Surplus transferred to General Revenue**	**8,130**
			<u>Capital Expenditure</u>	
(42)	(115)	-	IT Projects and Equipment	-
(42)	(115)	-	**Routine Capital Expenditure**	-
42	115	-	Loans from General Revenue for Capital Expenditure	-
-	-	-	**Capital Expenditure**	-

GUERNSEY AIRPORT

Net Expenditure by Category

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
11,507	12,252	11,795	Operating Income	11,729
(6,851)	(7,034)	(6,827)	Pay costs	(6,820)
			Non Pay costs	
(119)	(148)	(208)	*Staff Non Pay costs*	(181)
(1,939)	(1,997)	(2,267)	*Support Services*	(2,439)
(1,299)	(1,006)	(1,441)	*Premises*	(1,375)
(37)	(65)	(54)	*Transport*	(61)
(413)	(417)	(254)	*Supplies & Services*	(261)
(3,807)	(3,633)	(4,224)		(4,317)
849	1,585	744	**Operating Surplus before depreciation**	592
(1,668)	(1,600)	(1,330)	Depreciation	(1,330)
(819)	**(15)**	**(586)**	**Operating (Deficit) transferred to the Ports Holding Account**	**(738)**

Net Income / (Expenditure) by Service Area

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Income	
476	525	435	*Advertising, picketing etc*	532
756	810	762	*Airport Development Charge*	695
659	712	682	*Car Parking Fees*	734
2,065	1,960	1,962	*Rents*	1,997
7,459	7,993	7,674	*Traffic Receipts*	7,481
11,415	12,000	11,515		11,439
			Operational Expenditure	
(1,081)	(1,011)	(1,040)	*Administration*	(1,060)
(2,099)	(2,100)	(2,003)	*Aerodrome Fire Service*	(2,061)
(2,444)	(2,132)	(2,413)	*Airport Infrastructure*	(2,377)
(1,475)	(1,493)	(1,510)	*Airport Security*	(1,655)
(3,627)	(3,844)	(3,970)	*Navigational Services*	(3,864)
(10,726)	(10,580)	(10,936)		(11,017)
160	165	165	Recovery From Alderney Airport	170
849	1,585	744	**Operating Surplus before depreciation**	592
(1,668)	(1,600)	(1,330)	Depreciation	(1,330)
(819)	**(15)**	**(586)**	**Operating (Deficit) transferred to the Ports Holding Account**	**(738)**

GUERNSEY AIRPORT

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Capital Expenditure	
(128)	(410)	(96)	Miscellaneous Capital Works	(240)
-	(85)	-	IT Projects and Equipment	-
(96)	(755)	(195)	Equipment, Machinery and Vehicles	(2,307)
(224)	(1,250)	(291)	**Routine Capital Expenditure**	(2,547)
(34,113)	(22,000)	(31,100)	Airport Pavements Project	(2,000)
(1,746)	(850)	(1,000)	Airport Radar	(300)
35,859	22,850	32,100	Transfer from Capital Reserve	2,300
(224)	**(1,250)**	**(291)**	**Net Capital Expenditure**	**(2,547)**

HARBOURS

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Net Expenditure by Category	
8,638	8,656	8,164	Operating Income	8,751
(3,331)	(4,185)	(3,638)	Pay costs	(3,652)
			Non Pay costs	
(22)	(18)	(120)	*Staff Non Pay costs*	(153)
(422)	(676)	(426)	*Support Services*	(438)
(1,009)	(1,565)	(2,170)	*Premises*	(2,117)
(213)	(184)	(82)	*Transport*	(319)
(431)	(1,073)	(184)	*Supplies & Services*	(193)
(2,097)	(3,516)	(2,982)		(3,220)
3,210	955	1,544	**Operating Surplus before depreciation**	1,879
(1,086)	(1,380)	(1,032)	Depreciation	(1,235)
2,124	**(425)**	**512**	**Operating Surplus / (Deficit) transferred to the Ports Holding Account**	**644**

