

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2027

The States are asked to decide whether, after consideration of the Policy Letter entitled “States of Guernsey Budget, 2027”, they are of the opinion:

1. To agree the amount of tax relief in respect of mortgage interest paid on a principal private residence as £2,000 for 2027, £1,000 for 2028, and zero for 2029 and future years.
2. To increase the amount of bank interest exempt from tax, as provided for in section 40(kk) of the Income Tax (Guernsey) Law 1975, from £50 to £75.
3. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £160,000 to £171,000, and in the case of an individual in respect of both qualifying and non-qualifying income from £320,000 to £342,000 and in paragraph I of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –
 - (a) for “£160,000” in both places appearing substitute “£171,000”
 - (b) for “£320,000” in both places appearing substitute “£342,000”
4. To increase the limit on the amount of income tax an individual resident in Guernsey can pay under paragraph 3 of the Sixth Schedule to the Income Tax (Guernsey) Law 1975 (the “Open Market Tax Cap”) in line with inflation to £65,000 for 2027 and, to provide certainty for those claiming the cap, to agree subsequent increases of £10,000 for each of the next 3 years (increasing the amount payable to £75,000 for 2028, £85,000 for 2029 and £95,000 for 2030); also increasing the amount of document duty (or anti-avoidance duty paid under the Document Duty (Anti-Avoidance) (Guernsey) Law 2017) needing to be paid on the purchase of a property on Part A of the Open Market Register, (or the purchase of all the shares of a relevant company or other relevant transaction for the purposes of the Anti-Avoidance Law), by RPIX, from £50,000 (where the level has been since the caps introduction in 2018) to £70,000, for properties purchased (or shares purchased or in respect of any other such relevant transaction) on or after 1 January 2027.
5. To agree to increasing the Tax Caps that an individual resident in Guernsey can pay under paragraphs 1 and 3 of the Sixth Schedule to the Income Tax (Guernsey) Law 1975 (the Open Market Tax Cap, the cap applicable to qualifying income and the cap relating to worldwide income) by RPIX on an annual basis in future years.

6. To endorse the intention of the Policy & Resources Committee to introduce an “Entrepreneur Tax Cap” into the Sixth Schedule of the Income Tax (Guernsey) Law 1975 as soon as practicable, the details of which will be worked up with the Committee *for* Economic Development.
7. To increase the maximum aggregate amount of donations that may be made to Guernsey Registered Charities and be exempt from income tax in any year of charge, specified in section 64B(1)(d) of the Income Tax (Guernsey) Law 1975, from £10,000 to £50,000.
8. To agree:
 - (a) to amend the definition of “dependant” in Section 158 of the Income Tax (Guernsey) Law, 1975, in relation to Part XIII (pension schemes, retirement annuity schemes and retirement annuity trust schemes), to that as set out in the Revenue Service Practice Notes on occupational and retirement annuity schemes;
 - (b) to introduce the term “nominee” into Part XIII of the Income Tax (Guernsey) Law, 1975 with the meaning of an individual nominated by a member of a pension scheme or an individual nominated by the scheme trustee or scheme administrator, who may receive an annuity on the member’s death;
 - (c) to introduce the term “successor” into Part XIII of the Income Tax (Guernsey) Law 1975 with the meaning of an individual being assigned as a successor by a dependant, a nominee, or by the scheme trustee/administrator to receive an annuity on the death of a member (where the nominees have died); and
 - (d) to introduce into Part XIII of the Income Tax (Guernsey) Law 1975, a hierarchal structure for the payment of death benefits, on the death of a member of a pension scheme. The order to be dependant, nominee then successor.
9. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2026” and to direct that the same shall have effect as an Ordinance of the States.
10. To direct the Committee *for* Home Affairs to exercise its statutory powers in order that a duty-free relief of 50ml for vaping liquid is brought into force to coincide with the commencement of the “The Excise Duties (Budget) Ordinance, 2026”.
11. To include recommendations on the appropriate differential between vaping liquid and tobacco products in the 2028 Budget Report for consideration and approval by the States of Deliberation, so that the agreed approach can inform future duty-setting decisions.
12. To approve the draft Ordinance entitled “The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2026” and to direct that the same shall have effect as an Ordinance of the States.

13. To approve the draft Ordinance entitled “The Document Duty (Rates) (Amendment) Ordinance, 2026” and to direct that the same shall have effect as an Ordinance of the States.
14. To approve the draft Ordinance entitled “The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2026” and to direct that the same shall have effect as an Ordinance of the States.
15. To approve the draft Ordinance entitled “The Motor Taxation (First Registration Duty) (Guernsey) Ordinance, 2026” and to direct that the same shall have effect as an Ordinance of the States.
16. To approve Committee Net Expenditure Option A for 2027 totalling £700.4 million as set out in Table 11, paragraph 6.27.
17. Notwithstanding whether Proposition 16 has been approved –
 - (a) where it has been approved, to rescind that resolution, and
 - (b) to approve Committee Net Expenditure Option B for 2027 totalling £716.1 million as set out in Table 11 paragraph 6.27, and
 - (c) to rescind Resolution 10 of Billet d’État No II, 2026, and
 - (d) to direct the Policy & Resources Committee, working with all committees and service areas, to continue to identify and implement recurring expenditure savings with a cumulative value by 2029 (or as soon as possible thereafter, recognising that savings need to be sustainable and deliverable without undermining agreed service outcomes) of £20 million each year (with 2026 as the baseline year) through a structured programme including priority-based budgeting and other savings and efficiency measures, and to report annually on progress in the annual budget.
18. To agree the allocation of £5 million from the existing £25 million unallocated Routine Capital Allocations for 2025 to 2028 to support the development and implementation of Spend-to-Save initiatives.
19. To agree a multi-year budget of £15 million for the period 2027 to 2029 to fund the economic growth initiatives set out in paragraphs 6.98-6.109 of the 2027 Budget Report.
20. To agree that funding from the Channel Islands Lottery (Guernsey) Fund be provided to support the operation of Beau Sejour Leisure Centre for the period 2027 to 2031, at up to £700,000 per annum, indexed annually for inflation and capped at the Centre’s operating deficit.
21. To approve provision within the 2027 Budget for a transfer from the General Reserve to Guernsey Ports to fund its 2027 cash requirements estimated at £1.1 million.

22. To authorise the Policy & Resources Committee to make annual transfers from General Revenue to Guernsey Waste, from 2027 onwards, equivalent to the forecast operating losses of Guernsey Waste excluding inert waste and depreciation, subject to a cap of £2.3 million in 2027, with the cap increasing annually thereafter in line with inflation.
23. To approve the following Budgets for the year 2027:
- (a) Guernsey Ports
 - (b) Guernsey Water
 - (c) Guernsey Waste
 - (d) States Works
 - (e) Guernsey Dairy
 - (f) Superannuation Fund Administration
 - (g) Committee *for* Employment & Social Security – Contributory Funds.
24. That,
- (a) 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 2027 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) 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) “Family Allowances” means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and
 - (d) “the Income Tax (Guernsey) Law, 1975” means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

FIRST SCHEDULE

Year of Charge 2027

This schedule specifies the allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for an individual who is solely or principally resident in the years of that individual's arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,
- (ii) where an individual is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey States pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –
 - (a) from the commencement of the year of charge until the date of arrival (in the case of that individual's permanent arrival),
 - (b) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and
- (iii) the totality of each individual's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that individual's calculated income is above the limit of £85,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

- (a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and
- (b) the withdrawable deductions are the following deductions -
 - Pension contributions, namely
 - o Retirement Annuity Allowance
 - o contributions to an approved occupational or personal pension schemeover £2,500 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')
 - Mortgage interest relief

<u>NATURE OF ALLOWANCE</u>	<u>AMOUNT OF ALLOWANCE</u>
1. Personal Allowance*^	Tax at the individual standard rate on £15,850.
2. Dependent Relative Allowance*	In respect of each dependent relative - tax at the individual standard rate on £4,890 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £10,960 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,890 the sum of £1 for every pound by which the dependent relative's income exceeds £10,960.
3. Infirm Person's Allowance*	Tax at the individual standard rate on £4,890
4. Housekeeper Allowance	Tax at the individual standard rate on £4,890
5. Charge of Children Allowance*	Tax at the individual standard rate on £10,200
6. Retirement Annuity Allowance	Tax at the individual standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

This schedule prescribes the conditions applicable to the allowances specified in the First Schedule.

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.
 - (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 2018.
- (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 the child has been so adopted and not as the child of the natural parent.
- (3) Where a couple are cohabiting as if they were married and either of them has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director may elect that, for the purposes of the said allowance, the child shall be treated as if the child were the child of that cohabitee.
- (4) In computing the amount of a child's income in the child's 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 individuals 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 the claimant's own expense maintains or contributes towards the maintenance of a person being a relative of the claimant; 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 individuals 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.

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 compelled to maintain or employ an individual solely for the purpose of having care of the claimant;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant was permanently incapacitated by physical or mental infirmity.
 - (b) if such an individual is a relative of the claimant and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim to that other allowance 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 Infirm Person's Allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle a 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 and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim to that other allowance 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 in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of 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.

Charge of Children Allowance

(1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership 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 -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant 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 the claimant or any other individual is so entitled, that the claim to a dependent relative allowance has been relinquished.

Provided that, for the purposes of subparagraph (a), the claimant or the claimant's spouse, as the case may be, shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance.

This proviso is in addition to and not in derogation from paragraph (4).

Provided also that, for the purposes of subparagraph (a), an individual ("X") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if X has made a claim for such an Allowance, and it is being paid to X in X's name, or

(bb) where X is an individual to whom the preceding proviso applies, only if such an Allowance would, but for X's income, be paid to X in X's name.

- (2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership 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 -
 - (i) on 1 January, or
 - (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,whichever date is first relevant, and
 - (b) the claimant is not cohabiting with another person, except where -
 - (i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant 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 the claimant or any other individual is so entitled, that the claim to a dependent relative allowance has been relinquished.

Provided that, for the purposes of subparagraph (a), claimants shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if -

- (A) they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance, and
- (B) in the case of claimants who are not cohabiting with another person, they are the principal carer of the child.

This proviso is in addition to and not in derogation from paragraph (4).

Provided also that, for the purposes of subparagraph (a), an individual ("Y") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge -

- (aa) only if Y has made a claim for such an Allowance, and it is being paid to Y in Y's name, or
- (bb) where Y is an individual to whom the preceding proviso applies, only if such an Allowance would, but for Y's income, be paid to Y in Y's name (but without prejudice to the application of condition B of the preceding proviso).

(3) The claimant must have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.

(4) Where an individual has a child receiving higher education that individual shall, for the purposes of the preceding paragraphs numbered (1) to (3), be deemed to be 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 Charge of Children Allowance shall be granted to any claimant for any year.

Retirement Annuity Allowance

(1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) of the Income Tax (Guernsey) Law, 1975 are that the claimant 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 and of which the claimant is a beneficiary.

(2) Subject to the provisions of paragraph (3) the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of charge.

(3) Notwithstanding the provisions of paragraph (2) no allowance or deduction 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 during the year of charge, or

(b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.

Transferability of unused allowances

- *the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*
- *the allowances marked with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

- | | |
|---|---|
| (i) transfers between married couples or couples in a civil partnership | If at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple, the claimant may, in respect of the year of charge, by notice in writing addressed to the |
|---|---|

Director, elect that any unused part of the allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the allowance of the claimant's spouse, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the marriage or civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being eligible for transfer.

For the purposes of this paragraph –

“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, and includes an order for the dissolution of a civil partnership, and

"separation" means that the couple are living separately as fully and as completely as though they had never been married or entered into a civil partnership, as the case may be.

Provided that, should the marriage or civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's and transferee's tax return.

(ii) transfers between co-habiting couples in receipt or deemed receipt

of Family Allowance, but not eligible for the charge of children allowance

Where the recipient or deemed recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person at the commencement of the year of charge, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the couple cease to cohabit in the year of charge, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being eligible for transfer.

Provided also that, should the couple cease to co-habit in the year of charge, by reason of death, the full unused allowance is transferrable.

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, and "deemed receipt" and "deemed recipient" of Family Allowance mean deemed by virtue of the proviso to paragraph (2) of Charge of Children Allowance above.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's and transferee's tax return.

25. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

Compliance with Rule 4

Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

In accordance with Rule 4(1):

a) The propositions contribute to the States' objectives and policy plans by including proposals to generate a real-terms increase in revenues, focusing on delivering sustainable savings and funding economic growth initiatives. As explained in Rule 4 (1) d below, if Proposition 17 is agreed expenditure growth would be 1.3% above inflation resulting in additional expenditure of £15.7m.

b) In preparing the propositions, other States' Committees have been consulted to establish and discuss their funding requirements in preparation of the revenue expenditure proposals.

c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) The financial implications to the States of carrying the proposals into effect are a General Revenue Net Surplus before Investments of £4.2 million for 2027 under Option A (Proposition 16), reducing to a Net Deficit before Investments of £11.5 million for 2027 under Option B (Proposition 17).

In accordance with Rule 4(2):

a) The propositions relate to the Committee's purpose and policy responsibilities for *"fiscal policy, economic affairs and the financial and other resources of the States which includes: preparing the States' budget and submitting it to the States annually"*.

b) The propositions have the unanimous support of the Committee, other than Proposition 1, the withdrawal of mortgage interest relief which has majority support (Deputy Parkinson does not support the Proposition).

H L de Sausmarez
President

Y Burford
Vice-President

S J Falla
A Niles
C N K Parkinson

The Excise Duties (Budget) Ordinance, 2026

THE STATES, in pursuance of their Resolution of the ***th November 2026^a and in exercise of the powers conferred on them by sections 23B(3), 23C(3), 23J and 23K of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of the Law.

1. The Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 ("**the Law**") is amended as follows -

(a) in section 23D, following subsection (3) insert the following subsections -

"(4) Except where subsection (5) applies, the volume of any vaping liquid is to be ascertained by reference to -

(a) the retail packaging of the vaping liquid,

(b) any invoice issued in relation to the vaping liquid,

(c) any delivery note issued in relation to the vaping liquid,

^a Article ** of Billet d'État No. ** of 2026.

^b Ordres en Conseil Vol. XXIII, p.573; this enactment has been amended.

(d) any document similar to an invoice or delivery note issued in relation to the vaping liquid, or

(e) the actual volume of the vaping liquid.

(5) Where there is a difference between any of the volumes referred to in subsection (4), and save as the Committee may otherwise allow, the volume of any vaping liquid is to be taken to be the greatest of the volumes referred to in subsection (4).

(6) The Committee may specify in a notice published by it the method by which the actual volume must be measured.

(7) For the purposes of subsection (4), "**retail packaging**", in relation to vaping liquid, means the packaging in which it is, or is intended to be, presented for sale by retail.", and

(b) in section 23F, following subsection (1) insert the following subsection -

"(1A) The Chief Officer of Customs and Excise may provide guidance relating to -

(a) the growing, production or manufacture of goods liable to excise duty, and

(b) the circumstances in which a licence may be granted by the Chief Officer,

and any such guidance shall be taken into account for the purposes of making any decision under this section."

Amendment of the Fourth Schedule to the Law.

2. The Fourth Schedule to the Law is amended as follows.
3. Insert the following definitions in the appropriate place -

""**medicinal product**" has the meaning given in section 133(1) of the Medicines (Human and Veterinary) (Bailiwick of Guernsey) Law, 2008,"

""**recognised medicine**" means any medicinal product that is registered, authorised or otherwise approved for human use by a competent authority in accordance with the laws of any country,"

""**vape**" means a device which is intended to enable a person to inhale any vapour through a mouthpiece," and

""**vaping liquid**" means a liquid that -

- (a) contains nicotine and either or both of glycerine and a glycol,
- (b) is packaged, labelled or advertised as being capable of vaporisation by a vape, or
- (c) is intended to be vaporised by a vape,

and is not a recognised medicine or tobacco, and for the purposes of this definition -

- (i) a liquid may be intended to be vaporised by a vape even if a consumer would be required to mix it with another substance before vaporising it by a vape,
- (ii) a reference to vaporisation includes a reference to aerosolization,
- (iii) a reference to a liquid includes a reference to a liquid that has been frozen,".

4. Insert the following definition in the appropriate place -

""qualifying for tap relief" means -

- (a) wines that, at the time that excise duty is charged, are packaged in a container with a capacity of at least 20 litres,
- (b) beer and cider that, at the time that excise duty is charged, is packaged in a container with a capacity of at least 20 litres,

but does not include goods where they are transferred to smaller containers for a purpose other than the serving of a beverage for immediate consumption on the same premises."

5. For the table in paragraph 1 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following -

"1. Tobacco and tobacco products -

(a)	Cigarettes	£721.38 per kilo
(b)	Cigars	£721.38 per kilo
(c)	Hand rolling tobacco	£700.42 per kilo
(d)	Other manufactured tobacco	£607.43 per kilo
(e)	Tobacco leaf – unstemmed	£674.33 per kilo
(f)	Tobacco leaf – stemmed	£681.08 per kilo".

6. For the tables in paragraphs 2 to 7 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following -

"2. Petrol and gas oil -

- | | | |
|-----|---|--|
| (a) | Petrol other than any fuel used for the purpose of air navigation (and subject to b.) | 94.4p per litre |
| (b) | Petrol used for the purpose of marine navigation (although, for the avoidance of doubt, such rates in the next column shall only have effect in Alderney until any Ordinance enacted by the States of Alderney in accordance with section 23C(4) of this Law amending this Schedule as it has effect in Alderney and specifying the rate of excise duty chargeable on petrol used for the purpose of marine navigation has come into force) | 64.0p per litre
where supplied by
an approved trader
except where
supplied to an
approved trader in
which case 94.4p
per litre ^c |
| (c) | Gas oil which does not fall within the definition of HVO | 94.4p per litre |
| (d) | Gas oil which falls within the definition of HVO | 63.1p per litre |

3. Other fuels –

Biodiesel	63.1p per litre
-----------	-----------------

^c The circumstances in which the different rates may apply shall be specified by the Committee by Order.

For the purposes of calculating the excise duty applicable to any biodiesel -

- (a) any computation of the volume of biodiesel shall be made in litres as at 15 degrees Celsius, and
- (b) where any colouring matter or substance commonly added for the purpose of improving or modifying the quality or characteristics of biodiesel as a fuel is added to biodiesel prior to its delivery, then the volume of that biodiesel shall be determined by reference to the total volume including such additives.

4. Beer -

- | | | |
|-----|---|---------------|
| (a) | Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 28p per litre |
| (b) | Beer qualifying for tap relief brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 24p per litre |
| (c) | Beer, other than beer | 71p per litre |

brewed by an independent
small brewery, exceeding
1.2 per cent volume but not
exceeding 2.8 per cent
volume

- | | | |
|-----|---|---------------|
| (d) | Beer qualifying for tap
relief, other than beer
brewed by an independent
small brewery, exceeding
1.2 per cent volume but not
exceeding 2.8 per cent
volume | 60p per litre |
| (e) | Beer brewed by an
independent small brewery
exceeding 2.8 per cent
volume but not exceeding
4.9 per cent volume | 46p per litre |
| (f) | Beer qualifying for tap relief
brewed by an independent
small brewery exceeding 2.8
per cent volume but not
exceeding 4.9 per cent
volume | 39p per litre |

(g)	Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	£1.15 per litre
(h)	Beer qualifying for tap relief, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	98p per litre
(i)	Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	58p per litre
(j)	Beer qualifying for tap relief brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	52p per litre

(k)	Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.44 per litre
(l)	Beer qualifying for tap relief, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.30 per litre
(m)	Beer exceeding 7.5 per cent volume	£1.66 per litre

5. Spirits -

Spirits produced by an independent small distiller	£25.94 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
Spirits, other than produced by an independent small distiller	£51.87 per litre of alcohol contained in the liquor, calculated

in accordance with
section 23D

6. Cider -

- | | | |
|-----|--|---------------|
| (a) | Cider produced by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 28p per litre |
| (b) | Cider qualifying for tap relief brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 24p per litre |
| (c) | Cider, other than cider produced by an independent small cider-maker, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume | 71p per litre |
| (d) | Cider qualifying for tap relief, other than cider produced by an independent small cider-maker, exceeding 1.2 per cent volume | 60p per litre |

but not exceeding 2.8 per cent
volume

- | | | |
|-----|---|-----------------|
| (e) | Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 46p per litre |
| (f) | Cider qualifying for tap relief produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 39p per litre |
| (g) | Cider, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | £1.15 per litre |
| (h) | Cider qualifying for tap relief, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume | 98p per litre |

(i)	Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	58p per litre
(j)	Cider qualifying for tap relief produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	52p per litre
(k)	Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.44 per litre
(l)	Cider qualifying for tap relief, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.30 per litre
(m)	Cider exceeding 7.5 per cent volume	£1.66 per litre

7. Wines -

(a)	Light wines not exceeding 5.5 per cent volume	90p per litre
(b)	Light wines qualifying for tap relief not exceeding 5.5 per cent volume	77p per litre
(c)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£3.66 per litre
(d)	Light wines qualifying for tap relief exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£3.29 per litre
(e)	Other wines	£5.85 per litre".

7. After the table in paragraph 7 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY", insert the following table -

"8. Vaping liquid -

(a)	Vaping liquid	£2.20 per 10ml".
-----	---------------	------------------

Extent.

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

Repeals.

9. Sections 1 and 2 of the Excise Duties (Budget) Ordinance, 2025^d are repealed.

Citation.

10. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2026.

Commencement.

11. (1) This Ordinance, except sections 4, 5 and 6, shall come into force on the 9th November 2026.

(2) Sections 4, 5 and 6 shall come into force on the 1st January, 2027.

^d Ordinance No. XXVII of 2025.

The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2026

THE STATES, in pursuance of their resolution of the ^a26th November, 2026, 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^b and all other powers enabling them in that behalf, hereby order:-

Rates of property tax.

1. For tables A1 (Guernsey Residential Buildings) to A4 (Guernsey Commercial Land) in Part I of Schedule 1 to the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007^c, substitute the tables in the Schedule to this Ordinance.

Repeal.

2. The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2025^d is repealed.

Extent.

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

^a Article *** of Billet d'État No. *** of 2026.

^b Order in Council No. X of 2006.

^c Ordinance No. XXXIII of 2007; this enactment has been amended.

^d Ordinance No. XXVIII of 2025.

Citation.

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2026.

Commencement.

5. This Ordinance shall come into force on 1st January, 2027.

SCHEDULE

Section 1

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1	2	3
Property	Property	2027
Reference	Description/Usage	Tariff
B1.0	Domestic (whole unit) Local Market with a plan area of less than 100 assessable units	£2.35
B1.02	Domestic (whole unit) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.42
B1.1	Domestic (whole unit) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.48
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£3.26
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£4.11
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£5.06
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£6.24
B1.03	Domestic (flat) Local Market with a plan area of less than 100 assessable units	£2.35
B1.04	Domestic (flat) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.42
B1.2	Domestic (flat) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.48
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£3.26
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£4.11
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£5.06
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£6.24
B1.3	Domestic (glasshouse) Local Market	8p

GUERNSEY RESIDENTIAL BUILDINGS (continued)

B1.4	Domestic (outbuildings) Local Market	£2.35
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£2.35
B2.0	Domestic (whole unit) Open Market with a plan area of less than 100 assessable units	£2.35
B2.02	Domestic (whole unit) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.42
B2.1	Domestic (whole unit) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.48
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£3.26
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£4.11
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£5.06
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£6.24
B2.03	Domestic (flat) Open Market with a plan area of less than 100 assessable units	£2.35
B2.04	Domestic (flat) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.42
B2.2	Domestic (flat) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.48
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£3.26
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£4.11
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£5.06
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£6.24
B2.3	Domestic (glasshouse) Open Market	8p
B2.4	Domestic (outbuildings) Open Market	£2.35
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£2.35
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
B13.1	Development buildings (domestic)	£1.19

TABLE A2
GUERNSEY COMMERCIAL BUILDINGS

1	2	3
Property	Property	2027
Reference	Description/Usage	Tariff
B4.1	Hostelry and food outlets	£8.67
B4.2	Self-catering accommodation	£5.71
B4.3	Motor and marine trade	£7.85
B4.4	Retail	£15.23
B4.5	Warehousing	£8.07
B4.6	Industrial and workshop	£6.73
B4.7	Recreational and sporting premises	£3.85
B4.8	Garaging and parking (non-domestic)	£10.48
B5.1	Utilities providers	£65.95
B6.1	Office and ancillary accommodation (regulated finance industries)	£61.54
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£61.54
B6.3	Office and ancillary accommodation (legal services)	£61.54
B6.4	Office and ancillary accommodation (accountancy services)	£61.54
B6.5	Office and ancillary accommodation (NRFSB)	£61.54
B7.1	Horticulture (building other than a glasshouse)	7p
B8.1	Horticulture (glasshouse)	7p
B9.1	Agriculture	5p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.2	Development buildings (non-domestic)	£8.81

TABLE A3
GUERNSEY RESIDENTIAL LAND

1	2	3
Property	Property	2027
Reference	Description/Usage	Tariff
L1.1	Communal (flat) Local Market	32p
L1.2	Communal (flat) Open Market	32p
L3.1	Domestic Local Market	32p
L3.2	Domestic Open Market	32p
L3.5	Domestic Social Housing	Zero

TABLE A4
GUERNSEY COMMERCIAL LAND

1	2	3
Property	Property	2027
Reference	Description/Usage	Tariff
L1.3	Hostelry and Food Outlets	64p
L1.4	Self-catering accommodation	67p
L1.5	Motor and marine trade	67p
L1.6	Retail	64p
L1.7	Warehousing	64p
L1.8	Industrial	67p
L1.9	Recreational and sporting premises	67p
L1.10	Office and ancillary accommodation (regulated finance industries)	£2.20
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£2.20
L1.11.2	Office and ancillary accommodation (legal services)	£2.20
L1.11.3	Office and ancillary accommodation (accountancy services)	£2.20
L1.11.4	Office and ancillary accommodation (NRFSB)	£2.20
L1.12	Utilities providers	67p
L2.1	Approved development site	£2.20
L3.3	Horticulture	33p
L3.4	Agriculture	33p
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)	£8.53

The Document Duty (Rates) (Amendment) Ordinance, 2026

THE STATES, in pursuance of their Resolution of the ** November 2026^a and in exercise of the powers conferred on them by section 6(1) of the Document Duty (Guernsey) Law, 2017^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of the Ordinance.

1. In section 1B(6) of the Document Duty (Rates) Ordinance, 2017^c for "2027", substitute "2028".

Extent.

2. This Ordinance shall have effect in the island of Guernsey.

Citation.

3. This Ordinance may be cited as the Document Duty (Rates) (Amendment) Ordinance, 2026.

Commencement.

5. This Ordinance shall come into force on the day on which it is made.

^a Article * of Billet d'État No. ** of 2026.

^b Order in Council No. IX of 2017; this enactment has been amended.

^c Ordinance No. II of 2018; this enactment has been amended.

The Document Duty (Anti-Avoidance) (Rates)

(Amendment) Ordinance, 2026

THE STATES, in pursuance of their Resolution of the ** November 2026^a and in exercise of the powers conferred on them by section 4(1) of the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of the Ordinance.

1. In section 1B(6) of the Document Duty (Anti-Avoidance) (Rates) Ordinance, 2017^c for "2027", substitute "2028".

Extent.

2. This Ordinance shall have effect in the Island of Guernsey.

Citation.

3. This Ordinance may be cited as the Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2026.

Commencement.

4. This Ordinance shall come into force on the day on which it is made.

^a Article * of Billet d'État No. ** of 2026.

^b Order in Council No. X of 2017; this enactment has been amended.

^c Ordinance No. IV of 2018; this enactment has been amended.

The Motor Taxation (First Registration Duty)

(Guernsey) Ordinance, 2026

THE STATES, in pursuance of their Resolution of the [Insert]^a, and in exercise of the powers conferred on them by section 28A of the Motor Taxation and Licensing (Guernsey) Law, 1987^b, and all other powers enabling them in that behalf, hereby order:-

Amendment of the 2016 Ordinance, etc.

1. (1) The Motor Taxation (First Registration Duty) (Guernsey) Ordinance, 2016^c ("**the 2016 Ordinance**") is amended as follows -

- (a) for Table 1 of the Schedule to the 2016 Ordinance, substitute the following table –

^a Article [] of Billet d'État No. [] of [].

^b Ordres en Conseil Vo. XXX, p. 341; this enactment has been amended.

^c Ordinance No. XIII of 2016; this enactment has been amended.

"TABLE 1
MOTOR VEHICLES

Band	(1) DIESEL CLASS VEHICLE'S ESTABLISHED CARBON DIOXIDE EMISSIONS FIGURE (g/km)	(2) NON-DIESEL CLASS VEHICLE'S ESTABLISHED CARBON DIOXIDE EMISSIONS FIGURE (g/km)	(3) DIESEL CLASS VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	(4) NON-DIESEL CLASS VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	[(5) CARBON DIOXIDE EMISSIONS DUTY (£)
1	0 to 100	0 to 110	0 to 1000	0 to 1000	65
2	101 to 110	111 to 130	1001 to 1150	1001 to 1350	233
3	111 to 120	131 to 140	1151 to 1300	1351 to 1500	711
4	121 to 130	141 to 150	1301 to 1450	1501 to 1650	1049
5	131 to 140	151 to 165	1451 to 1600	1651 to 1800	1387
6	141 to 150	166 to 180	1601 to 2000	1801 to 2200	1865
7	151 to 200	181 to 230	2001 to 2500	2201 to 2700	2331
8	200 and over	231 and over	2501 and over	2701 and over	2914

"

, and

- (b) for Table 2 of the Schedule to the 2016 Ordinance,
substitute the following table -

"TABLE 2
MOTORCYCLES

Band	VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	CARBON DIOXIDE EMISSIONS DUTY (£)
1	0	29
2	1 to 500	65
3	501 and over	128

".

(2) This subsection applies where a contract to purchase a motor vehicle that has not been previously registered in another jurisdiction is entered into since the coming into force of the Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2025 and before the commencement of this Ordinance, and –

- (a) a deposit of at least 10% of the purchase price is paid before the commencement of this Ordinance, or
- (b) the contract to purchase includes a part exchange agreement.

(3) Where subsection (2) applies, the 2016 Ordinance applies to the motor vehicle concerned as if the amendments made to the 2016 Ordinance by subsection (1) have no effect.

Repeals.

3. The following provisions are repealed -

- (a) section 2 of the Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024, and
- (b) the Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2025.

Extent.

4. This Ordinance shall have effect on the Island of Guernsey.

Citation.

5. This Ordinance may be cited as the Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2026.

Commencement.

6. This Ordinance shall come into force on 1st January, 2027.

STATES OF GUERNSEY BUDGET 2027



States of
Guernsey

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SECTION 1

EXECUTIVE SUMMARY

Executive Summary

Budget at a glance



The 2027 Budget was prepared while the States' consideration on Tax Reform was ongoing. It was prepared on the assumption[†] that the Tax Reform proposals would be approved, but that the budget may be amended by the Committee as necessary to reflect the final decisions made by the States.



The 2026 and 2027 forecasts include a significant increase to Pillar 2[†] revenue estimates, reflecting higher-than-anticipated short term revenues following the implementation of the OECD[†] global minimum tax framework. The revised estimate for 2027 Pillar 2 revenues is £79m, which incorporates a smaller 15% reduction to reflect the uncertainty surrounding receipts. While this strengthens the overall financial position in the short term, revenues will not begin to be collected until mid-2027, and the additional receipts are expected to decline over time as business models adapt to the new framework. The additional long-term revenue remains highly uncertain and should not be assumed to provide a sustainable source of funding for ongoing expenditure commitments. Refer to paragraphs 3.5 and 4.4 for further details.



A multi-year allocation of £15m, funded from Pillar 2 revenues, is proposed to support economic growth initiatives over the period 2027 to 2029, with an expenditure estimate of £5m in 2027. Projects seeking funding from this allocation will be required to demonstrate clear and measurable economic benefits, together with robust evidence that they represent value for money. Refer to paragraphs 6.98-6.109 for further details.



Additional real-terms revenue of £3.4m is forecast for 2027. However, most of this increase arises from the proposed corporate tax changes which were included in the Tax Reform proposals and included in this budget, as well as the previously approved duty on vaping liquids. Refer to paragraphs 5.124-5.126 for further details.



Committees were asked to prepare budgets that delivered real savings of 1%, and significant work was undertaken to identify savings and efficiencies as part of the budget process. Five committees met or exceeded the 1% savings target and around 73% of the overall savings requirement was identified within budget submissions. However, public services continue to experience significant demand pressures and final submissions were £33m above the agreed target.



The Policy & Resources Committee is therefore presenting two alternative expenditure budgets for consideration by the States Assembly. Either option will require committees to review and prioritise expenditure to determine how identified funding pressures can be accommodated within the budget that the Assembly agrees. **Option A** reflects the States' existing decision to achieve a 1% real-terms reduction in 2027. **Option B** provides an alternative approach, consistent with the established budget-setting process under which the Policy & Resources Committee considers funding requests and makes recommendations to the Assembly. **Option B** includes an additional £15.7m of committee net expenditure compared with **Option A**, representing just under half of the additional funding requested by committees. As a result, it represents a real-terms year-on-year increase in expenditure of 1.3%. However, **Option B** also includes a proposed new direction to still deliver cumulative savings of £20m in a way that reduces the risk of unsustainable incremental cuts. Refer to section 6 for further details.



The Policy & Resources Committee is committed to a structured programme of sustainable expenditure reduction, underpinned by priority-based budgeting[†] and dedicated 'Spend-to-Save' funding which is proposed in this budget. Funding of £5m is proposed from existing unallocated Routine Capital allocations, supplemented by a further £1m provision within the 2027 Budget Reserve[†] to support targeted initiatives where upfront investment is necessary to deliver efficiencies and achieve sustainable reductions in expenditure. Refer to paragraphs 6.69-6.76 for further details.



As agreed in the 2026 Budget, a new duty on vaping liquid is proposed. Subject to approval by the States, the duty is intended to be introduced immediately following the conclusion of the 2027 Budget debate. Refer to paragraphs 5.50-5.61 for further details.



Real-terms increases are proposed on tobacco and alcohol duties. A new tap relief scheme will, however, provide targeted reductions in alcohol duty for qualifying draught beer, cider and wine sold through the hospitality sector. Inflation-only increases are proposed for fuel duty and Vehicle First Registration Duty[†]. Refer to section 5 for further details.



Domestic TRP[†] and the majority of commercial TRP tariffs are proposed to increase in line with inflation[†]. Following the approval of the Tax Reform proposals, TRP rates for the hostelry, retail and warehousing sectors will be frozen, while the tariff applicable to commercial car-parking land will increase by 15%. Refer to paragraphs 5.69-5.87 for further details.



An inflation increase in the Personal Income Tax Allowance is proposed, raising it by £650 to £15,850. The income threshold at which personal allowances begin to be withdrawn is proposed to remain at £85,000. Refer to paragraphs 5.1-5.4 for further details.



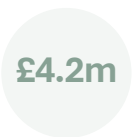
Increases are proposed to the existing Income Tax Caps. The States are also asked to endorse the Policy & Resources Committee's intention to introduce an entrepreneur tax cap as soon as practicable to help attract entrepreneurs to the Bailiwick. Refer to paragraphs 5.10-5.19 for further details.



Mortgage interest relief for Principal Private Residences is proposed to be phased out, in line with previous States Resolutions, over a three-year period. The maximum relief available would be reduced to £2,000 in 2027 and £1,000 in 2028, before being withdrawn entirely from 2029.



In accordance with the States' 2026 Budget Resolution, the Committee *for* Housing and the Policy & Resources Committee are exploring targeted measures to support first-time buyers and younger homeowners as part of a broader approach to increase home ownership. Refer to paragraphs 5.5-5.8 for further details.



The 2027 Budget results in a General Revenue[†] Net Surplus[†] of £4.2m before investment returns[†]. This is an improvement of £53m compared with the 2026 Budget, but £39m worse than the latest 2026 forecast. If the States Assembly were to approve **Option B**, the surplus would reduce to a deficit[†] of £11.5m. Refer to section 4 and Appendix 2 for further details.

Note: A glossary is provided in Appendix 1. Words included in the glossary are denoted by the following symbol when they first appear in this report:[†].

Introduction from the Policy & Resources Committee

This budget is being presented at a critical juncture for the States' finances. At the time of its preparation, the States' consideration of Tax Reform was ongoing and the outcome remained unknown. The decisions arising from that debate will shape the future direction of the Island's tax system and have significant implications for the States' medium-term financial sustainability.

It was not possible to delay preparation of the 2027 Budget until the outcome of the Tax Reform debate was known. Doing so would have created an unacceptable risk that the necessary spending authorities and financial limits would not be in place at the start of the 2027 financial year[†]. The Policy & Resources Committee therefore prepared the budget on the assumption that the Tax Reform proposals would be approved. However, it recognises that the outcome of the debate may affect the budget and, if necessary, will bring forward amendments to reflect the decisions of the States Assembly.

Shortly before publication of this Budget, the Committee received revised forecasts for Pillar 2 revenues, informed for the first time by real-world receipts data from Jersey. These revised forecasts indicate that Guernsey is now expected to receive significantly higher Pillar 2 revenues over the period 2025 to 2027 than previously anticipated, representing a welcome improvement on earlier, more cautious assumptions. When these revenues start to be received in mid-2027, they will provide meaningful additional capacity to support strategic priorities, such as the proposed funding for economic growth initiatives to strengthen the Island's long-term competitiveness. However, the revenues are still unknown and expected to reduce over time as business models adapt to the new framework, and this improvement does not, therefore, remove the Island's longer-term fiscal challenge. Accordingly, this Budget retains a focus on expenditure restraint, sustainable savings and economic growth, which will be required, alongside Tax Reform, to achieve long-term fiscal sustainability.

The budget has been prepared against a challenging economic backdrop. Modest real economic growth of 0.5% is forecast for 2027, broadly in line with the long-term trend observed over the period 2013 to 2023. This outlook is supported by resilient employment levels, increased property transaction activity and continued demand for Guernsey's financial services sector. However, inflation has proved more persistent than previously anticipated, with RPIX[†] standing at 4.3% in June 2026, compared with a forecast of 3.4% at the time the 2026 Budget was prepared. High housing costs, labour supply constraints and wider global economic uncertainty continue to place pressure on household finances and constrain the Island's growth potential.

Revenue-raising measures in the 2027 Budget are limited, reflecting the need to balance additional income with the impact on islanders and businesses. This approach recognises that the Tax Reform proposals would deliver significant increases in taxes and duties to support the long-term sustainability of public finances.

Setting expenditure budgets for 2027 has been particularly challenging. The States previously resolved to deliver a 1% real-terms reduction in expenditure in each year from 2027 to 2029. Significant work has been undertaken by committees to identify savings and efficiencies as part of the budget process and as a result five committees met or exceeded the 1% savings target in their budget submissions and 73% of the overall 2027 target has been identified and included in submissions.

The financial benefits of these measures have, however, been more than offset by rising demand for services and persistent inflationary cost pressures, with submissions exceeding the target expenditure limit by £33m. It therefore became clear during the budget process that achieving a 1% real expenditure reduction in 2027 would be highly challenging and in some service areas would have implications for the services provided by the States.

For this reason, the Committee has prepared two expenditure budgets. **Option A** has been prepared in accordance with the Assembly's existing Resolution with a real-terms 1% expenditure reduction in 2027. A second expenditure budget, **Option B**, has also been prepared. This is not intended to overturn or circumvent the States' previous decision. Rather, it provides the Assembly with a transparent alternative that reflects the Committee's prioritisation of the budget submissions received and addresses the most significant funding pressures identified through the budget process. While this approach is more consistent with the traditional budget-setting process, the Committee believes that any decision to approve expenditure above the previously agreed target should be made by the States Assembly. Presenting both options enables the Assembly to consider the implications of each approach and reach a decision transparently following debate.

Option A would require committees to make significant and, in some cases, rapid decisions regarding service priorities and delivery arrangements. **Option B** would provide additional funding to help address identified cost pressures but would nevertheless remain challenging. Under either option, committees would be required to review existing expenditure, reprioritise resources and identify more efficient and sustainable ways of delivering services.

The Policy & Resources Committee is firmly committed to reducing the cost of public services and delivering the agreed savings target. To support the delivery of sustainable savings, the Committee is recommending funding for targeted investment in Spend-to-Save initiatives where upfront funding is required to improve processes, enhance productivity and deliver clear and recurring savings. In parallel, the Committee is overseeing the continued expansion of priority-based budgeting across the organisation. This work is

already delivering positive results by strengthening the link between expenditure, strategic priorities and outcomes, while supporting more informed decision-making and enabling a more fundamental review of services. As the approach continues to develop and become embedded, it is expected to provide an even stronger framework for ensuring that public services are delivered sustainably, affordably and in line with the States' priorities.

In addition, recognising the importance of economic growth in supporting sustainable public finances, the Policy & Resources Committee is proposing a multi-year allocation of £15m for economic growth initiatives over the period 2027 to 2029, which will be funded from Pillar 2 revenues. The funding is intended to support time-limited initiatives that strengthen the Island's competitiveness, improve productivity and workforce participation, enhance connectivity, increase cyber security and remove structural barriers to economic growth, of which housing affordability is one of the most significant. Projects seeking funding will be required to demonstrate clear economic benefits, measurable outcomes and value for money.

If agreed by the Assembly, the Policy & Resources Committee and the Committee *for* Economic Development will jointly invite proposals for investment from a range of sources, including States' Committees, the Financial Growth Forum, Guernsey Finance, the Guernsey Financial Services Commission, business representative bodies and targeted industry engagement. The allocation will be reviewed once actual Pillar 2 receipts are known, providing greater certainty over the level of revenues available to support economic growth initiatives.

The States Assembly is also asked to endorse the Committee's proposal to introduce an entrepreneur tax cap, designed to encourage investment, attract entrepreneurial talent and enhance the Island's international competitiveness. Subject to that endorsement, the detailed design of the scheme will be developed jointly by the Policy & Resources Committee and the Committee *for* Economic Development.

Support for households and the wider community also forms an important part of the budget proposals. The Personal Income Tax Allowance is proposed to increase in line with inflation, while the bank interest tax exemption would increase for the first time since its introduction. In addition, the maximum tax relief available for charitable donations is proposed to increase significantly, enhancing support for Guernsey's charitable sector and encouraging greater philanthropic giving.

Recognising the challenges facing parts of the local economy, the Policy & Resources Committee is proposing a new tap relief on alcohol duties for qualifying draught beer, cider and wine sold through the hospitality sector. In addition, following approval of the Tax Reform proposals, Tax on Real Property tariffs for hostelry, retail and warehousing is proposed to be frozen, providing targeted support to businesses operating in these sectors.

The proposed phased withdrawal of mortgage interest relief reflects the Committee's view that support for home ownership should be more effectively targeted. In accordance with the States' 2026 Budget Resolution, the Policy & Resources Committee is working with the Committee *for* Housing to develop measures to support first-time buyers and younger homeowners, with the aim of bringing forward proposals that better target assistance to those most in need.

The Policy & Resources Committee believes that this budget represents a balanced and responsible response to the challenges facing the Island. It helps strengthen the long-term sustainability of the States' finances through expenditure restraint and support for the delivery of sustainable savings, while also funding targeted economic growth investment in initiatives that will strengthen the Island's economy, improve productivity and support long-term prosperity.

The 2026 forecast financial position has improved significantly compared with the original budget, primarily reflecting an upward revision to anticipated Pillar 2 revenues, stronger income tax receipts from banks and higher document duty[†] receipts. However, this improvement does not resolve the underlying fiscal challenge. The General Revenue Net Surplus Before Investments is now forecast as £43m for 2026 after taking account of revenue income and expenditure, depreciation[†], project costs, interest charges and trading entity losses. This represents an improvement of £91m compared to the 2026 Budget. However, around £45m of the 2026 improvement reflects non-recurring factors including increases in bank income tax and Pillar 2 revenues relating to 2025, as well as document duty from a single large property transaction. When these non-recurring factors are adjusted out, a £2m Net Deficit Before Investments[†] is forecast.

Under **Option A**, the 2027 Budget results in a General Revenue Net Surplus Before Investments[†] of £4.2m. Under **Option B**, this would reduce to a net deficit[†] of £11m. Estimated investment returns would result in an overall budgeted surplus of £31m under **Option A**. However, those returns are inherently uncertain and cannot be relied on to fund day-to-day government activity.

While the significantly improved short-term forecast for Pillar 2 revenues is welcome and strengthens the States' financial position in the short term, a degree of caution remains necessary. Guernsey will not receive its first Pillar 2 revenues until mid-2027 and, although these amounts are reflected in the forecast financial position, the associated cash will not be available until received. Forecast revenues for the initial years of implementation therefore remain subject to uncertainty until actual receipts can be assessed, which may not be possible until late 2027.

In addition, revenues are expected to be relatively high in the early years of implementation but to decline over time as businesses adapt to the new international tax environment. As a result, it will take a number of years before the level of sustainable long-term revenue can be established with confidence. Pillar 2 revenues should not therefore be viewed as a permanent solution to the States' long-term fiscal challenges.

The funding gap is recalculated in paragraph 4.27, taking account of the recurring revenues currently expected from Pillar 2. Although the revised forecasts materially improve the short-term financial outlook, they do not eliminate the longer-term funding gap[†]. Under both **Option A** and **Option B**, the States remain some distance from achieving permanent fiscal balance. Restoring long-term structural balance therefore remains a key priority for this Assembly.