HARBOURS

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Income / (Expenditure) by Service Area	2014 Budget £'000s
			Commercial Operations	
4,266	3,654	3,700	*Shipping Dues - cargo*	4,144
1,060	967	985	*Passenger Fees*	1,043
5	5	7	*Pilotage Dues*	7
189	(195)	(17)	*Premises*	(85)
(469)	(518)	(483)	*Cranes*	(517)
(939)	(1,261)	(1,101)	*Quays*	(887)
(29)	(76)	(42)	*Beacons and Buoys*	(53)
4,083	2,576	3,049		3,652
1,395	1,112	1,157	Leisure and Moorings	1,245
			Other Operations	
(2,264)	(2,701)	(2,645)	*Central Administration*	(3,001)
(4)	(32)	(17)	*Ships Registry*	(17)
(2,268)	(2,733)	(2,662)		(3,018)
3,210	955	1,544	**Operating Surplus before depreciation**	1,879
(1,086)	(1,380)	(1,032)	Depreciation	(1,235)
2,124	**(425)**	**512**	**Operating Surplus / (Deficit) transferred to the Ports Holding Account**	**644**

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s	Capital Expenditure	2014 Budget £'000s
-	(545)	(17)	Miscellaneous Capital Works	(515)
-	-	-	IT Projects and Equipment	(520)
-	(60)	(30)	Equipment, Machinery and Vehicles	(320)
-	(605)	(47)	**Routine Capital Expenditure**	(1,355)
(2,174)	(6,750)	(6,000)	Crane Strategy	(4,224)
-	(250)	-	Pontoons	-
-	(1,500)	-	Sarnia Work Boat	-
2,174	8,500	6,000	*Less* transfer from Capital Reserve	4,224
-	**(605)**	**(47)**	**Net Capital Expenditure**	**(1,355)**

PORTS HOLDING ACCOUNT

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Operating Surplus before depreciation	
849	1,585	744	Guernsey Airport	592
3,210	955	1,544	Harbours	1,879
4,059	2,540	2,288		2,471
65	10	62	Investment Interest Receivable	50
			Capital Expenditure	
(224)	(1,250)	(291)	Guernsey Airport	(2,547)
-	(605)	(47)	Harbours	(1,355)
(224)	(1,855)	(338)		(3,902)
3,900	**695**	**2,012**	**Surplus / (Deficit) before depreciation**	**(1,381)**
(2,754)	(2,980)	(2,362)	Depreciation	(2,565)
1,146	**(2,285)**	**(350)**	**(Deficit) for the year**	**(3,946)**
3,261	2,546	3,037	Balance at 1st January	2,699
3,900	695	2,012	Surplus / (Deficit) for the year before depreciation	(1,381)
(4,124)	(2,550)	(2,350)	Transfer to Capital Reserve	-
3,037	**691**	**2,699**	**Balance at 31st December**	**1,318**

GUERNSEY WATER

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Income by Service Area	2014 Budget £'000s
			Income	
			Water Supplies	
6,550	6,984	6,440	*Measured*	6,824
3,585	3,498	3,615	*Unmeasured*	3,467
			Waste Water	
1,907	2,117	1,954	*Measured*	2,032
1,052	975	1,122	*Unmeasured*	1,085
1,037	1,048	1,081	*Cesspit Emptying Charges*	1,072
1,270	-	-	*Grant from General Revenue*	-
422	182	104	Surplus on other trading activities before management expenses and depreciation	100
15,823	14,804	14,316		14,580
			Expenditure	
			Operating Expenses	
(408)	(417)	(570)	*Asset Management*	(373)
(1,193)	(1,076)	(1,123)	*Pumping Stations*	(1,221)
(3,069)	(3,046)	(3,342)	*Sewers*	(3,010)
(726)	(747)	(537)	*Water distribution*	(726)
(2,126)	(2,220)	(1,695)	*Water production*	(2,135)
			Management Expenses	
(337)	(777)	(544)	*Compliance*	(518)
(840)	(839)	(874)	*Customer services*	(817)
(308)	(350)	(491)	*Finance*	(355)
(338)	(666)	(486)	*Management and general*	(644)
(506)	(633)	(589)	*Support Services*	(554)
(9,851)	(10,771)	(10,251)		(10,353)
5,972	4,033	4,065	**Operating surplus before depreciation**	4,227
(3,187)	(2,500)	(2,500)	Depreciation	(2,500)
2,785	1,533	1,565	**Operating Surplus for the year**	1,727
350	95	-	Net Interest receivable	200
14	715	-	Surplus on sale of fixed assets	-
3,149	2,343	1,565	**Surplus for the Year**	1,927
(813)	(1,500)	(1,500)	Transfer to reserve for renewal of assets	(1,500)
2,336	**843**	**65**	**Retained surplus for the year transferred to Revenue Account Reserve**	**427**