Budget Measures

1.1 The following measures and initiatives are included in this budget:

Income

- I. An increase of £650 in the Personal Income Tax Allowance to £15,850, in line with inflation.
- II. An RPIX increase for the Charge of Children, Infirm Persons, Housekeepers and Dependant Relative Allowances in line with the inflation forecast for the next four quarters, estimated at 4.3%.
- III. No change to the threshold of £85,000 at which the withdrawal of these allowances begins. This reduces the value of the threshold in real terms, increasing revenues by circa £800,000.
- IV. A continuation of the phased withdrawal of mortgage interest relief for Principal Private Residences. The maximum amount of eligible interest would reduce from £3,500 to £2,000 in 2027 and to £1,000 in 2028. The relief would be fully withdrawn from 2029. This measure is estimated to increase revenues by approximately £1m in 2027.
- V. An increase in tax exemption for individual's bank interest received, from £50 to £75. This is expected to reduce revenue collected by approximately £200,000.
- VI. An increase in the cap on non-Guernsey source income and Guernsey bank interest to £171,000 for 2027 (2026 £160,000) and an increase in the cap on worldwide income to £342,000 for 2027 (2026 320,000), with these caps being subsequently increased by RPIX annually thereafter.
- VII. An increase in the Open Market tax cap from £60,000 in 2026 to £65,000 in 2027, £75,000 in 2028, £85,000 in 2029 and £95,000 for 2030. Thereafter, the cap would increase in line with RPIX. The amount of document duty or equivalent anti-avoidance duty needing to be paid is proposed to increase from £50,000 to £70,000 which represents an RPIX increase since the introduction of the cap in 2018. The proposed increase is expected to generate approximately £150,000 in additional revenue in 2027.
- VIII. An increase in the maximum aggregate amount of tax-free donations to £50,000. This would increase the maximum tax benefit available to a charity from £2,500 to £12,500 and is expected to reduce tax revenue by approximately £350,000 in 2027.

- IX. As proposed in the Tax Reform policy letter, the 10% company intermediate tax rate would apply to the full profits of relevant companies, rather than only to profits arising from specified activities. Any income currently subject to the 20% higher company tax rate would continue to be taxed at that rate. This measure is expected to generate approximately £500,000 in additional revenue in 2027.
- X. As proposed in the Tax Reform policy letter, the extension of the 10% company intermediate rate to prescribed businesses. This measure is expected to generate approximately £2m in additional revenue in 2027.
- XI. An amendment to the Income Tax Law to incorporate the full definition of a dependant currently set out in the Revenue Service's Practice Notes. The amendment would also introduce two new categories of beneficiary, nominees and successors, thereby widening the range of individuals who may receive an annuity from a member's pension following the member's death. The Law would establish a hierarchy for the payment of death benefits, in the following order: dependant, nominee and successor.
- XII. An above-inflation increase in alcohol duty rates of RPIX+2%, equivalent to 4.1 pence on a pint of beer.
- XIII. The introduction of a draught, or 'tap', relief on alcohol duties from 2027. The relief will apply to qualifying beer, cider and wine products supplied in containers of at least 20 litres but would not apply to spirits. The proposed relief would provide a 15% discount for lower strength products and 10% for higher strength products with no discount for the highest strength categories. The relief is equivalent to a reduction of 5.6 pence on a pint of beer (below 4.9% ABV) compared with 2026 duty rates and is expected to reduce revenues by approximately £340,000 in 2027.
- XIV. An inflation-only increase in duty on motor fuel, equivalent to 3.9 pence per litre of petrol.
- XV. An above-inflation increase in tobacco duty of RPIX+5%, equivalent to 89 pence on average per packet of cigarettes.
- XVI. As agreed in the 2026 Budget, the introduction of a duty on vaping liquid in 2026, at £2.20 per 10 ml of liquid. This is expected to increase revenues by an estimated £700,000 with circa £116,000 of that realised in 2026.
- XVII. Inflation only increases in domestic and most commercial TRP tariffs.

- XVIII. A 15% increase in the TRP tariff for commercial car-parking land (TRP category L6.1, Garages and Parking), equivalent to RPIX plus 10.7%.
- XIX. A freeze in the TRP tariffs for Hostelry and food outlets, Retail and Warehousing.
- XX. An inflation-only increase in Vehicle First Registration Duty.

Expenditure

- I. Non-pay inflation of 4.3% has been applied to committees and service areas budgets, with pay inflation provided for in the Budget Reserve.
- II. **Option A** reflects the 1% real savings target.
- III. **Option B** reflects an additional £15.7m of expenditure, resulting in a real-terms cost increase of 1.3%.
- IV. Provision within the Budget Reserve of £26.7m under **Option A**, or £30.1m under **Option B** for unsettled pay awards, unforeseen in-year pressures, demand pressures in the Committee for Health and Social Care, and the delivery of Government Work Plan[†] initiatives.
- V. A provision is included within the 2027 Budget Reserve and a new Routine Capital category to support 'Spend-to-Save' initiatives. A total of £5m would be reallocated from existing unallocated Routine Capital funding for 2027 and 2028, reducing that allocation from £25m to £20m. This would be a reallocation of existing funding and would not increase the overall funding approved for Routine Capital.
- VI. A multi-year funding allocation for 2027–2029 of £15m, for initiatives that increase economic growth, funded by Pillar 2 Revenues.



General Revenue Financial Position

1.1 Table 1 summarises the General Revenue position for 2026 and 2027 (**Option A**):

	2027 Budget Estimate Option A £m	2026 Forecast Outturn £m	2026 Budget Estimate £m
Revenue Income			
Income Tax	569.9	585.0	499.9
Other Taxes	127.4	123.5	118.5
Social Security Contributions	38.6	37.4	34.5
Miscellaneous Income	44.4	43.0	43.6
Revenue Income	780.3	788.9	696.5
Committee Income	72.8	68.9	70.4
Total Revenue	853.1	857.8	766.9
Revenue Expenditure			
Pay	(365.7)	(374.6)	(363.9)
Non-Pay	(292.3)	(282.8)	(284.6)
Formula-Led	(88.5)	(85.2)	(85.6)
Budget Reserve/GWP	(26.7)	(7.4)	(16.9)
Savings	0.0	2.5	2.5
Economic Growth Initiatives ¹	(5.0)	0.0	0.0
Total Revenue Expenditure	(778.2)	(747.5)	(748.5)
<i>Memo: Committee Net Expenditure²</i>	<i>(700.4)</i>	<i>(678.6)</i>	<i>(678.1)</i>
Revenue Surplus[†]	74.9	110.3	18.4
Impairment [†] for Unincorporated Trading Entities [†]	(2.5)	(2.2)	(3.3)
Impairment for Incorporated Trading Entities [†]	(5.7)	(9.7)	0.0
Expensed Project Costs [†]	(25.0)	(20.0)	(25.0)
Operating Surplus/(Deficit)	41.7	78.4	(9.9)
Depreciation	(31.0)	(29.8)	(32.2)
Interest Expense	(6.5)	(5.9)	(6.2)
Net Surplus/(Deficit) before Investments	4.2	42.7	(48.3)
Investment Returns	24.2	31.1	21.0
Notes & Coin	3.0	4.9	2.7
Net Surplus/(Deficit)	31.4	78.7	(24.6)

Table 1

1. An assumed cost of economic growth initiatives was netted off income in the 2026 Budget estimate.
 2. Committee Net Expenditure is 3.3% higher than 2026 Budget, comprised of 4.3% inflation offset by the 1% expenditure reduction target. Committee Net Expenditure does not include the estimate for Economic Growth Initiatives but does include Committee Income.
-

- 1.2 The 2026 Net Surplus Before Investments is forecast at £43m, approximately £91m favourable to the 2026 Budget.
- 1.3 This improved forecast position is largely driven by income tax receipts which are forecast to exceed budget by £85m, primarily reflecting an upward revision to tax revenues from banks and the inclusion of the revised estimate for Pillar 2 revenues.
- 1.4 It should be noted that not all of the £85m increase represents recurring revenue. Following the upward revision to Pillar 2 revenue estimates, the 2026 forecast now includes additional revenues relating to 2025. Around £45m of the improvement in the 2026 forecast relates to non-recurring factors that affect 2026 only, including adjustments to 2025 estimates. Further details relating to the 2026 forecast are set out in section 3.
- 1.5 The budgeted Net Surplus Before Investments for 2027 under **Option A** is £4m, which is £39m worse than the 2026 forecast. This worsening position is largely attributable to the removal of the non-recurring income recognised in 2026, with the impact being partially offset by the real-terms 1% reduction in expenditure, as well as the real-terms revenue generation included in the budget.
- 1.6 The guiding principle of the States' Fiscal Policy Framework[†], is a policy of long-term permanent balance. This means generating an ongoing operating surplus sufficient to afford day-to-day public services, necessary capital and transformation projects, as well as covering the expenditure of agreed strategic policies of government and ensuring reserves[†] are maintained/rebuilt to an appropriate level. As illustrated in paragraph 4.27, when adjustments are made for appropriate capital expenditure[†] and cyclical adjustments[†], a funding gap remains. For 2027 this is estimated as £47m under **Option A**, which would worsen to £63m under **Option B**.

An aerial photograph of a coastal fortification, likely a castle or fortress, situated on a rocky peninsula. The fortification features stone walls, towers, and several buildings with red-tiled roofs. A long, straight pier or breakwater extends from the fort into the sea, ending in a small lighthouse. In the turquoise water, a large white cruise ship with multiple decks is visible, along with a smaller ferry and a few sailboats. The sky is clear and blue. A large, solid purple shape is overlaid on the right side of the image, containing the text.

SECTION 2

ECONOMIC OVERVIEW

2. Economic Overview

Economic Context

- 2.1** This budget is prepared against a 2026 baseline in which economic conditions have remained challenging but broadly stable. The central assumption for 2027 is modest real economic growth of 0.5%, with activity supported by resilient employment, improving property transaction volumes and continued demand for Guernsey's specialist financial and professional services. The outlook nevertheless remains unusually uncertain and is sensitive to developments in global energy markets, financial markets and international trade.
- 2.2** Inflation has proved more persistent than anticipated a year ago. In June 2026, both RPI[†] and RPIX were 4.3%, up from 4.0% in March. Energy, housing and other essential costs have been important contributors. The latest local forecast indicates that inflation may remain elevated in the near term before easing during 2027, although the timing and scale of that reduction will depend heavily on global commodity prices, exchange rates and geopolitical developments.
- 2.3** The renewed inflation pressure means that the improvement in household purchasing power is likely to be gradual. The latest Personal Income Tax outturn forecasts for 2026 suggest that the aggregate income of the population is increasing but that inflation is limiting real growth. Current employment and earnings statistics remain delayed, so the assessment for 2026 and 2027 draws on a wider range of administrative information and engagement with employers. These indicators, including aggregate quarterly ETI[†] receipts, suggest that the labour market remains relatively buoyant and aligned with historic trends, although recruitment pressures vary by sector.
- 2.4** Housing remains a significant constraint on household finances, workforce mobility and the Island's growth capacity. However, the trends look very different between the purchase and rental markets. Residential property transactions have come through a period of low volumes and real terms[†] price contraction. Volumes have strengthened in recent quarters, but the average time from listing to sale remains long. Mix-adjusted average purchase prices have stabilised and have begun rising in nominal terms[†] but are still lagging inflation. While this may be difficult for sellers, for purchasers property is likely to have become somewhat more affordable relative to median earnings.
- 2.5** By contrast, advertised local market rental prices continue to trend upwards and the evidence suggests that supply issues continue to place pressure on the market, although there is some evidence that the rate of increase has slowed.
- 2.6** Limited supply and high housing costs continue to make recruitment and retention difficult across both the private and public sectors[†] and may restrict the pace at which the economy can expand. However, the number of properties under construction rose to 408 in the second quarter of 2026, the highest number in more than a decade. The

increase in the delivery of new units should help to alleviate some of this strain.

- 2.7** The Bank of England interest rate (the Bank Rate) remained at 3.75% at the September 2026 meeting of the Monetary Policy Committee. The Bank of England has indicated that global energy disruption could cause UK inflation to rise again, and that they may increase the base rate if inflationary pressures continue to build. Some markets are pricing in a risk of an increase in the interest rate later in 2026 and early in 2027. For Guernsey households and businesses, the effect will differ according to debt exposure, refinancing dates and reliance on savings income.
- 2.8** The Island's small and open economy remains highly exposed to external developments. Geopolitical conflict, volatile energy prices, shifts in global interest rates[†], changing trade arrangements and further evolution of international tax standards could all affect domestic inflation, investment and tax receipts. Guernsey's concentration in financial and professional services also means that the performance of a relatively small number of internationally active businesses can have a material effect on aggregate income and government revenue.
- 2.9** The available official evidence is subject to greater uncertainty than usual. The latest published GDP[†] estimate remains for 2023, when output was £3.49 billion and 2% lower in real terms than in 2022. Delays to more recent population, employment, earnings and GDP publications mean that forecast judgements for 2027 must place greater weight on tax, regulatory, property and price information, alongside direct engagement with businesses.
- 2.10** Inflation is expected to rise slightly in the next quarter before easing during 2027. This should support real household incomes and consumer spending, while stable or lower financing costs could encourage investment. Against this, high housing costs, constrained labour supply and substantial global uncertainty are likely to limit the pace of expansion. The 2027 Budget is therefore based on an assumption of modest real economic growth, with a wider than normal range of possible outcomes.

SECTION 3

2026 FINANCIAL PERFORMANCE UPDATE



3. 2026 Financial Performance Update

3.1 Table 2 below shows the 2026 forecast General Revenue position. General Revenue reflects income raised from general taxation and duties and funds the delivery of mandated responsibilities of States' Committees; the net result of these is shown in the 'Revenue Surplus' row.

3.2 This Revenue Surplus position is further adjusted to reflect the impact of the impairment in the trading entities and project costs which are charged to revenue expenditure, before being adjusted for depreciation and interest expense[†] to give an overall Net Surplus/(Deficit) position before investments.

3.3 An estimate is made for investment returns to reach the Net Surplus/(Deficit).

	2026 Forecast Outturn	2026 Budget Estimate	2026 Variance to Budget	
	£m	£m	£m	%
Revenue Income	788.9	696.4	92.5	13.3%
Committee Net Expenditure	678.6	678.0	(0.6)	-
Revenue Surplus	110.3	18.4	91.9	
Impairment for Unincorporated Trading Entity Losses	(2.2)	(3.3)	1.1	(33.1%)
Impairment for Incorporated Trading Entity Losses	(9.7)	0.0	(9.7)	n/a
Expensed Project Costs	(20.0)	(25.0)	5.0	(20.0%)
Operating Surplus/(Deficit)	78.4	(9.9)	88.3	
Depreciation	(29.8)	(32.2)	2.4	(7.5%)
Interest Expense	(5.9)	(6.2)	0.3	(5.4%)
Net Surplus/(Deficit) Before Investments	42.7	(48.3)	91.1	
Investment Returns	31.1	21.0	10.1	48.0%
Notes & Coin	4.9	2.7	2.2	79.0%
Net Surplus/(Deficit)	78.7	(24.6)	103.3	

Table 2

3.4 The expected 2026 General Revenue outturn is forecast to be a Net Surplus Before Investments of £43m, representing a £91m improvement against the 2026 Budget.

3.5 The 2026 forecast has been revised upward, reflecting a significant increase to Pillar 2 revenue estimates for both 2025 and 2026. Taken together, this represents an increase of £63m to previous estimates, of which £31m relates to 2025 and £32m to

2026. The baseline estimate for Pillar 2 revenues is £79m for 2025 and £85m for 2026. To account for the uncertainty inherent in these estimates, a reduction of 5% has been applied to the 2025 figure and 10% to the 2026 figure, giving revised estimates of approximately £75m for 2025 and £77m for 2026. This increase reflects the same underlying evidence driving the improved 2027 outlook: actual Pillar 2 receipts data from Jersey has shown that anticipated business behavioural change has not materialised to the extent previously assumed, allowing both years' estimates to be reassessed on a less cautious basis.

- 3.6** Income tax receipts are forecast to be £85m higher than budgeted, primarily reflecting the £63m upward revision to estimated Pillar 2 revenues for 2025 and 2026, together with £11m from stronger-than-expected income tax receipts from banks, as well as £10m from a change in presentation.
- 3.7** However, there are elements of the 2026 forecast increase which relate to 2025: of this £85m increase, £40m relates to adjustments for 2025 revenues which are non-recurring. This includes the £31m Pillar 2 adjustment outlined above, £4m of additional bank income tax relating to 2025 and £5m from the presentational change.
- 3.8** The presentation change relates to proposed funding for economic growth initiatives, which had previously been offset against forecast Pillar 2 revenues. As the Policy & Resources Committee is developing proposals for this funding from 2027 onwards in consultation with the Committee for Economic Development, the associated expenditure is presented separately in this Budget, with a corresponding increase in the income estimate for 2026 and 2027. The 2026 impact of this is £10m in total with £5m of that relating to 2025.
- 3.9** Excluding non-recurring and presentational changes, the 2026 income tax forecast is £40m favourable to budget, which reflects an upward revision to forecast bank income following receipt of additional information from 2024 company tax returns, and the upward revision of expected Pillar 2 income receipts.
- 3.10** Document duty receipts are forecast to be £5m favourable to budget, reflecting increased property transaction volumes and the effect of an exceptionally high property value sale in mid-2026. Other taxes and duties are forecast to remain broadly in line with budget expectations.
- 3.11** Committee Net Expenditure is forecast to be in line with the 2026 Budget. Detail is provided in Appendix 3.
- 3.12** The combined net deficit of the loss-making unincorporated trading entities is forecast at £2.2m, which is £1.1m lower than the budget estimate of £3.3m. This primarily reflects the improved financial position of Guernsey Ports, which is forecast to be £1.7m favourable to the 2026 Budget, whilst Guernsey Waste is forecast to be £0.4m adverse to budget. As Guernsey Water is forecast to remain profitable, no impairment is recognised; however, its forecast net surplus is £0.3m lower than budget, partly because of unexpected, one-off repair costs. Further details are provided in Table 12 in paragraph 7.11.

- 3.13** An impairment of £9.7m is reflected for incorporated trading entity losses, which was unbudgeted. This relates to the 2026 forecast deficit at Aurigny and more detail is provided in paragraphs 7.7-7.10.
- 3.14** Expensed Project Costs relate to expenditure from Major Portfolio or Routine Capital[†] projects that does not result in the creation of an asset[†] and is therefore recognised as revenue expenditure in the year incurred. Funding approvals giving rise to such expenditure remain subject to established governance arrangements, including scrutiny and approval by the Routine Capital Management Board and the Policy & Resources Committee. Expensed Project Costs are forecast to be £5m below budget. The timing of this expenditure is difficult to predict and may vary significantly depending on the timing and progress of individual projects.

Savings Target

- 3.15** The 2026 Budget Report outlined the commitment of the Chief Executive & Head of the Public Service to support the Policy & Resources Committee in its ongoing review of the cost of public services, with savings opportunities to be identified and pursued across the organisation. A savings target of £4m was agreed for 2026, of which £2.5m related to General Revenue expenditure and was incorporated into the 2026 Budget.
- 3.16** A key element of this programme has been reducing expenditure on consultancy services. While external expertise can provide specialist knowledge and independent assurance, consultancy support had not always been subject to consistent challenge across the organisation. Greater emphasis has therefore been placed on ensuring that consultants are engaged only where there is a clear and demonstrable need and the required expertise is not available internally.
- 3.17** Governance arrangements were strengthened from January 2026, with all new consultancy requests and extensions subject to review by the Chief Executive. This has increased the visibility of consultancy expenditure and established a stronger framework for challenge. Robust scrutiny is now applied from the outset, enabling proposals to be tested and, where appropriate, stopped or reshaped before they are submitted to the Chief Executive for a decision.
- 3.18** Collectively, these measures have resulted in a number of consultancy commissions being withdrawn, reduced in scope or delivered through alternative arrangements. They have also encouraged services to consider more critically how outcomes can be achieved, ensuring that external support is commissioned only where it is demonstrably necessary and aligned with organisational priorities.
- 3.19** The lessons arising from the MyGov investigation have prompted a broader change in the oversight of consultancy expenditure on Major Projects[†]. In addition to scrutinising new consultancy requests, greater attention is being given to whether existing projects continue to represent an effective use of resources. This has led to interventions during the year to pause, reset or rescope projects where activity had

outpaced available capacity, funding or delivery readiness.

- 3.20** This approach has been applied most notably to MyGov Digital, the Electronic Patient Record and Our Hospital Modernisation, each of which has received direct support and direction from the Chief Executive. These interventions have provided greater clarity over priorities and reduced the risk of unnecessary expenditure.
- 3.21** Although the full financial effect of these interventions cannot be quantified with certainty before the year end, it is reasonable to conclude that consultancy expenditure across these programmes would otherwise have continued to increase. By pausing, resetting or rescope activity, the organisation has avoided committing significant resources before key issues relating to affordability, capacity and deliverability have been resolved, reducing the risk of expenditure being incurred without a clear route to successful delivery.
- 3.22** Expenditure on consultants' fees within General Revenue reduced from £15.5m in 2024 to £12m in 2025, with 2026 expenditure currently forecast at approximately £10m, suggesting a downward trend may be emerging. This includes expensed project costs. The measures taken have not resulted in direct reductions to committee budgets; however, it is expected that the strengthened controls have reduced demand for additional funding, including requests to the Budget Reserve.
- 3.23** The extent to which the measures have contributed to lower demand on the Budget Reserve is uncertain. The level of expenditure ultimately required from the Budget Reserve is inherently difficult to predict, as the Reserve provides for unforeseen costs arising during the year. Based on the current position, however, it is considered unlikely that the Reserve will be fully utilised in 2026.
- 3.24** Excluding pay related budget provisions, £5.3m, or 55%, of Budget Reserve funding was utilised in 2025 (2023: £2.3m, 2024: £7.5m). The 2026 position compares favourably: £1.5m had been used by the end of August, with a further £2.4m committed to the Committee for Health & Social Care, giving total utilisation of £3.9m, or 42%, although it should be noted that further demands may be made on the Budget Reserve over the remainder of the year.
- 3.25** For the 2026 forecast it is expected that the £2.5m General Revenue savings target will be met through an underspend against the Budget Reserve, which is where any committee requests for additional consultancy expenditure would be reflected.

SECTION 4

2027 BUDGET ESTIMATE



4. 2027 Budget Estimate

4.1 This section is prepared on the basis of expenditure under **Option A**, in line with the extant Resolution of the States' Assembly. The same tables are presented in Appendix 2, based on the alternative **Option B** expenditure proposal.

4.2 Table 3 summarises the General Revenue position for 2027.

	2027 Budget Estimate £m	2026 Forecast Outturn £m	2026 Budget Estimate £m
Revenue Income			
Income Tax	569.9	585.0	499.9
Other Taxes	127.4	123.5	118.5
Social Security Contributions	38.6	37.4	34.5
Miscellaneous Income	44.4	43.0	43.6
Revenue Income	780.3	788.9	696.4
Committee Income	72.8	68.9	70.4
Total Revenue	853.1	857.8	766.9
Revenue Expenditure			
Pay*	(365.7)	(374.6)	(363.9)
Non-Pay	(292.3)	(282.8)	(284.6)
Formula-Led	(88.5)	(85.2)	(85.6)
Budget Reserve/GWP	(26.7)	(7.3)	(16.9)
Economic Growth Initiatives	(5.0)	0.0	0.0
Savings	0.0	2.5	2.5
Total Revenue Expenditure	(778.2)	(474.5)	(748.5)
<i>Memo: Total Committee Net Expenditure</i>	<i>(700.4)</i>	<i>(678.6)</i>	<i>(678.1)</i>
Revenue Surplus	74.9	110.3	18.4
Impairment for Unincorporated Trading Entity Losses	(2.5)	(2.2)	(3.3)
Impairment for Incorporated Trading Entity Losses	(5.7)	(9.7)	0.0
Expensed project costs	(25.0)	(20.0)	(25.0)
Operating Surplus/(Deficit)	41.7	78.4	(9.9)
Depreciation	(31.0)	(29.8)	(32.2)
Interest Expense	(6.5)	(5.9)	(6.2)
Net Surplus/(Deficit) Before Investments	4.2	42.7	(48.3)
Investment Returns	24.2	31.1	21.0
Notes & Coin	3.0	4.9	2.7
Net Surplus/(Deficit)	31.4	78.7	(24.6)

Table 3

**Note: The Budget Reserve includes provision for 2027 pay inflation, and the 2027 Budget reflects an assumed 1% reduction in expenditure. The final pay and non-pay allocations will be confirmed once the agreed budget have been prioritised.*

- 4.3** Revenue income for 2027 is estimated at £780.3m, representing an above-inflation increase of 12.0% compared with the agreed 2026 Budget and a decrease of 1.1% compared with the 2026 forecast. The 2026 forecast includes approximately £40m of non-recurring income; excluding this amount, revenue income for 2027 is expected to be 4.2% higher on a like-for-like basis.
- 4.4** Income tax receipts for 2027 are budgeted to be £70m higher than in the 2026 Budget. Revised estimates for Pillar 2 revenues are £39m higher than the estimate included in the 2026 Budget (this includes £5m owing to the presentational change described in section 3 paragraph 3.8, which in 2027 is offset by a proposed increase in expenditure). The baseline estimate for Pillar 2 revenues is £93m for 2027. To account for the uncertainty inherent in these estimates, a reduction of 15% has been applied, giving a revised estimate of £79m for 2027.
- 4.5** The 2027 income tax budget also reflects assumed inflation and economic growth, together with budget measures including the withdrawal of mortgage interest relief and an additional £2.5m arising from the corporate tax changes agreed in the Tax Reform package. It also includes an additional £7m contribution from the banking sector, following the raising of interim assessments for 2025 and 2026. The additional banking-sector contribution is also reflected in the 2026 forecast.
- 4.6** Other taxes are budgeted to be 7.0% higher than the 2026 Budget and 3.1% higher than the 2026 Forecast. Document duty receipts in 2026 are forecast to exceed budget by £5m, with the underlying improvement expected to continue into 2027. For excise duties, the effect of limited above-inflation increases in duty rates are expected to be more than offset by reductions in volumes.
- 4.7** Social Security contributions are budgeted to be 11.9% higher in 2027 than the 2026 Budget. This is due to the 0.2% increase in the contribution rate and a progression in compliance activity to ensure that individuals transitioning from self-employed to employed classification were included in their company's quarterly payroll submissions.
- 4.8** Total Revenue Expenditure, comprising Committee Net Expenditure, the proposed Budget Reserve and Economic Growth Initiatives, is budgeted at £778.2m for 2027. This represents a 4.0% increase compared with the 2026 Budget. The 2027 figure includes £5m for Economic Growth Initiatives, further details of which are provided in paragraphs 6.98-6.109. Although an equivalent amount was included in the 2026 Budget, it was offset against estimated Pillar 2 revenues. Excluding the £5m provision from 2027 to provide a like-for-like comparison, expenditure growth is 3.3%, which is one percentage point below inflation and consistent with the savings target agreed by the States.

- 4.9** Under **Option A** the 2027 Budget results in a Revenue Surplus of £74.9m, which represents revenues from taxation and other duties less day-to-day expenditure.
- 4.10** The impairment for the unincorporated trading entity losses is budgeted as £2.5m. This relates to losses attributable to Guernsey Ports, Guernsey Waste and Guernsey Dairy. More detail is set out in section 7. The estimated £5.7m impairment for incorporated trading entities in 2027 relates to Aurigny, as described in paragraphs 7.7-7.10.
- 4.11** Expensed Project Costs comprise expenditure incurred on Major Portfolio and Routine Capital projects that does not result in the creation of an asset and is therefore expensed in the year that it is incurred. As these costs depend on the nature and timing of project activity, they are difficult to forecast. An estimate of £25m has therefore been included for 2027.
- 4.12** The depreciation charge relates to the annual charge against the States' existing fixed assets and is estimated at £31.0m.
- 4.13** Interest expense is estimated at £6.5m and relates to the cost of borrowing and includes a share of the coupon payments[†] on the Bond proceeds allocated to General Revenue to fund the Major Projects Portfolio[†]. It also includes any expected interest costs from the use of the Revolving Credit Facility[†] used for day to day working capital management and to fund Major Projects Portfolio expenditure once the available Bond proceeds have been fully utilised.
- 4.14** Investment returns are budgeted using a prudent assumption of UK CPI +3.5%¹, resulting in estimated investment appreciation of £24.2m. This represents an unrealised change in asset values rather than investment income and would be realised only if the investments were sold at those values. Investment returns can be volatile and may vary significantly from the long-term rate of return assumed in the budget.
- 4.15** Taking all these items into account, a net surplus of £31.4m is budgeted for 2027; however, excluding investments, the underlying net surplus is £4.2m.
- 4.16** The guiding principle of the States' Fiscal Policy Framework is a policy of long-term permanent balance. This means generating an ongoing operating surplus that is sufficient to afford day-to-day public services, necessary capital and transformation projects, as well as covering the expenditure of the agreed strategic policies of government and ensuring reserves are maintained/rebuilt to an appropriate level.
- 4.17** Until 2026, the Annual Budget Report included an appendix comparing the proposed budget against the agreed principles of the Fiscal Policy Framework. As noted in the 2025 Budget, changes to the calculation of GDP, together with the ongoing changes

¹ This is a planning assumption, recognising that actuals and targets differ. The target is CPI +5.0% over the very long term.

to the presentation of the Financial Statements following the adoption of IPSAS[†], mean that the existing Framework is no longer fit for purpose. The Policy & Resources Committee presented an updated Framework to the States in early 2026; however, Members voted to pause the proposition and requested further work before it is reconsidered.

4.18 However, the guiding principle of the extant Fiscal Policy Framework is still relevant. As illustrated in Table 5 paragraph 4.37, under **Option A** there continues to be a funding gap in the States finances. Under **Option B**, the funding gap worsens by £15.7m, as detailed in Appendix 2.

4.19 The 2027 Budget is expected to result in a material net cash outflow of approximately £75-80m, after adjusting the operating surplus for non-cash items such as depreciation, the timing of Pillar 2 revenue receipts, and the estimated cash requirements for capital expenditure and the unincorporated trading entities.

4.20 In the F&I Plan, the States resolved that the £160m of unallocated bond proceeds, together with up to £200m of new borrowing, could be used to fund the prioritised Major Projects Portfolio. The States also resolved that the unallocated General Revenue Reserve[†] should not be depleted further. The remaining balance of unallocated General Revenue cash and investment reserves will be monitored throughout the year, with any necessary action taken in accordance with the relevant States Resolutions.

2027 Core Government Position

4.21 The overall States of Guernsey 'Core Government'[†] 2027 Budget position is illustrated in Table 4 (paragraph 4.24) and, in addition to General Revenue, includes estimates for movements on:

- Social Security income and expenditure on contributory schemes[†] (managed through the Guernsey Insurance Fund[†] and the Long-Term Care Insurance Fund[†]).
- General Revenue ringfenced funds – Guernsey Health Reserve[†], Insurance Deductible Fund[†].
- Other Funds – Core Investment Reserve[†], States' Trading Entities Reserve[†] and the Bond Reserve[†].

4.22 Consistent with the treatment of the 'Core Government' segment in the 2024 and 2025 Financial Statements, the unincorporated trading entities are not fully consolidated. Instead, the net deficits of loss-making trading entities are recognised as an impairment in the Statement of Financial Performance[†], reflecting the resulting reduction in the overall value of those assets².

² This differs from the treatment of the Group in the Financial Statements which fully consolidate all group-controlled entities

4.23 Subject to the approval of the budget measures by the States, the 2027 budgeted Net Surplus Before Investments of £4.2m worsens to £8.8m Deficit when these wider elements of the States are included. While the notional investment return would more than offset this deficit, it represents capital appreciation rather than income. Before investment return, therefore, the States' underlying revenues are insufficient to meet its expenditure requirements.

4.24 Table 4 below shows the Core Government summary for the 2027 Budget with the 2026 Budget shown for comparison.

£m	2026 Budget					2027 Budget				
	General Revenue	Social Security Funds [†]	Other Funds/Reserves	Eliminations	Core Government	General Revenue	Social Security Funds	Other Funds / Reserves	Eliminations	Core Government
Total Revenue Income	696	232	11	(25)	914	780	261	11	(27)	1,025
Committee Income	70	-	-	-	70	73	-	-	-	73
Total Revenue	766	232	11	(25)	984	853	261	11	(27)	1,098
Total Revenue Expenditure	(748)	(251)	-	20	(979)	(778)	(274)	-	22	(1,031)
Revenue Surplus/(Deficit)	18	(19)	11	(5)	5	75	(13)	11	(5)	67
Unincorporated Trading Entities	(3)	-	-	-	(3)	(2)	-	-	-	(2)
Incorporated Trading Entities	-	-	-	-	-	(6)	-	-	-	(6)
Expensed Project Costs	(25)	-	-	-	(25)	(25)	-	-	-	(25)
Operating Surplus/(Deficit)	(10)	(19)	11	(5)	(23)	42	(13)	11	(5)	34
Depreciation	(32)	-	-	-	(32)	(31)	-	-	-	(31)
Interest Expense	(7)	-	(11)	5	(13)	(7)	-	(11)	5	(12)
Net Deficit Before Investments	(49)	(19)	-	-	(68)	4	(13)	-	-	(9)
Investment Returns	21	52	10	-	83	24	63	10	-	97
Notes & Coin	3	-	-	-	3	3	-	0	-	3
Net Surplus/(Deficit)	(25)	33	10	-	18	31	50	10	-	91

Table 4

Funding Gap

- 4.25** The net surplus or deficit shows the accounting shortfall for a particular year, but as described in the Tax Reform policy letter, it is important to recognise that a one-year accounting position does not tell the whole story. Investment appreciation cannot be relied on for ongoing funding of day-to-day government expenditure. Neither can one-off income, nor the historic underspend in capital and infrastructure costs which impacts the depreciation estimate.
- 4.26** The funding gap calculation adjusts for these items to provide a clearer view of the underlying sustainability of the States' finances. A funding gap arises when recurring expenditure exceeds the recurring revenues available to fund it. It represents the shortfall between ongoing sources of income, such as taxes and fees, and the ongoing costs of government activity, including pay costs and the delivery of essential public services.
- 4.27** The 2027 Budget results in an estimated funding gap of £47m under **Option A** and £63m under **Option B**. The following paragraphs set out how these estimates have been calculated.
- 4.28** This is a snapshot only and does not take into account any worsening over time (for example the Long-Term Care Insurance Fund is projecting an operating surplus of £9.6m in 2027 but is still projected to decline over time due to demographic changes). Given their nature, the financial sustainability of the funds needs to be assessed actuarially, taking into account rising demand, an ageing population and a growing number of pensioners receiving the States' Pension. A revised actuarial assessment of the funds is underway.

Investment Returns

- 4.29** Investment returns contribute to the value of the States' reserves and are recognised in the Statement of Financial Performance, but do not generate a cash inflow unless the underlying investments are sold. Most of the States' investments are relatively liquid and can be sold on financial markets, allowing them to be converted into cash comparatively quickly. However, the proceeds from any sale would depend on market values at the time, which may fluctuate from day to day.
- 4.30** The estimate included in the Budget is based on a prudent long-term return assumption of UK CPI plus 3.5%, equivalent to a nominal return of 6.0%.
- 4.31** Although investment returns could, in principle, be used to fund government expenditure, it would not be prudent to rely on them while an underlying funding gap persists. Returns are volatile and may differ materially from the long-term assumption used in the budget, while increases in asset values do not generate cash unless investments are sold.
- 4.32** Using the proceeds to meet recurring expenditure would reduce the value of the

reserves, their capacity to generate future returns and the financial resilience available to respond to future pressures. It could also obscure the underlying position by presenting investment gains as funding for expenditure that continues irrespective of market performance. Investment returns have therefore been excluded from the funding gap calculation so that it reflects the permanent adjustment required to bring recurring revenues and expenditure into balance.

- 4.33** Once the States' finances are on a more sustainable footing and reserves are being maintained at an agreed level, consideration could be given to adopting a formal policy governing the proportion of long-term investment returns that may prudently be used for investment, expenditure or the rebuilding of reserves.

Bond Repayment

- 4.34** The funding gap is intended to show whether the States' ongoing income is sufficient to meet all of its ongoing financial commitments. Repayment of the loan must therefore be included because it is a real and unavoidable call on cash, even though it is not treated as expenditure in the annual accounting result. If it were excluded, the funding gap would understate the amount of recurring income needed to meet the States' commitments and would give an incomplete picture of the long-term financial position.

Cyclical Adjustments

- 4.35** Cyclical adjustments are made to account for the influence of economic cycles on government finances. The purpose is to isolate the long-term fiscal health of a government from short-term fluctuations in the economy.

- 4.36** The cyclical adjustments made in the funding gap analysis include:

- ***Tax Revenues***

Because of the various cyclical economic effects impacting tax receipts a cyclical adjustment has been applied. Even though revenue forecasts have increased in 2026, the long-term economic model suggests that individual tax and tax on banking and company profits are forecast below the expected structural norm.

- ***Capital and Project Spend***

There has not been sufficient investment in recent years to maintain and improve States' assets and infrastructure and this cannot be maintained in the longer term. In order to evaluate the overall health of the States' finances the funding gap calculation includes an adjustment to the amounts budgeted for depreciation and expensed project costs, to take account of expected levels of investment at 2% of GDP.

- **Pillar 2 Tax Revenues**

Revenues expected from Pillar 2 are expected to reduce over time, as international corporations are expected to restructure their affairs in response to the new rules. The cyclical adjustment therefore reduces the 2027 forecast to a level considered more representative of expected future revenues.

4.37 The following table (Table 5) illustrates the budgeted funding gap before investment returns, adjusted for the above changes. This results in the proposed 2027 Budget (**Option A**) reflecting a funding gap of £47m. Under **Option B** this would worsen to £63m.

£m	2027 Budget		
	General Revenue	Social Security Funds	Consolidated
Net Deficit Before Investments	4	(13)	(9)
Bond Capital Repayment	(6)	-	(6)
Cyclical Adjustments			
(High)/Low Personal Income Taxes	5	-	5
(High)/Low banking & company profits	3	-	3
(High)/Low Pillar 2 revenues	(11)	-	(11)
Capital and Project Spend (increase)	(29)	-	(29)
Funding Gap	(34)	(13)	(47)
Previous Funding Gap Estimates			
2026 Budget	(61)	(17)	(78)
Tax Reform Policy Letter	(63)	(19)	(82)

Table 5

4.38 Under **Option A**, the General Revenue funding gap would be reduced when compared to previous estimates. This improvement reflects a combination of the increase to underlying and recurring Pillar 2 revenues, banking revenues identified in the 2026 forecast, the additional real-terms revenue measures included in the 2027 Budget, and the 1% real-terms reduction in expenditure reflected in Option A. While this is positive, the underlying funding gap has not been resolved.

4.39 For Social Security the 2027 budgeted position has improved by £4m compared to the 2026 Budget, primarily owing to additional contribution receipts following a change in the classification of owner controlled limited liability companies, which has had a greater impact than initially expected.

- 4.40** Despite this improved overall in-year position for the Social Security funds, the underlying funding pressures remain. The £19m estimate in the Tax Reform policy letter was based on a long-term review of the Guernsey Insurance Fund: it did not include the Long-Term Care Fund, because its future funding is being considered separately through the Supported Living and Ageing Well Strategy (SLAWS). However, the Long-Term Care Fund also faces long-term funding pressures. At the time of the Tax Reform proposals being drafted, it was estimated that around £7m of additional annual income would be needed to put the fund on a sustainable footing. Updated actuarial reviews are currently underway to assess the long-term sustainability of the funds and help inform future decisions.
- 4.41** The funding gap estimated for 2027 of £47m based on the **Option A** expenditure budget is a snapshot and does not take into account any worsening over time. An ageing population, growing demand for services and increasing numbers of pensioners mean that costs are expected to rise over time.
- 4.42** If the States choose to agree Option B, the funding gap would increase by a further £15.7m to £63m. More details can be found in Appendix 2.
- 4.43** Whichever option is agreed, the States continue to face a significant structural funding gap. Further action will therefore be required to place the public finances on a sustainable long-term footing and deliver the principle of permanent balance set out in the Fiscal Policy Framework.
- 4.44** A budget is a time-bound financial plan, not an exact forecast of future events. Its underlying assumptions[†] are subject to risks and opportunities, which may cause actual results to differ slightly or substantially from the plan.

Opportunities and Risks to the 2027 Financial Position

- 4.45** In respect of the 2027 Budget there are a number of uncertainties which could result in a materially different outcome:
- The Policy & Resources Committee considers that it is for the States to determine whether to approve an expenditure budget above the previously agreed target. **Option A** has therefore been presented as the core budget and has been prepared in accordance with the extant Resolution, including the required 1% saving. **Option B** reflects a prioritisation of the budget submissions received and, if approved by the States, would result in additional cost, reflecting growing demand for public services.
 - Income tax and other income forecasts for 2027 assume inflation of 4.3% and modest economic growth of 0.5%. Actual revenues may be higher or lower if these assumptions vary. In addition, corporate income tax revenues are heavily concentrated among a small number of larger entities, particularly in the

banking sector, whose performance is influenced by the current and expected path of interest rates. A 1% increase or decrease in income tax revenues would improve or worsen the financial position by £5.4m.

- Health and social care services continue to experience significant growth in demand. Although the **Option B** budget would address some of these pressures, there remains a risk that the budget would be insufficient. Given the scale of the Committee for Health & Social Care's budget, each 1% overspend would equate to approximately £2.7m.
- There is potential for certain volatile revenues, including Document duty and receipts from the banking sector, to exceed budgeted levels. Document duty receipts are particularly sensitive to changes in property transaction volumes and prices. Consequently, significant changes in housing market conditions could result in receipts being higher or lower than budgeted.
- Pay awards for all States' employee groups for 2027 are yet to be agreed. Committees' expenditure budgets have therefore been prepared using 2026 rates. The Policy & Resources Committee has included a central provision for pay awards that can be released to committee budgets to fund the awards once agreed. If the outcome of the negotiations exceeds the assumption underpinning the provision, each additional 0.5% pay increase would result in further expenditure of approximately £2.0m.
- Projections of revenues from the implementation of Pillar 2 continue to rely on secondary data sources pending completion of the first reporting cycle in 2027. The projections also include assumptions about the extent of behavioural change arising from implementation. Actual revenues may therefore be higher or lower than forecast if behavioural responses differ from those assumed.
- Expenditure of £5m has been included for the proposed economic growth initiatives funding allocation. However, as this is a new multi-year initiative, there is a risk that the full amount may not be spent in the first year.

4.46 While the centrally held Budget Reserve is intended to mitigate some of the risks outlined above, if one or more of the above risks materialise, it may not be possible to manage the overall position in line with this budget.

4.47 The Policy & Resources Committee also wishes to highlight that, should the proposed philanthropic gift to Elizabeth College and The Ladies' College proceed, the cessation of annual college funding from the States to those Colleges of approximately £2.2m may present an opportunity for reinvestment in public sector education. For 2027 approximately a third of the value of the grant could be available for reinvestment.

4.48 The following table (Table 6) illustrates the budget estimates against reasonable worst- and best-case alternative scenarios based on the above variables. This excludes investment returns.

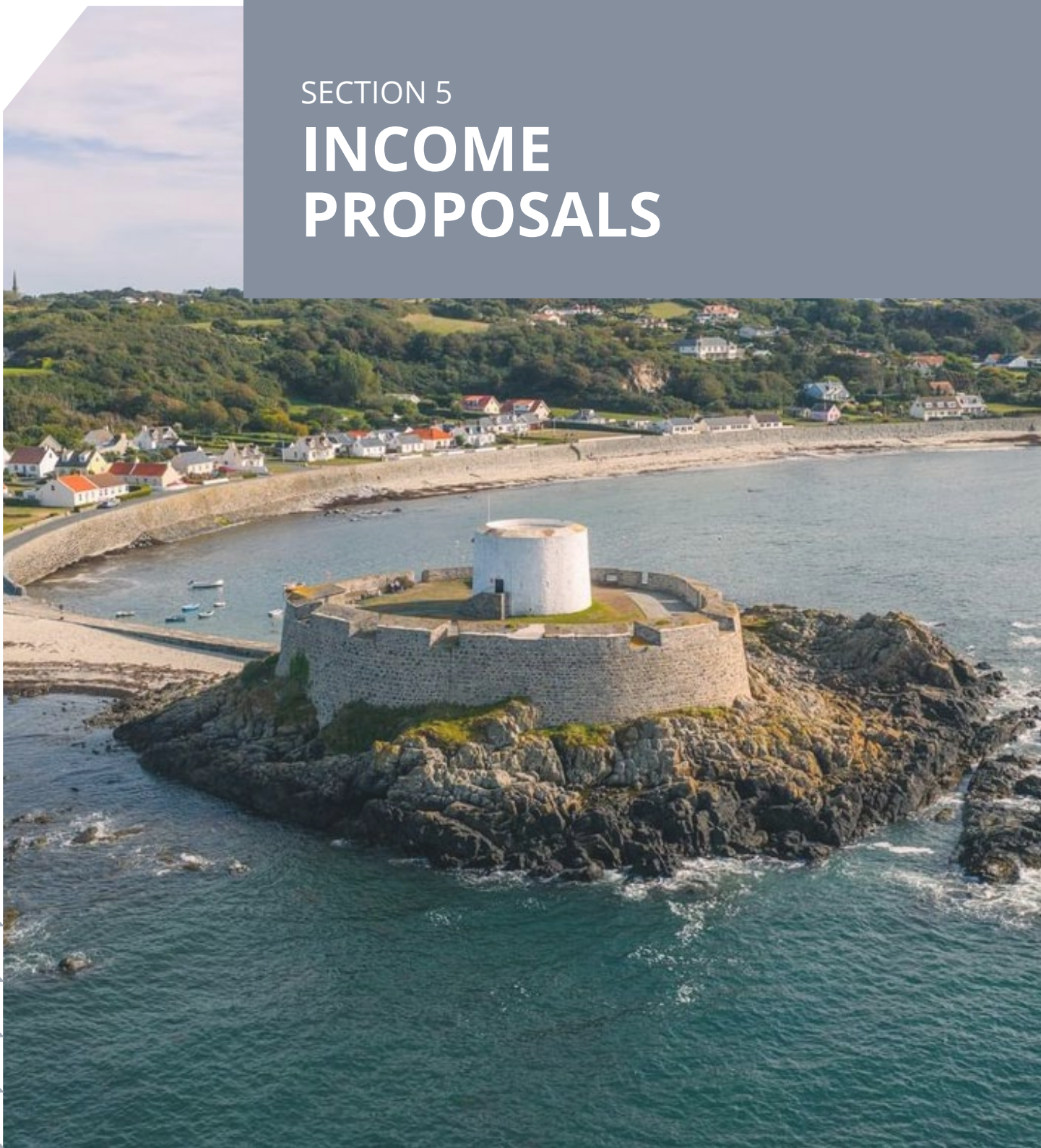
	Worst Case	Best Case
2027	£m	£m
Budgeted Net Surplus Before Investments	4.2	4.2
Higher committee expenditure (assumed to be in line with Option B)	(15.7)	-
Income Tax revenues 1% below/above expected levels	(5.4)	5.4
Further Committee <i>for</i> Health & Social Care overspend by 1%	(2.7)	-
Increase in one-off revenues from taxes (banks, document duty)	-	5.0
Additional 0.5% on pay awards	(2.0)	-
Pillar 2 revenues	(10.0)	10.0
Economic growth initiatives budget 50% underspent	(0.0)	2.5
Illustrative Net (Deficit)/Surplus Before Investments	(31.6)	27.1

Table 6

4.49 The States earn returns on its investments attributed to General Revenue. Based on the value of the reserves and an assumed return of UK CPI plus 3.5%, the 2027 Budget includes estimated investment returns of £24.2m. However, actual returns may fluctuate significantly in the short term, with each one percentage point variation representing a potential favourable or adverse movement of approximately £4m against the budgeted amount.