GUERNSEY WATER

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Capital Expenditure	
(1,104)	-	-	Assets under construction	-
(5,126)	-	(4,800)	Belle Greve Wastewater Disposal Facility	(5,000)
-	(1,800)	(1,800)	Demand Management	-
(874)	(534)	(400)	General	(500)
-	-	-	Management and General - operational	(350)
(183)	(895)	(895)	Pumping Stations	-
-	(675)	(350)	Quality - Environmental Protection	-
(795)	(1,279)	(950)	Sewers	(4,437)
(359)	(388)	(388)	Water distribution	(750)
(1,399)	(1,330)	(1,330)	Water resources	(1,200)
(786)	(985)	(985)	Water treatment	(250)
(10,626)	(7,886)	(11,898)	**Gross Capital Investment**	(12,487)
56	726	500	Customer contributions and asset sales	400
6,886	-	4,800	Transfer from General Revenue	5,000
(3,684)	**(7,160)**	**(6,598)**	**Net Capital Investment**	**(7,087)**

STATES WORKS

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Net Income by Service Area	
			Income	
176	113	113	Administration	116
306	300	300	Building maintenance	200
2,053	2,120	1,800	Cleansing and Refuse	1,836
300	263	325	Drainage	331
936	944	944	Electrical and Mechanical	1,043
118	97	180	Emergency Services	101
658	675	693	Fleet Services	706
2,195	2,121	2,000	Grounds Maintenance	2,000
1,277	1,174	1,300	Highway Repairs	1,326
2,521	2,488	3,085	Landfill and Recycling	3,009
220	201	210	Management Services	210
2,063	2,159	2,290	Sewage Collection	2,336
387	361	380	Signs and Lines	380
474	530	425	Stores	425
13,684	13,546	14,045		14,019
			Expenditure	
			Management Expenses	
(284)	(323)	(310)	*Administration Expenses*	(319)
(300)	(325)	(280)	*Building maintenance*	(289)
(738)	(682)	(700)	*Salaries, wages and superannuation*	(714)
			Operating Expenses	
(7,380)	(7,238)	(7,480)	*Labour*	(7,558)
(3,376)	(3,415)	(3,452)	*Materials*	(3,323)
(540)	(474)	(465)	*Transport and plant*	(479)
(12,618)	(12,457)	(12,687)		(12,682)
1,066	1,089	1,358	**Operating Surplus before depreciation**	1,337
(700)	(742)	(774)	Depreciation	(836)
366	347	584	**Operating Surplus for the year**	501
21	12	6	Net Interest Receivable	6
387	**359**	**590**	**Surplus for the year**	**507**
			Capital Expenditure	
-	(95)	(48)	Office equipment	(105)
(43)	(175)	(100)	Site developments	(125)
(1,049)	(800)	(740)	Vehicles, plant, tools and equipment	(710)
(1,092)	**(1,070)**	**(888)**	**Total Capital Expenditure for the Financial year**	**(940)**