SECTION 5

INCOME PROPOSALS



5. Income Proposals

Personal Income Tax

Personal Income Tax Allowance

- 5.1** The Policy & Resources Committee is **recommending the level of the Personal Income Tax Allowance is increased to £15,850 for 2027, in line with inflation** [Proposition 24], an increase of £650 from the 2026 figure. As this increase is in line with inflation, this will not impact on States' finances.

Married couples, couples within a civil partnership and cohabiting couples with children may elect to have any unused personal allowance transferred to their spouse/partner.

	2027	2026
Personal Allowance	£15,850	£15,200

It is recommended that the supplementary Personal Income Tax Allowances are increased by RPIX (4.3%) [Proposition 24] as follows:

	2027	2026
Dependent relative*	£4,890	£4,680
Housekeeper**	£4,890	£4,680
Infirm Persons**	£4,890	£4,680
Charge of Children	£10,200	£9,800

*in respect of claims for dependent relatives (other than for children in higher education) no new claims have been admitted from the Year of Charge 2009, onwards. For children in higher education, no new claims have been admitted from the Year of Charge 2018, onwards.

**no new claims have been admitted from the Year of Charge 2009 onwards.

Any unused allowances may also be transferred between married couples or civil partners.

Withdrawal of Personal Allowances for Higher Earners

- 5.2** The purpose of Income Tax Allowances is to reduce the tax liability of an individual by leaving a portion of their income untaxed. This is of most benefit to lower- and middle-

income earners. Withdrawing allowances above a set threshold gradually reduces the benefit provided to higher income individuals without creating a cliff edge. The withdrawal rate functions to taper the withdrawal of the allowances as income increases and it prevents undue distortions in the marginal rates applied.

- 5.3** The taxable income threshold at which the personal, other allowances and deductions (such as mortgage interest and pension contributions) are withdrawn was increased to £85,000 (from £82,500) with effect from 1 January 2026. The withdrawal ratio is set at a rate of £1 of allowance being withdrawn for every £5 that an individual's income exceeds the threshold. £2,500 of relief on pension contributions is protected from withdrawal.
- 5.4** The Policy & Resources Committee **is recommending that no changes are made to these figures for the Year of Charge 2027. The threshold at which withdrawal starts is recommended to remain at £85,000 with the withdrawal rate remaining at 1:5.** This will increase revenues by circa £800,000.

Tax relief on Mortgage Interest for a Principal Private Residence

- 5.5** In the 2026 Budget the States of Deliberation resolved to keep the amount of tax relief in respect of mortgage interest paid on a Principal Private Residence at £3,500 and to cease the withdrawal of relief.
- 5.6** The Policy & Resources Committee was directed to work with the Committee *for* Housing, as part of the Guernsey Housing Plan, to consider changes or alternatives to mortgage interest relief, including other forms of tax relief, to better assist first-time buyers and homeowners in greater need of financial support.
- 5.7** The Committee *for* Housing has recommended that the phased removal of the relief is re-instated, with that revenue instead used to provide targeted support for first-time buyers. The Committee *for* Housing is actively working on several measures designed for first-time buyers and young homeowners with the aim of being able to propose these in the 2028 Budget.
- 5.8** **As such, the Policy & Resources Committee is recommending that the phasing out of mortgage interest relief is recommenced with effect from 2027, reducing the amount available in 2027 to £2,000, with a further reduction for 2028 to £1,000, and subsequently no relief due for 2029 and later years³.** This is estimated to increase revenues by circa £1m in 2027 [Proposition 1].

³ The proposal was agreed by majority with Deputy Parkinson not supporting the proposal.

Bank Interest Exemption

- 5.9** An exemption from tax for the first £50 of an individual's total interest received on money deposited with a bank/financial institution was introduced into the Income Tax Law with effect from the Year of Charge 2015. The amount has not increased since its introduction and the Policy & Resources Committee is **recommending that the amount be increased to £75 with effect from the Year of Charge 2027** [Proposition 2]. This is expected to reduce revenue collected by approx. £200,000.

Income Tax Caps

- 5.10** Income tax cap amounts reference an individual's income tax liability, not their income. There are tax caps in place as follows:
- applicable to non-Guernsey source income and Guernsey bank interest (currently £160,000);
 - cap relating to worldwide income (currently £320,000);
 - an Open Market tax cap which applies for a four-year period to new arrivals in Guernsey, who have paid a minimum of £50,000 in Document duty on the purchase of a property on Part A of the Open Market Register (or an equivalent amount in anti-avoidance duty[†] under the provisions of the Document duty (Anti Avoidance) (Guernsey) Law 2017) (currently £60,000), and
 - a cap relating to worldwide income (currently £320,000); Alderney Property cap, again applying for a four-year period for new arrivals in Alderney, based on similar criteria to the Open Market tax cap (currently £60,000).
- 5.11** If an individual has income from Guernsey land and property, (which for the avoidance of doubt includes Alderney), or certain income from pension/annuity schemes (triviality payments, lump sum payments above the tax-free limit (currently £203,000) or unauthorised payments from such a scheme), these amounts are charged to tax in addition to the cap amounts.
- 5.12** A discreet consultation was held on the strengths and weaknesses of the current caps available and whether there were opportunities to enhance Guernsey's offering, ensuring a minimum contribution is made by these individuals and being mindful of Guernsey's competitive position.
- 5.13** What became clear is that one of Guernsey's biggest strengths is the simplicity and certainty of its tax cap regime and there was a strong case for retaining the current caps.
- 5.14** The tax caps (apart from the Alderney Property cap which was only introduced in 2025) were last increased for the Year of Charge 2024.

5.15 As such the Policy & Resources Committee **is recommending that:**

- **The cap on non-Guernsey source income and Guernsey bank interest is increased to £171,000 for 2027; and**
- **The cap on worldwide income is increased to £342,000 for 2027. With these caps being subsequently increased by RPIX annually thereafter** [Propositions 3 & 5].

5.16 The amount of document duty required to be paid to enable an individual to pay the Open Market tax cap has not changed since the introduction of the cap in 2018. As the market has changed considerably since then, the Policy & Resources Committee **is recommending that the document duty (or anti avoidance duty) needing to be paid is increased by RPIX to £70,000 for properties purchased on or after 1 January 2027** [Proposition 4]

5.17 The Policy & Resources Committee **is also recommending that the amount of the Open Market tax cap is increased for 2027, to £65,000, and to provide certainty for those paying this cap, further increases are recommended to £75,000 for 2028, £85,000 for 2029 and £95,000 for 2030. Increases are subsequently to be made based on RPIX** [Proposition 4 & 5].

5.18 The Alderney Property tax cap was only introduced in 2025, and due to the differences in house prices in Alderney, compared to Guernsey, the Policy & Resources Committee is recommending that the Alderney Property cap is not changed for 2027 (remaining at £60,000 with the relevant duty required staying at £50,000).

5.19 The Policy & Resources Committee **intends to introduce an entrepreneur tax cap as soon as practicable**, the details of which will be worked up with the Committee for Economic Development, to incentivise entrepreneurs to relocate to the Bailiwick. [Proposition 6].

Standard Charge

5.20 The Standard Charge[†] was introduced in 2009, to ensure a minimum amount of tax was paid by individuals who are resident only for tax purposes and who could otherwise arrange their tax affairs so that little or no tax was paid to Guernsey. The standard charge was last increased by £10,000 to £50,000 for the Year of Charge 2026. As the Standard Charge has more than kept pace with inflation since its introduction, the Policy & Resources Committee is not proposing any change for the Year of Charge 2027. It is therefore **recommended that the Standard Charge remains at £50,000 for 2027.**

Charitable Donations

- 5.21** Guernsey registered charities are able to claim a 25% tax rebate on donations made by individuals of between £500 and £10,000. The maximum limit was last increased in 2025.
- 5.22** The Policy & Resources Committee **is recommending a large increase to the maximum aggregate donation that can be made, increasing it to £50,000** [Proposition 7]. The proposed increase would mean that the maximum amount a charity could benefit from would increase from £2,500 to £12,500.

Pension Flexibility – Death Benefits

- 5.23** When an individual dies, if they are a member of an employer's occupational pension scheme or a Retirement Annuity Trust scheme (RAT), death benefits may include the payment of a lump sum to any individual (but not in an occupational pension scheme if benefits are already being paid), and an ongoing annuity may be paid to the member's 'dependants'.
- 5.24** Currently the Income Tax Law definition of a dependant is limited to "an individual who is dependent for the ordinary necessities of life upon" either the employee (for an occupational scheme) or the person who has contributed to the RAT. The Revenue Service has issued 'Practice Notes', for both occupational schemes and RATs with further clarification as to what, in practice, the interpretation of dependant is accepted to be. This is:
- An individual who was married to, or a civil partner of, the member at the date of the member's death, or if the scheme rules so provide, on the date when the member first became entitled to a pension under the scheme.
 - An individual who, in the opinion of the trustees, was at the date of the member's death:
 - is financially dependent on the member; or
 - dependent on the member because of a physical or mental impairment; or
 - in a mutually dependent financial relationship with the member.
 - A child of the member (including a legally adopted child) is a dependant provided that the child:
 - has not reached age 23; or
 - has reached age 23 and, in the opinion of the trustees, was at the date of the member's death dependent on the member because of physical or mental impairment; or
 - has reached age 23 but has not reached age 26 and remains in full-time education or vocational training.

- 5.25** The Policy & Resources Committee **is recommending that the Income Tax Law be amended to include the full definition of dependant, as provided for in the Practice Notes** (and shown in 5.24 above) [Proposition 8].
- 5.26** Death benefits from a pension scheme can be paid to anyone in the form of a lump sum, but ongoing annuities can only be paid to a 'dependant'. As the payment of an annuity may be preferable to a death beneficiary other than a dependant, the Policy & Resources Committee is **recommending that two new categories of beneficiaries be introduced into the Income Tax Law, widening the class of individuals who can receive an annuity from the member's pension upon the member's death (which will also achieve equivalence with the position in the UK). The two new categories being**
- a. nominees – persons nominated by the member (or scheme trustee/administrator if none of the member's nominated beneficiaries are still alive)** [Proposition 8]
 - b. successors – persons to take the place of the nominees where the nominees have died (to be nominated by a dependent, a nominee or the scheme trustee/administrator)** [Proposition 8]
- 5.27** Widening who can receive an annuity would allow ongoing annuities to be paid where a member dies with no dependants, allowing Guernsey to maintain business it would otherwise lose, and allow Guernsey to capture a larger share of the international pension market by allowing greater flexibility to pension members.
- 5.28** The appointment of death beneficiaries should cease on the death of a successor (the result of which being that any residual funds would then need to be paid, if applicable, as a lump sum).
- 5.29** The Policy & Resources Committee is also **recommending the introduction of a hierarchical structure in the Income Tax Law, for the payment of death benefits, in the order of dependant, nominee then successor** [Proposition 8].

Excise Duties

Alcohol

- 5.29** Alcohol duties were frozen in 2025 following representations from the industry about the effect of continued increases on the hospitality sector. For 2026, rates were increased in line with inflation to protect the real-terms income value while continuing to provide a degree of stability for hospitality businesses.
- 5.30** For 2027, the Policy & Resources Committee has consulted both the Committee *for* Economic Development and the Committee *for* Health & Social Care regarding alcohol duty rates. The Committee *for* Economic Development has recommended limiting any

increase to inflation only, while the Committee *for* Health & Social Care has recommended an increase of inflation plus 2%. The latter recommendation reflects that neither Minimum Unit Pricing (MUP)[†] nor GST[†] will be introduced in 2027.

- 5.31** MUP, when introduced, would set a mandatory minimum retail price for alcohol based on the number of alcohol units in a product. Unlike excise duty, which applies across all products, MUP principally affects lower-cost alcohol sold below the minimum price threshold. The Committee *for* Health & Social Care has been considering MUP and has agreed in principle to recommend its introduction, but while work is progressing there remains uncertainty over the timing.
- 5.32** Having regard to the continued pressures facing the hospitality sector, balanced against the need to maintain revenues and support wider public health objectives, the Policy & Resources Committee is **proposing an increase in alcohol duty rates of forecast RPIX +2% from 1 January 2027** as set out in The Excise Duties (Budget) Ordinance, 2026 [Proposition 9]. This is estimated to increase real-terms revenues by £0.3m. However, this is offset by an estimated 2% reduction in volumes.
- 5.33** Alcohol duties are forecast to raise approximately £16.5m in 2026. Import volume trends indicate a continued reduction in alcohol consumption, with overall volumes expected to fall by around 2% compared with 2025 and a shift away from higher-strength products towards lower-strength alternatives. On that basis, a further 2% reduction in volumes has been assumed in setting the 2027 Budget.
- 5.34** The 2026 Budget highlighted feedback that the Committee *for* Economic Development had received that additional support for the local hospitality industry would be welcomed. Following further engagement and consideration of approaches adopted in neighbouring jurisdictions, **the Policy & Resources Committee is proposing the introduction of a draught, or 'tap', relief on alcohol duties from 2027. The relief will apply to qualifying beer, cider and wine products supplied in containers of at least 20 litres, whilst excluding spirits** [Proposition 9].
- 5.35** The relief will operate through a two-tier structure, providing a 15% discount for lower-strength products and a 10% discount for higher-strength products, whilst excluding the highest-strength categories of above 7.5% for beer and cider and 15% for wine. The proposed structure is intended to target support towards hospitality businesses, whilst recognising wider public health considerations and limiting incentives towards higher-strength alcohol products.
- 5.36** The estimated annual cost of the tap relief is approximately £342k. The Policy & Resources Committee considers that this targeted measure will provide additional support to the hospitality sector which is appropriately balanced with protecting revenues and encouraging responsible alcohol consumption.
- 5.37** The present duty on a pint of beer (2.8-4.9% ABV) is 61.3p and the proposed duty is an increase of 4.1p. However, incorporating tap relief at 15%, the proposed duty decreases by 9.7p per pint. The proposed duty rates on the most popular products are detailed below:

Description of Goods	Proposed Duty	Present Duty
Beer/Cider (2.8%-4.9% ABV) - 1 pint	65.4p	61.3p
Beer/Cider (2.8%-4.9% ABV) - 1 pint (with tap relief)	55.7p	n/a
Spirits (37.5% ABV) - 25mls	48.6p	45.8p
Spirits (37.5% ABV) - bottle (1 litre)	£19.45	£18.30
Light wine (5.5% to 15% volume) - bottle (750mls)	£2.75	£2.58

Table 7

- 5.38** As part of the 2025 Budget, it was agreed to redefine small independent brewers and cider makers to increase the discount rate and introduce a new duty rate for small independent distillers. Industry feedback through a consultation led by the Committee *for* Economic Development indicates strong support for the scheme; however, concerns have been raised about the cliff-edge effect, where exceeding the production threshold would result in the full loss of relief. There have also been requests to consider greater alignment of thresholds and definitions across the Channel Islands and to explore extending relief to small wine producers in future.
- 5.39** It is not recommended that changes are made to small producer thresholds or discount rates for the 2027 Budget. Instead, the Policy & Resources Committee will work with the Committee *for* Economic Development to consider the small producer rates as part of the 2028 Budget, alongside the potential introduction of small wine producer relief. This review will take account of thresholds, eligibility, administrative requirements and cliff-edge effects.
- 5.40** Feedback from industry has also highlighted that greater certainty would be welcomed over future alcohol duty rates, and the Committee *for* Economic Development has recommended a multi-year framework with increases limited to RPIX over the next three years. While the Policy & Resources Committee supports the principle of a multi-year approach and considers that a rolling three-year framework could be appropriate, it is not currently in a position to commit, through the 2027 Budget, to specific alcohol duty increases for the next three years. Although the introduction of GST from 2029 has been agreed, uncertainty remains around the introduction of MUP and its impact on the alcohol market.

Tobacco

- 5.41** The 'Combined Substance Use Strategy 2027–2032' continues to identify tobacco taxation as an important public health intervention. Action 4.1 of the Strategy calls for annual increases of RPI plus 5% for excise duty on tobacco.

- 5.42** The Committee *for* Health & Social Care has recommended a 5% real-terms increase in the excise duty on tobacco based on the input from the Substance Use Technical Team which oversees the implementation of the Combined Substance Use Strategy. In making this recommendation the Committee *for* Health & Social Care noted that, whilst lower than the request for RPI plus 10% in respect of the 2026 Budget, an above-inflation increase would continue to discourage smoking and remains consistent with evidence-based public health practice and the World Health Organisation's identification of tobacco taxation as a highly cost-effective intervention to reduce tobacco-related harm and non-communicable disease.
- 5.43** Therefore, based on an inflation forecast of 4.3%, the Policy & Resources Committee is **recommending an increase in excise duty on all tobacco products of 9.3% (RPIX+5%)** as set out in The Excise Duties (Budget) Ordinance, 2026 [Proposition 9].
- 5.44** This would increase the excise duty on an average packet of 20 cigarettes from £9.71 to £10.60.
- 5.45** In line with the approach taken in the 2026 Budget, for the 2027 Budget the Policy & Resources Committee seeks to introduce all excise duty rate increases from 1 January 2027.
- 5.46** Revenue from tobacco excise duty fluctuated significantly during 2025 and 2026, partly reflecting changes in importers' ordering patterns. The 2027 Budget assumes that revenue from tobacco excise duty will return to a more typical level of £8.4m, reflecting the combined effects of higher duty rates and lower demand.
- 5.47** Following consideration of the 2026 Budget, the States resolved that tobacco duty-free allowances should be reviewed, with proposals to be brought forward as part of the 2027 Budget Report. A consultation has since been undertaken with stakeholders to assess the potential public health, revenue, commercial, transport connectivity, enforcement and practical implications of any changes to those allowances.
- 5.48** The Policy & Resources Committee has considered the consultation outcome and is **recommending that the duty-free allowance for tobacco products should remain unchanged**. This is because there is limited evidence that reducing the allowance would generate a significant increase in government revenue. It could, however, have a disproportionate impact on travellers and affect the commercial viability of airlines and ferry operators, for which onboard duty-free sales form part of their revenue model. This could have wider implications for connectivity and the visitor economy. A reduction would also create additional administrative and enforcement burdens.
- 5.49** A summary of the consultation and review is provided in Appendix 7.

Electronic Cigarettes (Vapes)

- 5.50** In the 2026 Budget Report the States resolved⁴ “To agree that a duty rate of £2.20 per 10ml of vaping liquid is introduced during 2026”.
- 5.51** The Policy & Resources Committee has subsequently agreed that the new duty on vaping liquid will come into force on Monday 9th November 2026, subject to the 2027 Budget debate having concluded.
- 5.52** The proposed Guernsey definition of vaping liquid is similar to that of the UK, for which a vaping product duty is being introduced with effect from 1st October 2026.
- 5.53** The definition⁵ captures all consumer-ready vaping products. It also captures liquids that, at the point of importation, are clearly intended for vaping, as indicated by their packaging or their sale through a website specialising in vaping products.
- 5.54** Medical products are excluded from the scope of excise duty, but only where these products are deemed to be legitimate medicines which are registered, authorised or otherwise approved for human use by a competent authority. Tobacco products, even if able to be vaped, would also be excluded and would remain in scope of tobacco excise duty.
- 5.55** The duty will be accompanied by a duty-free allowance (personal relief) of 50ml. The Policy & Resources Committee is **recommending that the States direct the Committee for Home Affairs to excise its statutory powers to bring into force a duty-free allowance of 50ml to coincide with the commencement of “The Excise Duties (Budget) Ordinance, 2026”** [Proposition 10].
- 5.56** The rate of duty is the same as the UK, with the duty-free allowance mirroring both the UK and Jersey. The duty-free allowance is a higher allowance than the cigarette equivalent (200 cigarette duty-free allowance equates to 20ml of vaping liquid) in recognition of vaping being considered less harmful than smoking and an important smoking cessation tool.
- 5.57** The introduction of the duty in November 2026 means that it will be in effect for less than two months before the start of 2027. An increase in the rate of duty is therefore not proposed for 2027 however this will be reviewed as part of the 2028 Budget.
- 5.58** Revenue from the new excise duty on vaping liquid is estimated at £0.7m in the 2027 Budget. The estimate is based on data from the Guernsey and Alderney Wellbeing Survey⁶. However, it remains uncertain because there is limited data on the volume of vaping liquid likely to be imported.

⁴ [Billet d'État XXVIII, 2026 Resolution 10](#)

⁵ Definition detailed in the ‘The Excise Duties (Budget) Ordinance, 2026’

⁶ [Guernsey and Alderney Wellbeing Survey 2023](#), published in 2025

- 5.59** The Policy & Resources Committee is **proposing that there is no increase in the rate for duty on vape liquids for 2027, with duty to be implemented at £2.20/10ml to come into force on 9th November 2026 as set out in The Excise Duties (Budget) Ordinance, 2026** [Proposition 9].
- 5.60** The Policy & Resources Committee intends to undertake further work with the Committee *for* Health & Social Care to determine the appropriate differential between the duty applied to vaping liquids and tobacco products. This is intended to avoid undermining the role of vaping products as a smoking cessation aid, recognising the Committee *for* Health & Social Care's view that price is a key determinant of consumer behaviour and that duty is the principal pricing factor within the States' control.
- 5.61** The Policy & Resources Committee therefore **proposes to include recommendations on the appropriate duty differential between vaping liquid and tobacco products in the 2028 Budget Report for consideration and approval by the States of Deliberation, so that the agreed approach can inform future duty-setting decisions.** [Proposition 11].

Motor Fuel

- 5.62** The Tax Reform policy letter, debate on which has now concluded, includes proposals to change transport taxes by reducing fuel duty by 25%, introducing a new annual vehicle tax and applying a high-value surcharge to new vehicles.
- 5.63** The Committee *for the* Environment & Infrastructure has outlined the expected timeframe for implementing the transport tax proposals. Implementation is expected to take between 12 and 18 months, and no changes are anticipated to take effect before January 2028.
- 5.64** The agreed Tax Reform proposals include significant changes to the balance between fuel duty and vehicle taxation. However these changes are not expected to be implemented before 2028. The Policy & Resources Committee is therefore treating 2027 as a transitional year for fuel duty and vehicle taxation.
- 5.65** The Policy & Resources Committee **is recommending that excise duty on motor fuel is increased by inflation (4.3%) from 1 January 2027**, as set out in The Excise Duties (Budget) Ordinance, 2026 [Proposition 9]. This would increase duty rates by 3.9p per litre to 94.4p per litre.
- 5.66** The concessionary rate of duty on petrol for marine use would be set at 64.0p per litre from 1st January 2027, and the concessionary rate for HVO[†] and biodiesel would be 63.1p per litre, a 31p per litre discount for HVO and biodiesel to the standard rate for diesel.
- 5.67** Forecast revenue from motor fuel excise duty in 2026 is £22.6m, in line with the budget estimate. Fuel volumes continue to decline year on year, reflecting improvements in the efficiency of internal combustion engines and the increasing

use of electric vehicles. The long-term trend indicates an average annual reduction in fuel volumes of 2%. The 2027 Budget estimate is £23.1m, taking account of a further 2% reduction in volumes compared with 2026 and the proposed increase in the rate of duty.

- 5.68** Within the proposed Excise Duties (Budget) Ordinance, 2026, provision is made to allow Alderney to determine its own duty rate for marine fuel in 2027. This is in response to the Alderney Policy & Finance Committee's decision to include a proposition in its 2027 Budget stating: "Marine Fuel duty rates for Alderney to be reduced to 0% at the earliest opportunity". This is aligned with the Customs & Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 which permits the States of Alderney to set its own rates of excise duty, including on motor fuel imported into Alderney. The Policy & Resources Committee will work with the Policy & Finance Committee in Alderney to ensure that any consequential impacts of such a change are taken into account.

Tax on Real Property ('TRP')

Commercial TRP

- 5.69** The Policy & Resources Committee has committed not to increase Tax on Real Property (TRP) tariffs for the retail and hospitality sectors and specified freight hauliers until at least 2029, to help mitigate the costs associated with implementing the Tax Reform proposals.
- 5.70** In recognition of this **it is recommended that the tariffs for the TRP categories 'B4.1 Hostelry and food outlets', 'B4.4 Retail', 'B4.5 Warehousing' and the associated land categories of 'L1.3 Hostelry and food outlets', 'L1.6 Retail' and 'L1.7 Warehousing' are frozen** [Proposition 12].
- 5.71** This results in an estimated reduction to real-terms additional revenue of £253k.
- 5.72** The freeze applies only to those parts of retail and hospitality properties that fall within the specified TRP categories. Any other parts of those properties, such as offices, garages or car parks, will remain subject to the standard TRP increases.
- 5.73** Rather than applying the freeze only to specified freight hauliers, it has been extended to the wider Warehousing Buildings and Land category. As a result, some businesses outside the intended target group will also benefit, although some of these businesses may be consistent with the wider policy intention of supporting the retail and hospitality sectors. The application of the freeze will be monitored and may be refined through the 2028 Budget.
- 5.74** The Policy & Resources Committee recognises that TRP tariffs for commercial properties, particularly offices, have increased significantly in recent years. Therefore, **it is recommended that, for 2027, tariffs for commercial buildings and land increase by inflation only, at 4.3%.** [Proposition 12]. This excludes the categories

subject to the agreed Tax Reform freeze and commercial car-parking land, for which separate proposals apply.

Commercial Car Parking

- 5.75** The car parking land (L6.1) TRP category applies to both open land used for car parking and land associated with purpose-built car park structures.
- 5.76** A ten-fold increase in the TRP tariff for car parking land was approved in the 2024 Budget and implemented over 2024 and 2025. However, the tariff remained relatively low, particularly given the lower economic productivity of car parking land compared with developed parking structures. Accordingly, the 2026 Budget increased the tariff by a further 35% to £7.42 per unit.
- 5.77** The Committee *for the* Environment & Infrastructure is planning to introduce a workplace parking levy for implementation between 2029 and 2032. This is intended to encourage more efficient use of workplace car parking while recognising the benefit received by those with access to such parking. The Policy & Resources Committee is supportive of this future development.
- 5.78** However, there remains a case for further increases in the TRP rates for car parking land. Despite the recent tariff uplifts, TRP revenue from this category remains relatively low, generating only £46,000 in 2026. The Policy & Resources Committee **recommends an increase in TRP tariff for L6.1 Garage and parking (non-domestic) land to £8.53 per TRP unit, a 15% increase compared to the 2026 rate.** [Proposition 12].
- 5.79** The 2027 Budget Estimate for Commercial TRP is £29.3m (2026 £28.2m).

Domestic TRP

- 5.80** In 2015, the States resolved⁷ that between 2016 and 2025, domestic TRP rates should increase by no more than 7.5% a year in real terms. This is equivalent to an aggregate increase in rates of 106% above inflation over the 10-year period.
- 5.81** Accordingly, TRP rates were increased by 7.5% above inflation (as measured by the change in Guernsey RPIX) each year up to and including 2020. Since then, the basic increase has generally been in line with RPIX, but with a scaled premium applied to properties with higher TRP ratings in each of 2020, 2023 and 2024. In 2025, all rates were increased by forecast RPIX only, and in 2026 all rates were increased by 8.3% (RPIX plus 5%).
- 5.82** Overall, the unit rate applicable to the largest properties increased by 260% more than inflation between 2016 and 2026, well in excess of the maximum of 7.5% a year agreed by the States in 2015. The TRP payable on the very largest properties in Guernsey is

⁷ Billet d'État IV of 2015, Resolution 36

now significantly higher than would be payable under UK council tax arrangements.

5.83 In comparison, TRP for the smallest properties increased by just 35% in real terms between 2016 and 2025, equivalent to a real-terms increase of around 2.9% a year. This is significantly lower than the maximum increases that the States resolved to apply in 2015.

5.84 Given the changes under wider tax reform, the Policy & Resources Committee is not recommending a significant restructure for 2027. Furthermore, as the rate of TRP for larger properties has increased by substantially more than agreed in 2015 and is now higher than UK council tax rates on equivalent properties, it is proposed that a simple flat rate RPIX increase is applied to all TRP bands for 2027.

5.85 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2027 are increased by RPIX (4.3%).** [Proposition 12].

5.86 Table 8 illustrates the proposed tariffs to be applied for 2027:

TRP of Property	2026 Tariff per Property Unit	2027 Tariff per Property Unit	Range of TRP payment per Property
0-99	£2.25	£2.35	up to £233
100-149	£2.32	£2.42	£242 - £361
150-199	£2.38	£2.48	£372 - £494
200-299	£3.13	£3.26	£652 - £975
300-399	£3.94	£4.11	£1,233 - £1,640
400-499	£4.85	£5.06	£2,024 - £2,525
500+	£5.98	£6.24	£3,120 or more

Table 8

5.87 The 2027 Budget estimate for domestic TRP is £15.5m (2026 £14.8m).

Enhanced TRP

5.88 In recent years, the application of higher TRP rates have been considered for several categories, namely:

- Properties left unoccupied
- Development sites where progress has stalled
- Derelict glasshouses and their associated land

5.89 Although such measures were proposed in the 2024 Budget, they were ultimately not adopted because of the difficulty in making the proposals workable. These matters have since been revisited during the budget preparations for 2025 and 2026. While no new proposals have been brought forward at this time for the same reason, the

Policy & Resources Committee remains committed to exploring potential solutions which address unoccupied properties, derelict glasshouses⁸ and land banking.

- 5.90** The Policy & Resources Committee also wishes to examine possible measures that incentivise owners to address derelict commercial properties, with a particular focus on derelict hotel sites, given their prominence and visibility.
- 5.91** The Policy & Resources Committee will be guided by ongoing policy work in these areas and has been engaging with the Committees for Housing, Environment & Infrastructure, Economic Development and the Development & Planning Authority on these matters.
- 5.92** Regarding unoccupied properties, the Committee *for* Housing does not consider there to be a large number of empty homes, recognising that some are empty for a good reason. Given the high level of resource that would be required to identify and classify unoccupied homes, as well as concerns about government intervention into household affairs, it is not prioritising further work on vacant properties at this time.
- 5.93** The Committee *for* Housing is working with landowners and developers to help move housing projects forward and has indicated that this approach is producing positive results. Although it recognises that TRP measures could potentially be used in the future to encourage development, it does not currently support introducing penalties or higher charges for undeveloped sites.
- 5.94** The Committee *for the* Environment & Infrastructure is not currently undertaking specific work on derelict glasshouse sites but may consider the issue following more detailed consideration in 2027 of a biodiversity net gain policy for Guernsey.
- 5.95** Work has also been undertaken to facilitate the disposal of contaminated soil at landfill, where permitted under planning rules, with the aim of reducing development costs for derelict glasshouse sites.
- 5.96** With regards derelict hotel sites the DPA has powers under the Land Amenity Improvement Ordinance⁹ and are understood to have focused effort on one or two high profile sites to date.
- 5.97** The Policy & Resources Committee will continue to engage with principal committees and the DPA as policies in these areas are developed, before determining whether to recommend the introduction of enhanced TRP rates in future budgets.

Document Duty and Anti-Avoidance Duty

⁸ Deputy Burford declared an interest and abstained from decisions relating to Glasshouses.

⁹ Under Section 46 of the planning law the DPA has the power to tackle sites that “negatively affect the amenity of its surroundings” by issuing civil notices. The DPA’s powers are limited to commercial properties. This was agreed by the States in March 2023.

5.98 Document duty thresholds were reviewed and amended in 2025 to take account of inflation since they had previously been reviewed in 2019. In addition, a new threshold for transactions over £5,000,000 was introduced, with the duty rate set at 7%.

5.99 No changes were made to document duty in the 2026 Budget, other than the removal of the additional 2% rate on conveyances of non-Principal Private Residences that had been introduced in the 2023 Budget. This change was made to avoid placing further pressure on an already challenging rental market.

5.100 Current thresholds and rates are shown in the table below:

Lower Threshold	Upper Threshold	Document Duty rate
-	300,000	2.25%
300,000	500,000	3.50%
500,000	950,000	4.00%
950,000	1,250,000	4.25%
1,250,000	2,500,000	4.50%
2,500,000	5,000,000	5.50%
5,000,000	-	7.00%

Table 9

5.101 Historically, document duty thresholds have been reviewed periodically in order to avoid fluctuations caused by short-term inflation movements and any knock-on impact of such changes in the property market. As thresholds were last reviewed for the 2025 budget it is anticipated that they will not be reviewed again until the 2029 budget. At that time four years of inflation can be considered.

5.102 The Policy & Resources Committee consulted with the Committee *for* Housing on document duty, given the cross over with their mandate. The Committee *for* Housing has recommended that a higher rate of document duty should be considered, and the Policy & Resources Committee will review this as part of the development of the 2028 Budget.

5.103 The Policy & Resources Committee notes that very few property transactions take place at the highest values. Over the last five years (since 2021), there have been, on average, only:

- I. 7 transactions per year with a property value above £5m
- II. 3 transactions per year with a property value above £7m
- III. 2.5 transactions per year with a property value above £8m.

Because the number of such transactions is small and can vary significantly from year

to year, it would be difficult to accurately estimate or predict the amount of revenue that could be raised from introducing higher charges or taxes at these levels.

- 5.104** The Committee *for* Housing advised that it is developing a phased package of measures to assist first-time buyers and young homeowners into home ownership, addressing both supply and demand.
- 5.105** Detailed work is underway to assess how a range of options could be implemented and appropriately targeted towards those in greatest need. Careful consideration is required to ensure that any interventions do not exacerbate house price inflation in an already challenging housing market. Any measures brought forward are therefore intended to be phased in alongside increases in housing supply. The Policy & Resources Committee will continue to work with the Committee *for* Housing on these matters, including consideration of whether proposals should be brought forward as part of the 2028 Budget.
- 5.106** Document duty receipts are among the most volatile sources of income within the budget, reflecting fluctuations in both the value and volume of property transactions. Budgeted income from document duty and Anti-Avoidance Duty in 2026 was £24.7m. Current forecasts indicate income of £29.9m, £5m above budget, driven in part by an exceptionally large transaction and a higher volume of market activity, with total property transactions to the end of July 2026 running 5% above the equivalent period in 2025.
- 5.107** The estimated income from document duty and Anti-Avoidance Duty in 2027 is £30.6m (2026 budget £24.7m). The estimate assumes that transaction volumes remain broadly consistent with the levels observed during 2025 and 2026, and that property price growth returns to rates in line with inflation expectations. It also excludes the impact of an exceptionally high-value transaction that occurred in mid-2026.

Scheme to encourage downsizing

- 5.108** The scheme to encourage downsizing was introduced in the 2023 Budget. The first £0.5m of the property being purchased by the downsizer is charged at 0% document duty, subject to certain conditions being met. The maximum available relief is £13,750.
- 5.109** The 2025 Budget Report stated that downsizing relief should be continued for two more years until the end of 2026, and in the 2026 Budget Report it was reported that it should be reconsidered at the time of setting the 2027 Budget.
- 5.110** This has now been reviewed by the Policy & Resources Committee. The transactional data shows that the downsizing relief scheme is being utilised, and between 4% to 5% of property conveyances per annum have benefitted from downsizing relief. However, there is no way of capturing data on how many transactions were directly influenced by the availability of the relief, as opposed to those that would have proceeded anyway.

- 5.111** In considering downsizing relief, the Policy & Resources Committee has considered its role in support of housing policy. The 2024 update of the Guernsey Housing Plan states: *The island's population projections evidence an urgent need to address older people's housing. Through downsizing, this in turn could support housing market movements throughout the housing chain by freeing up larger properties for second-time movers and/or families currently struggling to access a larger sized property to match their housing requirements'.*
- 5.112** More recently in May 2025 arc4 published their report titled 'Understanding the appetite and barriers to rightsizing in Guernsey'. The paper highlighted a structural issue in Guernsey's housing market:
- High under-occupancy, especially among older households
 - Over half of pensioner households have 2+ spare bedrooms
 - Shortage of family-sized homes
- 5.113** A conclusion of that report was that some older residents may want to downsize but that emotional, practical and financial barriers may prevent them doing so. In terms of the financial costs the report stated: *"High legal fees, document duties, and estate agent costs make downsizing financially unappealing. In some cases, smaller properties cost as much, or more, than the current home, reducing the financial benefits of moving and discouraging rightsizing altogether."* The report cited research by Public Health England which *'suggests that offering financial incentives, such as tax relief on property transactions or subsidies for moving costs, could encourage more older adults to consider rightsizing.'*
- 5.114** A key practical barrier highlighted was the shortage of suitable smaller homes including high-quality apartments and bungalows or accessible housing. Therefore, despite downsizing being incentivised, Guernsey homeowners may not be able to move. With an ageing population this problem is like to be exacerbated.
- 5.115** The Committee for Housing has made increasing the supply of new homes its priority, as shared in its May 2026 general update to the Assembly. It aims to support the delivery of housing provision and to work with both the States and private sector to boost development, although there was no explicit mention of downsizing.
- 5.116** The downsizing relief is intended to reduce the under-utilisation of housing stock and facilitate greater mobility within the property market. However, given the ongoing constraints on housing supply, the extent to which it will create additional opportunities for first-time buyers remains uncertain. While individual downsizing transactions may initiate chains of property moves, there is a risk that downsizers will compete for the same bungalows, apartments and smaller homes sought by first-time buyers and other younger households, thereby increasing demand within that segment of the market.
- 5.117** The Policy & Resources Committee has concluded that, while increasing the supply of suitable properties is likely to be the most significant factor in encouraging downsizing,

the relief is nonetheless likely to be having a positive effect. Removing the relief could reduce the financial incentive to downsize, potentially leading to fewer downsizing transactions and a greater number of larger homes remaining under-occupied.

- 5.118** The Policy & Resources Committee **recommends that the downsizing relief scheme is continued for 2027** [Propositions 13 & 14].

Vehicle First Registration Duty

- 5.119** Vehicle First Registration Duty (VFRD) was introduced in 2016 and applies to new and second-hand vehicles when registered in Guernsey for the first time.
- 5.120** The Committee *for the* Environment & Infrastructure has been invited to provide specific input into this process to ensure that both its policy objectives and the overall revenue position of the States are appropriately considered. It has advised that, given the ongoing review of transport taxation, including the proposed Annual Vehicle Ownership Charge, which is not expected to be introduced before 2028, it does not recommend any changes as part of the 2027 Budget.
- 5.121** The Committee *for the* Environment & Infrastructure recommended increasing rates in line with inflation in 2027, provided that the wider Tax Reform proposals were approved. If those proposals had not been approved, the Committee would have supported a modest increase above the rate of inflation instead.
- 5.122** The Policy & Resources Committee is **recommending that 2027 Vehicle First Registration Duty Rates are increased by forecast RPIX (4.3%)**, as detailed in The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2026. [Proposition 15].
- 5.123** The 2027 Budget estimate for VFRD is £2.5m (2026 £2.7m).

Real-Terms Revenue Raising

- 5.124** The 2027 Budget results in an increase in real-term revenue of £3.4m, compared with £1.2m in 2026. However, most of this additional revenue is expected to come from the proposed corporate tax changes included in the Tax Reform package and the previously approved duty on vaping liquids.
- 5.125** For excise duties, declining consumption volumes have more than offset the impact of the proposed real-terms increases in duty rates. Other measures reducing revenue include increases in both the limit for tax-free charitable giving and the bank interest tax exemption, as well as the proposed freeze in TRP tariffs for the Hospitality, Retail and Warehousing sectors.

5.126 These revenue reductions are more than offset by additional revenue-raising measures, including: a reduction in mortgage interest relief for Principal Private Residences (£1.0m); a real-terms reduction in the income threshold at which personal allowances begin to be withdrawn (£0.8m); and an increase in the Open Market Tax Cap (£0.2m).

Budget Measure	2027 Real-terms increase/(decrease) (£m)
Continued withdrawal of mortgage interest relief on Principal Private Residences	1.0
Retain limit for withdrawal of Personal Allowances	0.8
Open Market Tax Cap	0.2
Bank Interest Exemption	(0.2)
Charitable Giving upper limit	(0.4)
TRP freeze on Hostelry, Retail and Warehousing	(0.3)
Excise Duties including volume reductions and tap relief	(0.8)
Sub Total: measures proposed in the 2027 Budget	0.3
Excise Duty on Vaping Liquid	0.6
Extension of 10% corporate tax rate	2.5
Total including Budget 2026 and Tax Reform measures	3.4

Table 10

SECTION 6

EXPENDITURE PROPOSALS



6. Expenditure Proposals

2027 Budget Setting Process

- 6.1** Setting the 2027 expenditure budgets has been particularly challenging given the uncertainty surrounding the long-term sustainability of the States' finances. In addition, the States has resolved to achieve a 1% savings target over the period 2027 to 2029, with all committees and States' Members expected to contribute to its delivery.
- 6.2** The approach to setting expenditure budgets was revised for 2027. Unlike in previous years, indicative cash limits were not issued to committees and service areas at the outset of the process. Instead, budget submissions were required to demonstrate how the savings target would be achieved and to provide justification for the full level of expenditure proposed.
- 6.3** This approach was intended to encourage a more fundamental review of existing expenditure and service delivery, rather than placing disproportionate emphasis on new spending proposals and incremental funding requests, as has often been the case in previous budget cycles.
- 6.4** Budget discussions between the Policy & Resources Committee and other committees have focused more extensively on baseline expenditure, service priorities and opportunities to deliver savings, rather than primarily considering the incremental funding requests that have been the focus of previous budget rounds.
- 6.5** Significant savings have been identified, with £5m of the £6.8m savings target for 2027 reflected in the budget submissions. Notably, the Committee *for* Health & Social Care has identified savings of £2.3m, while Corporate Services has identified savings of £0.5m. The Committee *for* the Environment & Infrastructure, the Policy & Resources Committee, the Committee *for* Economic Development, the States' Trading Supervisory Board and the Development & Planning Authority have all exceeded their individual savings targets and in addition the Committee *for* Employment & Social Security exceeded its savings target for non-formula-led expenditure[†], delivering savings £0.6m above target in aggregate.
- 6.6** However, demand for public services has continued to increase and in total, committees and service areas submitted expenditure bids that exceeded the target by £33m. The target incorporated the 1% savings requirement, together with inflationary uplifts for income and non-pay expenditure based on an assumed inflation rate of 4.3%, calculated using a four-quarter rolling average. While it is clear that these requests cannot be accommodated in full within the resources available, they highlight the significant pressures facing public services, driven by demographic change, the cost-of-living environment and other service delivery challenges.

- 6.7** During the budget meetings held in August and September, each committee and service area provided clear and robust justification for its budget submission. The submissions were generally well considered, well-structured and supported by a compelling case for funding. This reinforced the Policy & Resources Committee's view that, if the States Assembly wishes to adhere to its existing Resolution requiring the delivery of a 1% savings target, the most equitable approach would be to apply that requirement consistently across all committees. Accordingly, the Policy & Resources Committee has prepared its core budget proposal (**Option A**) on the basis of the extant Resolution, including delivery of the 1% savings target.
- 6.8** However, through the budget setting process, it has become clear that achieving the 1% savings target will present a significant challenge in 2027. The Policy & Resources Committee considers that any decision to approve expenditure above the previously agreed target should properly rest with the States Assembly, given that the 1% savings target was established through a States Resolution. However, the Committee does not believe that a series of amendments from individual committees seeking increases to the **Option A** budget would represent an efficient or transparent means of reaching such a decision.
- 6.9** Furthermore, a budget based on a 1% real-terms reduction that is subsequently amended through multiple spending increases could ultimately result in a higher level of expenditure than a coherent alternative proposal considered by the States at the outset.
- 6.10** The Policy & Resources Committee has therefore presented (**Option B**) as an alternative expenditure proposal, enabling the States to consider a coherently thought through alternative.
- 6.11** Under **Option A**, committee and service areas' proposed budgets include the 1% saving and inflation for income and non-pay cost, calculated as 4.3% based on a four-quarter rolling average. They have also been adjusted for previously agreed one-off and cyclical expenditure. The Policy & Resources Committee recognises the very real pressures that this will put on services of the States of Guernsey.
- 6.12** The **Option B** expenditure proposal has been prepared based on a prioritisation exercise of the budget submissions and is £15.7m higher than the target expenditure level. It is consistent with the established budget-setting process under which the Policy & Resources Committee considers funding requests and makes recommendations to the Assembly. Appendix 2 provides further details and how this option would change the overall financial position for 2027.
- 6.13** If the States chooses **Option B**, the Policy & Resources Committee asks the States' Assembly to consider amending the Government Work Plan Resolution relating to the delivery of expenditure savings. The Policy & Resources Committee remains fully committed to achieving the expenditure savings identified in the Resolution. However, it recognises that the delivery of sustainable and recurring savings on this scale requires a structured, evidence-based approach across all service areas.