GUERNSEY DAIRY

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Income by Service Area	2014 Budget £'000s
			Sales of milk and by-products	
1,462	1,300	1,320	*By-products*	1,390
5,490	5,627	5,559	*Liquid Milk*	5,740
20	20	20	Sales of Sundry Trading Items	20
			Other Income	
33	6	15	*Bank Interest*	15
7,005	6,953	6,914		7,165
			Cost of Sales - Direct	
(15)	(16)	(16)	*Carriage inwards*	(16)
(33)	(38)	(35)	*Ingredients*	(37)
(3,258)	(3,454)	(3,043)	*Milk*	(3,191)
(104)	(140)	(146)	*Milk working loss*	(116)
(66)	(49)	(48)	*Offshore processing and freight*	(49)
(586)	(490)	(582)	*Packaging materials*	(590)
(812)	(798)	(830)	*Production wages*	(835)
(4,874)	(4,985)	(4,700)		(4,834)
			Expenses	
(66)	(127)	(127)	*Advertising and promotion*	(127)
(9)	(10)	(9)	*Carriage outwards*	(10)
(63)	(66)	(65)	*Cleaning expenses*	(66)
(211)	(220)	(225)	*Depreciation*	(230)
(336)	(370)	(360)	*Fuel, power, light and water*	(370)
(26)	(25)	(25)	*General administration costs*	(25)
(99)	(82)	(103)	*Laboratory materials and equipment*	(105)
(24)	(24)	(25)	*Motor vehicle expenses*	(26)
(48)	(61)	(50)	*Other expenses*	(51)
(76)	(74)	(75)	*Professional fees*	(76)
			Repairs, maintenance and insurance	
(107)	(88)	(110)	*Plant and machinery*	(112)
(44)	(38)	(42)	*Site and buildings*	(43)
(582)	(580)	(580)	*Salaries and wages*	(597)
(12)	(3)	(4)	*Staff training and recruitment*	(4)
(1,703)	(1,768)	(1,800)		(1,842)
(6,577)	(6,753)	(6,500)	**Total Expenditure**	(6,676)
428	**200**	**414**	**Surplus for the Financial Year Transferred to General Reserve**	**489**

Capital Expenditure

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
-	(5)	(39)	Laboratory equipment	-
(1)	-	-	Motor vehicles	-
-	-	(9)	Office equipment	-
(145)	(293)	(476)	Plant and machinery	(427)
(6)	(330)	(78)	Site roads and buildings	(345)
(152)	**(628)**	**(602)**	**Total Capital Expenditure for the Financial Year**	**(772)**

SUPERANNUATION FUND ADMINISTRATION

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			<u>Net Expenditure by Category</u>	
			Pay costs	
255	350	270	*Established Staff*	270
255	350	270		270
			Non Pay costs	
303	180	275	*Consultants Fees*	200
183	35	90	*Support Services*	35
486	215	365		235
741	**565**	**635**	**Total Expenditure by Category**	**505**
			<u>Routine Capital Expenditure</u>	
50	-	35	ICT System	35
50	**-**	**35**	**Routine Capital Expenditure**	**35**

SOCIAL SECURITY DEPARTMENT - CONTRIBUTORY FUNDS ADMINISTRATION

2012 Actual £'000s	2013 Original Budget £'000s	2013 Probable Outturn £'000s		2014 Budget £'000s
			Net Expenditure by Category	
			Pay costs	
3,599	3,877	3,819	*Established Staff*	4,223
			Non Pay costs	
18	19	19	*Staff Non Pay costs*	19
1,563	1,604	1,547	*Support Services*	1,587
64	54	75	*Premises*	85
142	170	104	*Supplies & Services*	106
1,787	1,847	1,745		1,797
1,211	916	866	Depreciation	140
6,597	**6,640**	**6,430**	**Total Expenditure by Category**	**6,160**
			Net Expenditure by Service Area	
5,508	5,470	5,277	Guernsey Insurance Fund	4,523
924	995	983	Guernsey Health Service Fund	1,314
165	175	170	Long-term Care Insurance Fund	323
6,597	**6,640**	**6,430**	**Net Expenditure by Service Area**	**6,160**
			Routine Capital Expenditure	
27	50	20	Buildings and Structures	50
29	50	20	Plant and Equipment	50
9	50	30	ICT Systems - equipment and software	50
35	50	30	ICT Systems - development	50
100	**200**	**100**	**Net Routine Capital Expenditure**	**200**