- 6.14** In addition, while the Resolution seeks delivery of the target savings during the period 2027 to 2029, the Policy & Resources Committee considers that this timeframe may not be sufficient to allow for the development, assessment and implementation of the changes required.
- 6.15** The delivery of savings is closely linked to the ongoing implementation of priority-based budgeting, which has already demonstrated positive outcomes in identifying opportunities for improved value for money and resource allocation. Extending this approach across all service areas will take time but is essential to ensure that savings are sustainable and do not adversely affect the delivery of key public services.
- 6.16** Amending the Resolution to provide a more realistic approach to achieve the target savings while maintaining the commitment to deliver them in full will ensure the States remains accountable for its delivery.
- 6.17** If the Assembly chooses to agree expenditure **Option B**, the Policy & Resources Committee **is recommending that Resolution 10¹⁰ of Billet d'État No II, 2026 is replaced with the following** : [Proposition 17]
- "To direct the Policy & Resources Committee, working with all committees and service areas, to continue to identify and implement recurring expenditure savings with a cumulative value by 2029 (or as soon as possible thereafter, recognising that savings need to be sustainable and deliverable without undermining agreed service outcomes) of £20 million each year (with 2026 as the baseline year) through a structured programme including priority-based budgeting and other savings and efficiency measures, and to report annually on progress in the annual budget."
- 6.18** Committees are responsible for determining how best to allocate the budgets approved by the States across their respective mandates, and whether the States agrees **Option A** or **Option B** this work will need to be undertaken immediately following the budget debate. The Policy & Resources Committee encourages all committees to consider how agreed priorities can be delivered within their approved budgets through a combination of service reprioritisation, efficiency improvements and more effective use of existing resources.
- 6.19** Budget provisions are included within the proposed Budget Reserve to provide for unsettled pay awards, the Government's strategic initiatives, and other emerging in-year cost pressures.
- 6.20** The Policy & Resources Committee has also included a 'Spend-to-Save' provision within the proposed Budget Reserve and is proposing that a portion of existing Routine Capital funding be allocated to a new category for Spend-to-Save projects.

¹⁰ "To direct the Policy & Resources Committee to incorporate into the Funding and Investment Plan[†], in consultation with all committees, a structured public service efficiency programme that targets a 1% real-terms annual reduction in baseline public expenditure for the years 2027,2028, and 2029 (with 2026 as the baseline year)".

This will enable investment in measures that generate future savings, such as improvements to systems and business processes.

- 6.21** Under **Option A**, the total Net Committee Expenditure budget for 2027, which includes formula-led costs and the Budget Reserve, is a £22.4m (3.3%) year-on-year increase compared to the 2026 Authorised Budget. **Option A** therefore meets the 1% savings target.
- 6.22** Under **Option B**, an extra £12.4m would be allocated to committees and service areas, together with an additional £3.4m in the Budget Reserve. Taking account of these amounts, as well as formula-driven cost increases, the total Net Committee Expenditure budget for 2027 would be £38.1m (5.6%) higher than the 2026 Authorised Budget. As a result, **Option B** would fail to achieve the 1% savings target and would instead lead to a real-terms increase in expenditure of 1.3%.

Recommended Committee Net Expenditure Budgets

- 6.23** The **Option A** and **Option B** budgets for 2027 are set out in Table 11. The table also includes the proposed Budget Reserve provisions, resulting in a total Committee Net Expenditure Budget of £700m under **Option A** and £716m under **Option B**, compared with £678m in 2026.
- 6.24** In addition, the Total Net Expenditure estimates include £5m for the proposed scheme to fund economic growth initiatives, as outlined in Section 6 paragraphs 6.98-6.109 of this report. This proposed £15m multi-year funding allocation remains subject to approval by the States. The 2026 Budget estimate also included £5m for this initiative; however, as the scheme had not yet been developed, the estimated expenditure was offset against Pillar 2 income.
- 6.25** It is important to note that these are Net Committee Expenditure Budgets and so represent committee expenditure net of operating income.
- 6.26** Further explanations of the funding allocated to individual committees are not included in the Budget Report, as both **Option A** and **Option B** represent expenditure limits rather than detailed, bottom-up budget proposals. It will be for committees to determine how best to allocate the budgets approved by the States across their respective mandates.
- 6.27** Table 11 compares the proposed 2027 Net Committee Expenditure Budgets alongside the 2026 'Authorised Budget':
- The Original Budget for 2026 approved by the States was £678.0m, comprising £663.6m allocated to individual committees, £16.9m allocated to the Budget Reserve and savings target of £2.5m.
 - Throughout the year, the Original Budget is updated to reflect approved funding releases from the Budget Reserve provision, as well as agreed inter-committee

transfers and savings. These adjustments form the Authorised Budget.

	Note	OPTION A 2027 Revenue Budget £'000s	OPTION B 2027 Revenue Budget £'000s	2026 Authorised Budget £'000s	OPTION A Year on Year Increase/ (Decrease)	OPTION B Year on Year Increase/ (Decrease)
Policy & Resources	1	14,673	15,834	15,304	(4.1%)	3.5%
Corporate Services	2	96,348	98,158	95,688	0.7%	2.6%
Economic Development	3	11,567	11,959	12,728	(9.1%)	(6.0%)
Education, Sport & Culture	4	96,001	97,606	96,536	(0.6%)	1.1%
Employment & Social Security	5	4,674	4,674	4,593	1.8%	1.8%
Environment & Infrastructure	6	17,765	17,765	17,848	(0.5%)	(0.5%)
Health & Social Care	7	267,525	270,644	265,250	0.9%	2.0%
Home Affairs	8	45,037	46,695	45,752	(1.6%)	2.1%
Housing	9	9,586	9,726	9,387	2.1%	3.6%
Scrutiny Management		623	623	626	(0.5%)	(0.5%)
States' Assembly & Constitution	10	129	128	128	0.8%	-
Development & Planning	11	1,350	1,350	1,430	(5.6%)	(5.6%)
Overseas Aid & Development	12	6,203	6,246	5,608	10.6%	11.4%
States' Trading Supervisory	13	1,631	1,631	1,924	(15.2%)	(15.2%)
Royal Court	14	2,707	2,862	2,823	(4.1%)	1.4%
Law Officers	15	8,184	8,224	8,254	(0.8%)	(0.4%)
Pooled Budgets [†]	16	1,240	1,248	1,248	(0.6%)	-
Total Non-Formula-Led		585,243	595,373	585,127	-	1.8%
Policy & Resources	17	2,364	2,364	2,288	3.3%	3.3%
Employment & Social Security	18	86,088	88,310	83,338	3.3%	6.0%
Total Formula-Led		88,452	90,674	85,626	3.3%	5.9%
Committee Net Expenditure Budgets		673,696	686,047	670,753	0.4%	2.3%
Budget Reserve including GWP Initiatives		26,720	30,100	9,788	n/a	n/a
Savings to be Delivered		-	-	(2,500)	n/a	n/a
Total Committee Net Expenditure		700,415	716,147	678,041	3.3%	5.6%
Economic Growth Initiatives		5,000	5,000	-	n/a	n/a
Total Net Expenditure		705,415	721,147	678,041	n/a	n/a

Table 11

6.28 Policy & Resources Committee (Note 1) – Policy & Resources would receive a budget of £14.7m under **Option A**, a reduction of £0.6m (4.1%) compared with 2026. The reduction partly reflects the removal from the baseline of £0.8m of non-recurring

expenditure approved in 2026. In addition, pay costs account for around 80% of net expenditure, with provision for pay inflation held separately within the Budget Reserve.

- 6.29** Under **Option B**, the budget would increase to £15.8m, which is £1.2m higher than Option A and £0.5m (3.5%) higher than the 2026 Authorised Budget.
- 6.30 Corporate Services (Note 2)** – Corporate Services are those provided to, and on behalf of, the entire organisation. This service comprises: Assurance and Risk; Communications; Finance; Human Resources; Digital & Technology; Insurance; Procurement; Property Services; Customer Hub; and Tribunal Services.
- 6.31** Corporate Services would receive a budget of £96.3m under **Option A**, an increase of £0.7m (0.7%) compared with the 2026 Authorised Budget. The increase is below the inflation less 1% target of 3.3%, primarily because around half of the budget comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve.
- 6.32** Under **Option B**, the budget would increase to £98.2m, which is £1.8m higher than **Option A** and £2.5m (2.6%) higher than the 2026 authorised budget.
- 6.33 Committee for Economic Development (Note 3)** – Economic Development would receive a budget of £11.6m under **Option A**, representing a reduction of £1.2m (9.1%) compared with the 2026 Authorised Budget. This is a reduction compared to the 2026 Budget owing partly to £1.2m of non-recurring funding approved in 2026 being removed from the baseline expenditure. In addition, pay costs account for just under half of net expenditure, with provision for pay inflation held separately within the Budget Reserve.
- 6.34** Under **Option B**, the budget would increase to £12.0m, which is £0.4m higher than **Option A** and £0.8m (6.0%) lower than the 2026 Authorised Budget.
- 6.35 Committee for Education, Sport & Culture (Note 4)** – Education, Sport & Culture would receive a budget of £96.0m under **Option A**, a reduction of £0.5m (0.6%) compared with 2026. A significant portion of the net expenditure comprises pay costs for which provision for inflation has been made separately within the Budget Reserve. In addition, non-recurring expenditure of £130k has been removed from the baseline.
- 6.36** Under **Option B**, the budget would increase to £97.6m, which is £1.6m higher than **Option A** and broadly unchanged from the 2026 Authorised Budget, representing an increase of 1.1%
- 6.37 Committee for Employment & Social Security (Note 5)** – Note this is the non-formula-led costs only. Formula-led costs are considered separately in Note 18.
- 6.38** Employment & Social Security would receive a budget of £4.7m for its non-formula-led costs under both **Option A** and **Option B**, an increase of £0.1m (1.8%) compared with the 2026 Authorised Budget.

- 6.39** The increase is below the inflation less 1% target of 3.3%, primarily because around 60% net expenditure comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve.
- 6.40 Committee for the Environment & Infrastructure (Note 6)** – Environment & Infrastructure would receive a budget of £17.8m under both **Option A** and **Option B**, representing a reduction of £0.1m (0.5%) compared with the 2026 Authorised Budget.
- 6.41** The increase is below the inflation less 1% target of 3.3%, primarily because around 25% of net expenditure comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve.
- 6.42 Committee for Health & Social Care (Note 7)** – Health & Social Care would receive a budget of £267.5m under **Option A**, an increase of £2.3m (0.9%) compared with 2026. The increase is below the inflation less 1% target of 3.3% because around 60% of net expenditure comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve.
- 6.43** Under **Option B**, the budget would increase to £270.6m, which is £3.1m higher than Option A and £5.4m (2.0%) higher than the 2026 Authorised Budget.
- 6.44 Committee for Home Affairs (Note 8)** – Home Affairs would receive a budget of £45.0m under **Option A**, a reduction of £0.7m (1.6%) compared with 2026. Most of the net expenditure for Home Affairs comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve. In addition, £0.4m of non-recurring funding approved in 2026 has been removed from the baseline expenditure.
- 6.45** Under **Option B**, the budget would increase to £46.7m, which is £1.7m higher than Option A and £0.9m (2.1%) higher than the 2026 Authorised Budget.
- 6.46 Committee for Housing (Note 9)** – Housing would receive a budget of £9.6m under **Option A**, an increase of £0.2m (2.1%) compared with 2026. The increase is below the inflation less 1% target of 3.3% because around 25% of net expenditure comprises pay costs, for which provision for inflation has been made separately within the Budget Reserve.
- 6.47** Under **Option B**, the budget would increase to £9.7m, which is £0.1m higher than Option A and £0.3m (3.6%) higher than the 2026 Authorised Budget.
- 6.48 States' Assembly & Constitution (Note 10)** – States' Assembly & Constitution Committee would receive a budget of £0.1m under **Option A**, broadly unchanged from 2026.
- 6.49** Under **Option B**, the budget would remain the same as under **Option A**.

- 6.50 Development & Planning Authority (Note 11)** – Development & Planning Authority would receive a budget of £1.4m under both **Option A** and **Option B**, representing a reduction of £0.1m (5.6%) compared with the 2026 Authorised Budget.
- 6.51** Excluding pay costs, the DPA generates net income. Consequently, applying inflation to non-pay costs and income reduces its net budget.
- 6.52 Overseas Aid & Development Commission (Note 12)** – Overseas Aid & Development Commission would receive a budget of £6.2m under both **Option A** and **Option B**, an increase of £0.6m (10.6%) compared with 2026.
- 6.53** An additional £400k has been included in both options. This is the continuation of additional funding towards achieving the States' Resolution from the Overseas Aid & Development Commission's policy letter titled 'Our Place in the World: The next ten years of overseas aid in Guernsey'¹¹. It was agreed "that the States of Guernsey should adopt a target for its overseas aid giving of 0.2% of GDP by 2030....". It is estimated that continuation of a real-terms increase of £400k for each of the years up to 2030 inclusive would achieve this target.
- 6.54 States' Trading Supervisory Board (Note 13)** – States' Trading Supervisory Board would receive a budget of £1.6m under both **Option A** and **Option B**, representing a reduction of £0.3m (15.2%) compared with the 2026 Authorised Budget.
- 6.55** Excluding pay costs, the States' Trading Supervisory Board generates net income. Consequently, applying inflation to non-pay costs and income reduces its net budget.
- 6.56** In addition, non-recurring spend of £238k agreed during the year from the 2026 Budget Reserve for Alderney runway repairs is not in the baseline.
- 6.57 Royal Court (Note 14)** – Royal Court would receive a budget of £2.7m under **Option A**, a reduction of £0.1m (4.1%) compared with 2026. Excluding pay costs, the Royal Court generates net income. Consequently, applying inflation to non-pay costs and income reduces its net budget.
- 6.58** Under **Option B**, the budget would increase to £2.9m, which is £0.2m higher than Option A and 1.4% higher than the 2026 Authorised Budget.
- 6.59 Law Officers' Chambers (Note 15)** – Law Officers' Chambers would receive a budget of £8.2m under **Option A**, a reduction of 0.8% compared with 2026. Most of the net expenditure relates to pay costs for which provision for inflation has been included in the Budget Reserve.
- 6.60** Under **Option B**, the budget would increase marginally, reducing the year-on-year decrease to 0.4%.

¹¹ [Billet d'État XIII, 2019](#)

- 6.61 Pooled Budgets (Note 16)** – Pooled Budgets would receive a budget of £1.2m under **Option A**, a reduction of 0.6% compared with 2026. Approximately 90% of the net expenditure is pay costs, for which provision for inflation has been included in the Budget Reserve.
- 6.62** Under **Option B**, the budget would remain at £1.2m, unchanged from the 2026 Authorised Budget.
- 6.63 Formula-Led Policy & Resources (Note 17)** – This budget primarily relates to States' Members' remuneration and associated costs, which are treated as Formula-Led expenditure.
- 6.64** Policy & Resources would receive a Formula-Led budget of £2.4m under **Option A**, an increase of £76k (3.3%) compared with the 2026 Authorised Budget.
- 6.65** In February 2026, the Assembly agreed that States Members' pay would be increased each 1 July by using the RPIX figure from the previous March. Half of the inflation in 2027 is therefore already known as 2026 March RPIX was 4%.
- 6.66 Formula-Led Social Security (Note 18)** – This budget relates to non-contributory benefits[†] such as Legal Aid, Family Allowances, Severe Disability Benefit & Carers' Allowances and the Income Support Scheme.
- 6.67** Employment & Social Security would receive a Formula-Led budget of £86.1m under **Option A**, an increase of £2.8m (3.3%) compared with the 2026 Authorised Budget.
- 6.68** Under **Option B**, the Formula-Led budget would increase to £88.3m, which is £2.2m higher than **Option A** and £5.0m (6.0%) higher than the 2026 Authorised Budget. The additional provision reflects the prioritisation of funding for demand-led services and benefits where expenditure levels are largely driven by eligibility and claimant volumes rather than discretionary service decisions.

Spend-to-Save

- 6.69** Recognising that sustainable savings can require up-front investment, the Policy & Resources Committee is proposing a Spend-to-Save scheme from 2027. The scheme would provide controlled access to one-off funding for initiatives that deliver genuine reductions in existing expenditure through investment in technology, equipment, service redesign, energy efficiency or other changes.
- 6.70** Proposals would need to demonstrate recurring and sustainable savings to the approved expenditure baseline, rather than cost avoidance. While no mandatory payback period is proposed, initiatives would normally be expected to begin delivering savings within two calendar years.

- 6.71** Each proposal would require a proportionate business case setting out the investment and expenditure profile, expected savings and their timing and certainty, delivery risks and dependencies, required capacity and capability, accountable ownership, and how delivery and savings would be measured. Proposals must also align with the States' priorities and demonstrate public value for money.
- 6.72** Funding would be provided through the route appropriate to the nature and scale of the initiative. Capital proposals could be funded through the existing Routine Capital Allocations and would remain subject to the established governance and approval arrangements. Revenue proposals, such as temporary resources required to redesign a service or change a process, could be funded from the in-year Budget Reserve. Proposals costing more than £3m could seek funding through the Major Projects Portfolio.
- 6.73** Expected savings would be incorporated promptly into financial planning and future committee budgets, including the appropriate part-year and full-year effects. Recurring savings would not be available for reinvestment elsewhere. Approval of funding would therefore represent a commitment by the relevant committee to deliver the savings and accept the associated future budget adjustment. Committees and service areas' finance teams would be required to monitor each approved initiative to confirm that the investment has achieved the intended outcome.
- 6.74** Many Spend-to-Save projects are expected to be capital in nature and are likely to require funding from the Routine Capital Allocations. The Routine Capital allocations for 2025-2028 agreed by the States as part of the 2025 budget included a £25m general allocation, none of which has been used at the time of writing.
- 6.75** The Policy & Resources Committee **is recommending that £5 million of the existing £25 million unallocated Routine Capital Allocations for 2025 to 2028 is designated for Spend-to-Save projects** [Proposition 18].
- 6.76** In addition, an allowance of £1m for Spend-to-Save initiatives which are not Routine Capital projects has been included in the proposed 2027 Budget Reserve.

Budget Reserve

- 6.77** The Budget Reserve is a centrally held allocation that may be transferred to individual committees during the financial year. It provides for expenditure expected to arise in year where, at the time the budget is prepared, there is insufficient certainty to determine the amount required by each committee. The 2027 pay awards are an example of expenditure for which provision has been made within the Budget Reserve.
- 6.78** The Budget Reserve is also used to manage overall budget contingencies and address one-off, unforeseen or other in-year cost pressures.

6.79 Under **Option A**, the Budget Reserve would need to be £26.7m, to achieve the 1% expenditure reduction target. Under expenditure **Option B**, a 2027 Budget Reserve of £30.1m is proposed (2026 original budget: £16.9m). The proposed reserve includes:

- provision for the 2026 and 2027 pay awards, which have not yet settled;
- provision to increase Established Staff budgets should vacancy levels be lower than the assumed rate of 7%;
- a general provision for variations in formula-led expenditure, increases in the cost of or demand for services beyond the amounts included in Net Committee Expenditure budgets, and other unforeseen, contingency or emergency expenditure for which there is a clear business case;
- provision for expenditure for Government Work Plan actions;
- provision for the Revenue Impact of Capital Expenditure (RICE)[†] arising from Routine Capital IT projects; and
- provision for Spend-to-Save initiatives that do not qualify as Routine Capital projects.

6.80 Under expenditure **Option A** committees would have less funding available to support their priorities and the Budget Reserve would have reduced capacity to manage pay awards, Government Work Plan expenditure and other cost pressures.

6.81 If a request for funding is approved by the Policy & Resources Committee in-year, the Committee's 'Authorised Budget' will increase in line with the approval.

6.82 In considering requests for funding from the Budget Reserve, the Policy & Resources Committee will take into account affordability in 2027 and future years. It is expected that committees will first undertake a comprehensive review of their existing budgets to reprioritise and accommodate any additional expenditure before seeking supplementary funding from the Budget Reserve.

Priority-Based Budgeting

6.83 The Policy & Resources Committee is progressing the introduction of priority-based budgeting across the States. This is designed to ensure that public funding is directed towards the services and outcomes that matter most to the community, while making the best possible use of limited resources.

6.84 Priority-based budgeting differs from traditional budget setting by taking a more fundamental approach to reviewing existing expenditure. Rather than focusing primarily on year-on-year changes, it examines services in their entirety, identifies opportunities to improve the efficiency of service delivery, and assesses service-level options above the minimum required level. These options are then prioritised to

determine where services could be amended, ceased or enhanced.

- 6.85** In November 2025 the Policy & Resources Committee agreed to pilot priority-based budgeting and three areas were selected. As the States had resolved to investigate zero based budgeting in January 2026 the priority-based budgeting pilot also included a comparison to other budgeting methodologies.
- 6.86** In the first quarter of 2026, three areas were selected for the pilot: the States Property Unit, the service areas under the mandate of the Committee *for the* Environment & Infrastructure and Adult Disability Services.
- 6.87** The priority-based budgeting pilot has been delivered through three phases, each concluding with a panel review. Panel members consist of operations directors (or equivalent) and members of the Senior Leadership Team who review and challenge the proposals at each panel meeting. The first panel involved defining, describing and costing individual services within each participating area. As a result, 154 services have been identified, described and costed.
- 6.88** The second panel considers method changes. These are efficiencies that can be implemented without affecting service levels. This work has already generated savings, with one area removing four vacant posts from its 2027 Budget. In addition, 27 further method changes have been identified for consideration.
- 6.89** The third and final panel considers service level options. It begins by defining the minimum level of service required, having regard to legislative requirements, committee mandates and other relevant obligations. From this minimum position, a range of service level options is identified and assessed, with each option assigned a rating to support decisions on service rebalancing/reprioritisation or the potential withdrawal of lower-priority activities. Through the pilot, this process has identified service level options equivalent to 8.5% of the existing budget across the three participating areas.
- 6.90** The final panel meetings for States Property Unit and Environment & Infrastructure took place on the 14th September and the reports will be provided to the relevant service areas and the Policy & Resources Committee in Quarter 4. The final panel meeting for Adult Disability Services will follow once a detailed comparative analysis to other jurisdictions has been completed, which will maximise the benefit from the review.
- 6.91** The pilot has required a significant commitment of officer time and resources; however, it has already delivered valuable insights into service costs, identified opportunities for efficiencies and service redesign, and demonstrated the benefits of priority-based budgeting in supporting more informed resource allocation decisions.