THE LADIES COLLEGE (Senior School)

2011/2012 Actual £'000s	2012/2013 Budget £'000s	Net Income by Category	2013/2014 Budget £'000s
		Income	
1,641	1,598	*Fees*	1,847
67	28	*Miscellaneous Income*	22
1,932	1,928	*States Grant*	1,952
3,640	3,554		3,821
		Expenditure	
9	9	*Art*	9
10	8	*Audit Fee*	8
79	79	*Books and Stationery*	107
49	74	*Examination Fees*	72
78	70	*Fixed Asset Acquisition Costs*	75
23	34	*General Administrative Expenses*	34
15	17	*Laboratory and Design and Technology Expenses*	13
167	175	*Maintenance of Buildings, Grounds and Equipment*	177
4	11	*Marketing and Development Expenses*	26
12	29	*Rates, Taxes and Insurance*	29
24	27	*Recruitment and Relocation*	27
2,531	2,722	*Salaries and Wages*	2,869
26	34	*Sports, conferences, field trips etc*	37
7	12	*Staff training*	13
59	74	*Utilities*	85
3,093	3,375		3,581
547	179	**REVENUE SURPLUS FOR THE YEAR**	240
(400)	-	Transfer to Maintenance and Improvements Reserve	-
458	1,151	Balance b/f from previous year	784
605	**1,330**	**Balance c/f to next year**	**1,024**

PROPOSITIONS

The Treasury and Resources Department recommends the States:

1. To rescind resolution 2 of Billet d'Etat XXVI of 13 December 2012 and to authorise the Treasury and Resources Department to transfer from the Contingency Reserve (Tax Strategy) to General Revenue a maximum sum of £27,000,000 during 2013.

2. To authorise the Treasury and Resources Department to transfer from the Contingency Reserve (Tax Strategy) to General Revenue a maximum sum of £14,000,000 during 2014.

3. To transfer the sum of £35,350,000 from General Revenue to the Capital Reserve on 1 January 2014

4. To approve the cash limits for ordinary revenue and capital expenditure for 2014 for individual Departments and Committees totalling £363,200,000 as set out in paragraph 3.27 of this Report.

5. That the rates of excise duty in Guernsey and Alderney on the under mentioned goods shall be varied as follows:

Cigarettes	£265.44 per kilogram
Cigars	£246.49 per kilogram
Hand rolling tobacco	£229.54 per kilogram
Other manufactured tobacco	£199.10 per kilogram
Tobacco leaf – unstemmed	£221.01 per kilogram
Tobacco leaf – stemmed	£223.24 per kilogram
Petrol other than any fuel used for the purpose of air navigation	48.8p per litre
Petrol used for the purpose of marine navigation where supplied by an approved trader	33.6p per litre
Gas oil	48.8p per litre
Beer brewed by an independent small brewery	43p per litre
Other beer	68p per litre
Spirits not exceeding 5.5 per cent volume	60p per litre
Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£8.39 per litre
Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£11.15 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	43p per litre
Other cider	68p per litre
Light wines not exceeding 5.5 per cent volume	50p per litre
Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£2.07 per litre
Other wines	£3.30 per litre

6. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2013" and to direct that the same shall have effect as an Ordinance of the States.

7. That the rates of Tax on Real Property in Guernsey and Alderney with effect from 1 January 2014 shall be as set out in paragraph 2.34 of this Report.

8. To approve the draft Ordinance entitled "The Property Tax (Rates) (Guernsey and Alderney) Ordinance, 2013" and to direct that the same shall have effect as an Ordinance of the States.

PROPOSITIONS

10. As regards Document Duty for the period 29 October 2013 to 31 October 2014 inclusive:

    That the Document Duty payable on a conveyance of realty, not being a gift of realty inter vivos, an exchange of realty, partage or conveyance of realty involving an increase in the value of the transaction, shall be:

    - 1% of the value of the transaction where the value of the transaction is £250,000 or less;
    - 2% of the value of the transaction where the value of the transaction exceeds £250,000 but does not exceed £400,000;
    - 3% of the value of the transaction where the value of the transaction exceeds £400,000.

11. As regards Document Duty for the period from 1 November 2014:

    That the Document Duty payable on a conveyance of realty, not being a gift of realty inter vivos, an exchange of realty, partage or conveyance of realty involving an increase in the value of the transaction, shall be:

    - 2% of the value of the transaction where the value of the transaction is £250,000 or less;
    - 2.5% of the value of the transaction where the value of the transaction exceeds £250,000 but does not exceed £400,000;
    - 3% of the value of the transaction where the value of the transaction exceeds £400,000.

12. To approve the draft Ordinance entitled "The Document Duty (Amendment) Ordinance, 2013" and to direct that the same shall have effect as an Ordinance of the States.

13. As regards conveyances of realty registered in the period between the publication of the Budget Report and the Budget debate that the Treasury and Resources Department be required to make a repayment in respect of any prescribed document registered between 9 October 2013 and 28 October 2013 inclusive of an amount equal to any difference between the Document Duty then payable and that which would have been payable if the Document Duty (Amendment) Ordinance, 2013 had then been in force:

14. 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 £3.5million 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.

15. That the sum of £3.5million received from Guernsey Post Limited for the repurchase of shares shall be transferred to the Capital Reserve.

16. To amend section 8 of the States Trading Companies Ordinance, 2001 so that the Treasury and Resources Department is required to submit for consideration by the States the annual report and accounts of Guernsey Electricity and Guernsey Post Ltd, as soon as is practicable.

17. To approve the permitted investment rules of the States General Investment Pool as set out in Appendix IV to this Report.

18. To endorse the intention of the Treasury and Resources Department to increase the Benefit in Kind charges with effect from 1 January 2014, by 3% per annum, compounded, for 2014, 2015 and 2016, as set out in paragraph 2.15 of this Report, by regulation under powers conferred by section 8(2A)(b) of the Income Tax (Guernsey) Law,1975.

PROPOSITIONS

19. (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 2014 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.

FIRST SCHEDULE

Year of Charge 2014

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

NATURE OF ALLOWANCE	AMOUNT OF ALLOWANCE
1. **Personal Allowance**	
(i) for married persons	Tax at the standard rate on £19,350. 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.
	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

(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 £21,125. 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 £22,900. 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 £9,675, but subject to the second and third provisos relating to divorce, separation or death set out in (i), (ii) or (iii) above.
(v) for single persons aged 64 years or over at the commencement of the year of charge.	Tax at the standard rate on £11,450, 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 £3,125 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £6,550 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,125 the sum of £1 for every pound by which the dependent relative's income exceeds £6,550. 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 £3,125, or such lesser sum as remains after deducting from £3,125 the sum of £1 for every pound by which the dependent relative's income exceeds £6,550, the sum of £260 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 £3,125.
4. **Housekeeper Allowance**	Tax at the standard rate on £3,125.
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 £9,675.
6. **Charge of Children Allowance**	Tax at the standard rate on £6,550.
7. **Retirement Annuity Allowance**	Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

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.

(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;

(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.

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.

(4) For the avoidance of doubt, where the claimant and the claimant’s wife both make qualifying premiums or contributions, the claimant’s wife is entitled to an allowance in respect of her qualifying premiums or contributions, for which an allowance has not already been granted to the claimant, subject to the provisions of paragraph (3).

PROPOSITIONS

II. To approve the following Expenditure Budgets for the year 2014:

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 2014 and Probable Outturns for 2013:

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 2014.

(NB. The Policy Council supports the overall budget package and commends the Treasury and Resources Department for managing to balance the need to foster economic growth while addressing the underlying deficit and enabling significant investment in infrastructure. Ministers have indicated that they may express views on specific measures in debate.)