- 6.92** An important feature of the approach is that it allows decision-makers to consider services through different perspectives and priorities. This can help inform discussions about where resources should be focused, how services might be improved, and whether existing ways of working continue to represent the best use of public funds.
- 6.93** While the methodology itself does not determine which options should be implemented, it provides decision-makers with evidence-based information to support future choices. The Policy & Resources Committee is continuing to develop work on the assessment and prioritisation processes needed to evaluate these opportunities and, where appropriate, support their implementation.
- 6.94** A second pilot group of service areas will commence in Quarter 1 2027 to allow for the outputs of this first pilot to be completed and reviewed without losing momentum. This review will assess how priority-based budgeting could be applied across the wider organisation, the benefits it could deliver, and the resources and support required for successful implementation.
- 6.95** The pilot programme will inform decisions on the wider rollout of the approach across government. The aim is to establish a rolling programme alongside the annual budget process that improves transparency, strengthens the focus on outcomes, and better supports the Island's long-term priorities.
- 6.96** The work forms part of a broader effort to strengthen financial planning and ensure that spending decisions are closely aligned with strategic priorities. It will also support ongoing efforts to identify efficiencies, improve value for money, and ensure services remain sustainable over the longer term.
- 6.97** The States is also exploring opportunities to support this work through service redesign, process improvement and the use of technology. Alongside priority-based budgeting, initiatives that deliver efficiencies and improve outcomes will continue to be considered where they can demonstrate clear public value.

Economic Growth Initiatives Allocation

- 6.98** The Policy & Resources Committee is considering how a proportion of future revenues arising from the OECD Pillar 2 global minimum tax framework could be reinvested to support Guernsey's long-term economic competitiveness, growth and productivity.
- 6.99** When Pillar 2 revenues were first forecast, it was assumed that up to 10% of those revenues, equivalent to approximately £5m a year, could be reinvested in initiatives to help maintain Guernsey's attractiveness and competitiveness as a place to do business.
- 6.100** The Policy & Resources Committee recommends that a total of £15m be made available for this purpose over the period 2027 to 2029. The level of funding would be reviewed once actual Pillar 2 tax receipts have been received and the associated revenues can be assessed with greater certainty.
- 6.101** The proposed funding could support projects that:
- strengthen Guernsey's position as an international finance centre,
 - improve productivity and support long-term economic growth,
 - remove barriers that prevent people from participating fully in the economy,.
 - improve the infrastructure and connectivity needed to support growth, and
 - strengthen the islands' cyber security to protect critical infrastructure, businesses and public services.
- 6.102** Projects would need to demonstrate clear economic benefits, measurable outcomes and value for money. Funding would not be used to compensate businesses for Pillar 2 tax liabilities and proposals would be assessed to ensure they comply with international Pillar 2 requirements. Funding is intended to support time-limited initiatives rather than ongoing expenditure.
- 6.103** Potential areas for investment include implementing recommendations arising from the Finance Sector Strategy 2035; supporting early years and childcare initiatives that increase workforce participation; improving air connectivity and cyber security; and funding other projects that can demonstrate clear economic benefits.
- 6.104** If the budget allocation is approved by the States, government committees, industry groups and other stakeholders will be invited to submit proposals for investment. Proposals will be assessed and prioritised against the agreed objectives, with a shortlist of schemes to be jointly approved by the Policy & Resources Committee and the Committee *for* Economic Development.
- 6.105** Proportionate business cases will be developed for shortlisted projects and reviewed by the Policy & Resources Committee to determine whether funding should be approved.

- 6.106** Approved projects will be monitored, and their progress and outcomes reported. An annual update will also be included in future budget reports, enabling States' Members and the public to see how the funding has been used.
- 6.107** While the funding will be managed as a multi-year budget allocation covering 2027 to 2029, estimated expenditure of £5m has been included in the 2027 Budget.
- 6.108** In the 2025 and 2026 Budgets, this funding was offset against the Pillar 2 income estimate. As the States is now being asked to approve the funding for 2027 to 2029, it is presented separately as expenditure. The Pillar 2 revenue estimates for 2025 and 2026 have consequently been restated on a gross basis. As no expenditure was incurred in either year, this gives rise to a one-off benefit of £10m in 2026.
- 6.109** The Policy & Resources Committee **recommends that a multi-year budget of £15 million is agreed for 2027 to 2029 to fund economic growth initiatives as set out above** [Proposition 19].

SECTION 7

OTHER ITEMS



7. Other Items

Beau Sejour Lottery Funding

- 7.1** In 2020, the States of Deliberation agreed to provide Beau Sejour Leisure Centre with up to £700,000 per year from the Channel Islands Lottery (Guernsey) Fund for three years: this arrangement originally expired at the end of 2023.¹²
- 7.2** Through each of the annual budgets for 2024, 2025 and 2026 this has been extended, a year at a time, while the Committee *for* Education, Sport & Culture has completed its Beau Sejour Sustainability Review.
- 7.3** This review has concluded that Beau Sejour delivers significant social value, estimated at no less than £1.4m annually. It also found that continued public subsidy is necessary to maintain services while longer-term options for redevelopment or rebuilding are progressed.
- 7.4** Earlier in 2026, the States prioritised the Beau Sejour Leisure Centre redevelopment or rebuild as a Major Portfolio pipeline[†] project. A Strategic Outline Case is expected to be considered by the States in 2027. In the meantime, the Centre continues to deliver important community and wellbeing benefits across the Bailiwick.
- 7.5** The Committee *for* Education Sport and Culture has requested that funding for the Centre be agreed for a five-year period, providing continuity while the future investment programme is developed and implemented. In recognition of the social value generated by the Centre, the Policy & Resources Committee has agreed that the current funding arrangement should continue.
- 7.6** The Policy & Resources Committee **recommends that funding of up to £700,000 per annum, adjusted annually for inflation but not exceeding the Centre's operating deficit, be allocated from the Channel Islands Lottery (Guernsey) Fund to support Beau Sejour Leisure Centre for the period 2027 to 2031.**
[Proposition 20].

Aurigny

- 7.7** The States of Guernsey is the sole shareholder of Aurigny, with the States' Trading Supervisory Board acting on its behalf in its capacity as shareholder.
- 7.8** Aurigny continues to face financial challenges arising from the impact of the Heathrow service and wider macroeconomic developments, including the war in Iran, higher fuel prices and weakening market demand. The resulting projected losses are reflected within 'impairment in trading entities', with provisions of £9.7m in 2026 and £5.7m in

¹² [Billet d'État No VII, 2020 Resolution 4](#)

2027. These figures are preliminary, high-level forecasts based on broad assumptions and do not represent Aurigny's agreed budgets for those years.

7.9 The projections remain subject to considerable uncertainty, particularly in relation to future demand, fuel prices and the outcome of the Air Policy Framework. The States' Trading Supervisory Board is working with Aurigny to determine the appropriate future operating model, which is also likely to affect the projections. Once this work has been completed, the States' Trading Supervisory Board will bring proposals to the States setting out any long-term funding requirement for Aurigny.

7.10 In the meantime, recognising Aurigny's importance to the Islands' community and economy, the Policy & Resources Committee is ensuring that the airline has sufficient liquidity to maintain the continuity of essential air services.

Unincorporated Trading Entities

7.11 Table 12 details the net surplus/(deficit) for each of the unincorporated trading entities:

£'000s	2027 Budget	2026 Forecast	2026 Budget	2025 Actual
Guernsey Ports	(332)	319	(1,427)	(2,051)
Guernsey Waste	(1,871)	(1,971)	(1,545)	(720)
Guernsey Dairy	(301)	(223)	(315)	58
Guernsey Water	1,701	606	916	700
States Works	605	382	686	1,016
Total Deficit	(198)	(887)	(1,685)	(997)

Table 12

7.12 The unincorporated trading entities are intended to be financially self-sustaining, generating sufficient revenue to meet all operating expenditure and capital investment[†] requirements. At present, however, only States Works and Guernsey Water are achieving this objective.

7.13 The trading entities operate at arm's length and provide a combination of commercial services and wider public benefit. Although income generation and cost efficiency remain important objectives, the diverse nature of the services provided, together with the limited scale of some operations, can make sustained profitability more difficult to achieve. Where losses arise, financial support from General Revenue may be required.

Guernsey Ports

7.14 Guernsey Ports has received significant financial support from General Revenue since 2020, following the reduction in passenger numbers resulting from the COVID-19 pandemic.

- 7.15** At the end of 2023, the States agreed to clear Guernsey Ports' overdraft, restoring its cash balance to zero. Since then, a further overdraft has accumulated, primarily due to a deterioration in working capital, loan repayments and charges arising from negative cash balances. At the end of July 2026, the overdraft stood at £1.6m.
- 7.16** In addition to the overdraft, Guernsey Ports has a long-term loan from the States, which had an outstanding balance of £1.8m at the end of 2025 and is repayable over 20 years from March 2019.
- 7.17** The Policy & Resources Committee and the States' Trading Supervisory Board have also been working together to consider the appropriate funding arrangements for the non-commercial public service activities undertaken by Guernsey Ports¹³. These include coastguard and maritime safety functions, support for search and rescue, and other activities that would not ordinarily be provided by a commercial ports operator.
- 7.18** Both committees recognise the importance of establishing a transparent and equitable basis for funding these activities. Further work is required to determine the value of services funded by General Revenue that are provided to Guernsey Ports without charge, as this would need to be taken into account when determining any payment for Guernsey Ports' non-commercial public service activities. The Policy & Resources Committee and the States' Trading Supervisory Board will continue to work together to agree an appropriate approach, with proposals expected to be brought to the States as part of the 2028 Budget.
- 7.19** As part of the 2025 Budget, the States agreed that the Policy & Resources Committee, working with the States' Trading Supervisory Board and the Committee for Economic Development, should review the potential provision of a subsidy for Guernsey Airport. Although the review has not progressed in accordance with the original timetable, the committees continue to consider the appropriate future funding arrangements in the context of the developing Air Policy Framework and uncertainty surrounding Guernsey Ports' future financial position, including potential new income streams. Given these factors, it would not be appropriate at this stage to establish a subsidy that would commit the States to a long-term funding arrangement.
- 7.20** A transfer of £2.2m was approved for 2026 to meet Guernsey Ports' cash requirements. At the end of June 2026, none of this funding had been required, and the position will be reassessed at the end of the year.
- 7.21** For 2027, Guernsey Ports is forecasting a net surplus of £0.3m and an operating surplus of £2.9m, which is insufficient to fund planned capital expenditure of £4m. The Ports budget assumes passenger volumes are broadly in line with 2026 with fees increasing by RPIX other than some targeted above-inflation increases in commercial harbour fees, and marina fees increasing by RPIX+1.5% as part of a multi-year agreement. A savings target exceeding 1% of expenditure is included in the Ports budget.

¹³ Deputy Niles has not participated in Policy & Resources Committee decisions on this matter.

- 7.22** The Policy & Resources Committee **recommends that the States approve provision of up to £1.1 million within the 2027 Budget for a transfer to Guernsey Ports to meet its estimated cash requirement for 2027** [Proposition 21].

Guernsey Waste

- 7.23** The Policy & Resources Committee has agreed to revise the basis on which Guernsey Waste receives support from General Revenue. Under the current arrangements, support is determined by Guernsey Waste's operating deficit, before depreciation. As the entity recorded an operating surplus in 2025 and is budgeted to do so again in 2026, primarily due to income generated from inert waste, no General Revenue support is payable for either year under the existing States Resolution.
- 7.24** Inert waste activities have generated significant surpluses in recent years. This is partly because charges were increased to contribute towards the cost of future inert waste infrastructure, while delays to the project have meant that much of the associated expenditure has not yet been incurred.
- 7.25** The Policy & Resources Committee therefore recommends that future General Revenue support for Guernsey Waste be based on its operating deficit excluding inert waste activities. This change would allow Guernsey Waste to retain future inert waste surpluses to help fund the Future Inert Waste project.
- 7.26** This recommendation reflects the Policy & Resources Committee's conclusion that the original policy intention was for inert waste activities to be treated separately once the existing site at Longue Hougue reached capacity. Although the formal Resolution arising from the 'Future Waste Charges'¹⁴ debate provided for General Revenue to fund Guernsey Waste's overall operating position, the supporting policy letter indicated that inert waste activities should be excluded from the funding arrangements once the existing site reached capacity.
- 7.27** The Committee has also agreed that future General Revenue support for other waste streams should be capped at £2.3m a year, with the cap increasing annually in line with inflation. This would provide a clear funding framework while continuing to encourage the efficient management of the operating costs associated with those waste streams.
- 7.28** The Longue Hougue site reached capacity at the end of 2024. However, the revised funding arrangements will take effect from 1 January 2027. From that date, the States' Trading Supervisory Board will be able to ring-fence retained inert waste surpluses, together with any related investment returns, to support future inert waste infrastructure requirements.

¹⁴ [Billet D'État XIII of 2022, Resolution 7](#)

- 7.29** Guernsey Waste is forecasting an operating surplus before depreciation, including inert waste activities, of £315k in 2027. This compares with an operating surplus of £55k in the latest forecast for 2026.
- 7.30** Excluding inert waste activities, Guernsey Waste is forecasting an operating deficit of £2.1m in 2027.
- 7.31** The Policy & Resources Committee is **recommending that the States agree to authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Waste equivalent to the forecast operating losses for Guernsey Waste, excluding inert waste and depreciation, from 2027 onwards but that this is capped at £2.3 million in 2027, with the cap increasing thereafter annually with inflation.** [Proposition 22]

Guernsey Dairy

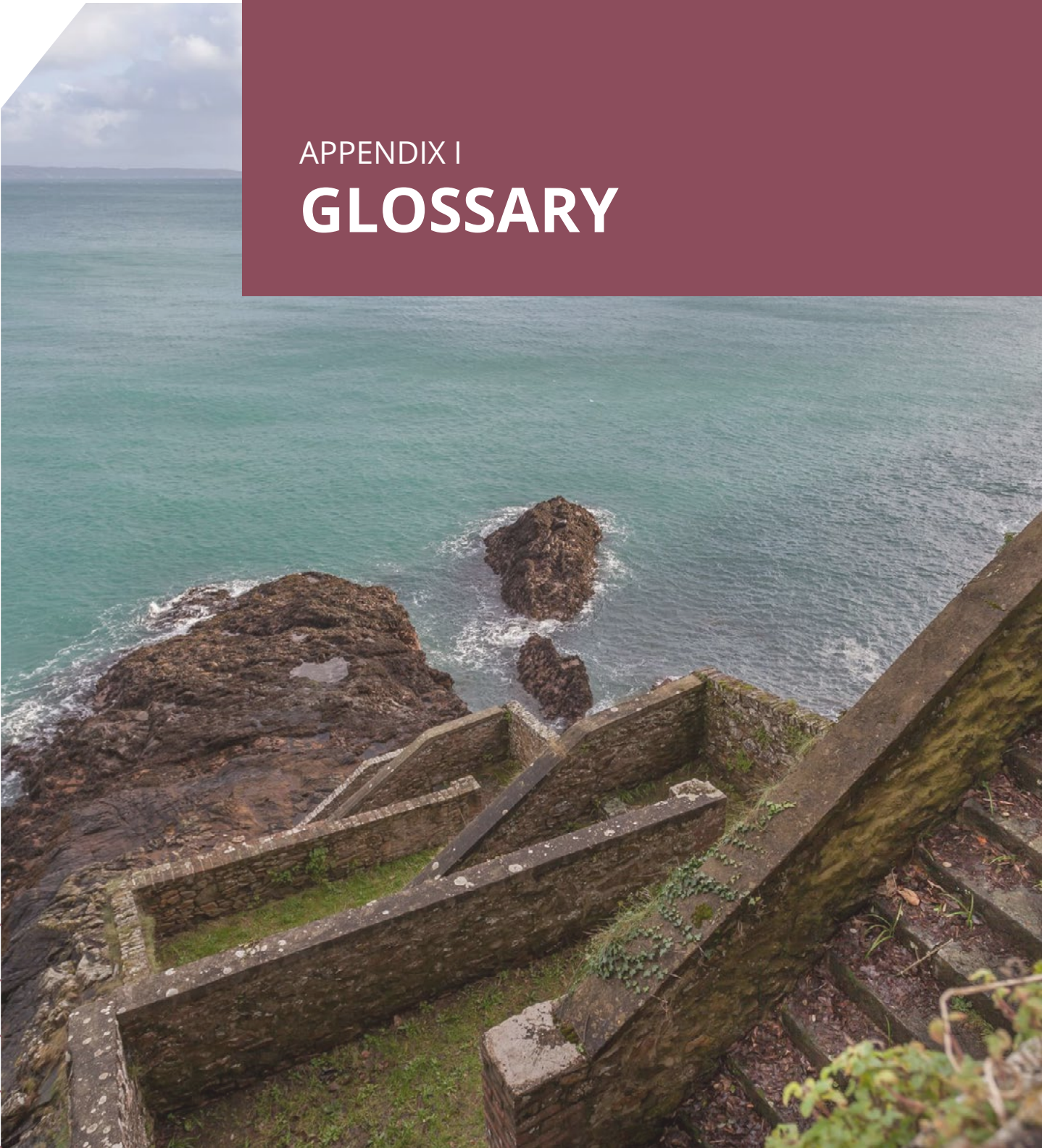
- 7.32** As part of the 2026 Budget, the States resolved to approve provision within the 2026 Budget for a transfer from the General Reserve to Guernsey Dairy to meet its estimated cash requirements of £1.4m for 2026.
- 7.33** As part of the Major Projects Portfolio policy letter approved in April 2026, the States agreed that the 'Guernsey Dairy Essential Works project' should proceed as a delivery project. The project's capital funding requirements will therefore be met from the General Reserve.
- 7.34** The Dairy's estimated cash requirement for 2026 has consequently been reduced to c£300k. This comprises funding for its operating deficit and expenditure on any legacy projects that fall outside the scope of the Dairy Essential Works project.
- 7.35** The Dairy is forecasting a small operating surplus for 2027, a position which is broadly similar to the 2026 Budget. No additional funding is expected to be required for 2027 beyond that already agreed for the Dairy Essential Works project.

Guernsey Water

- 7.36** Guernsey Water is forecasting a net surplus of £606k for 2026, increasing to a budgeted surplus of £1.7m in 2027. The improvement partly reflects £400k of one-off costs incurred in 2026 for unexpected repairs. It also reflects revenue growth above inflation and expenditure growth below inflation, supported by both realised and targeted savings.
- 7.37** In 2025, the Policy & Resources Committee approved an additional bond loan of £1.9m to support Guernsey Water's capital investment priorities. The loan was drawn down in December 2025, bringing the total outstanding balance of bond loans to Guernsey Water to £16.5m as at 31 August 2026.
- 7.38** Guernsey Water anticipates that further borrowing of £1.5m will be required in 2026 and £1.6m in 2027 to fund infrastructure investment.

States Works

- 7.39** States Works is forecasting a net surplus of £382k in 2026, and £605k in 2027. While a savings target has been built into the budget it has been more than offset by new cost pressures. States Works periodically returns excess funds to General Revenue, most recently transferring £1m in 2025. No such transfer is planned for 2027.
- 7.40** A significant proportion of States Works' revenue is derived from General Revenue funded committees and the unincorporated trading entities, which account for circa 33% and 43% of its revenue respectively. Most of the revenue derived from unincorporated trading entities is from Guernsey Waste which is itself funded from General Revenue.
- 7.41** In the 2026 Budget, the Policy & Resources Committee stated that an alternative charging structure should be considered. The intention would be to minimise costs for taxpayer-funded services, rather than States Works generating surpluses and accumulating reserves that are subsequently transferred back to General Revenue.
- 7.42** The Policy & Resources Committee has discussed the charging structure with the States' Trading Supervisory Board, but no agreement has yet been reached. The 2027 Budget generally provides for States Works' charge-out rates to increase by RPIX.



APPENDIX I

GLOSSARY

Glossary

Anti-Avoidance Duty

Anti Avoidance Duty is a duty applied in line with the agreed rates for document duty rates. It ensures that transactions that effectively transfer Guernsey real property, even if not a direct conveyance, are also subject to document duty. For example, where property ownership was indirectly transferred through methods like share transfers in companies owning property.

Assets

Assets are resources owned or controlled by the States with the expectation that they will provide future economic benefits. In the States' Financial Statements assets are classified into Current Assets and Non-Current Assets. Current Assets are short-term resources such as cash and inventories. Non-Current Assets are long-term resources that provide value over several years, for example property, equipment and investments.

Assumptions

Informed set of statements that dictate the forecast figures in a financial model.

Bond Reserve

An earmarked reserve, used to hold the issue proceeds prior to any onward allocation and to accumulate funds for eventual repayment at the end of the life of the bond. The Bond Reserve also funds the issue costs and any ongoing expenses.

Budget Reserve

A centrally held budget allocation used to manage overall budget contingencies, deal with any one-off, unexpected or in-year cost pressures, and provide suitable cost provision for progressing agreed GWP actions. While this is expected to be transferred to individual committees during the year, at the time of budget setting it is not known, with a sufficient level of detail or certainty, the amount which will be required by each committee. If the use of the funding is agreed in-year, the committee's 'Authorised Budget' will increase during the year in line with the approval.

Capital Investment/Capital Expenditure

The purchase or development of capital assets e.g., buildings and infrastructure.

Contributory Schemes/Social Security Funds

Incorporates the Guernsey Insurance Fund and the Long-Term Care Insurance Fund. These funds are accumulated from historic surpluses on the Social Security contributory schemes and are used as a buffer fund to smooth years of deficit. The associated schemes provide financial assistance during old age, bereavement, incapacity, unemployment, maternity /early parenthood, death and the cost of providing care in private nursing and residential homes.

Core Government

Core Government activities of the States of Guernsey are made up of:

1. General Revenue: that is all income from general taxation and the services funded from it by Committees, Authorities, Commissions and the cost of the States of Deliberation and Members
2. The Long-Term Care Insurance Fund
3. Guernsey Insurance Fund
4. Other Reserves such as the Bond Reserve and Core Investment Reserve.

Core Investment Reserve

The only long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies.

Coupon Payment

The periodic interest payment made by the States to the holders of the States of Guernsey Bond.

Cyclical Adjustment

A calculated adjustment that removes the impact of short-term economic fluctuations and one-off impacts from actual or forecast financial figures. This helps to isolate the underlying or structural position by stripping out temporary effects, providing a clearer view of the long-term fiscal position.

Deficit

See Surplus/Deficit.

Depreciation

Refers to an accounting method used to spread the cost of a tangible, or physical, asset over its useful life, rather than charging the full cost in the year of purchase.

Document Duty

An indirect tax payable when purchasing property in Guernsey, as set out in the Document Duty (Guernsey) Law. It applies to all real estate transactions and is calculated using a sliding scale, where the percentage increases with the value of the property. The current rates range from 2.25% to 7.00%.

Employee's Tax Instalment (ETI)

A system where income tax is automatically taken from employees' wages and paid directly to the States of Guernsey by their employer. This helps ensure that employed individuals pay their income tax regularly throughout the year.

Financial Year

The States' Financial Statements are prepared for accounting periods that span the calendar year. The year end is 31 December.

Expensed Project Costs

Expenditure from Major Projects or Routine Capital that does not result in the creation of an asset. In line with IPSAS, these costs are treated as revenue expenditure and expensed in the year incurred. This expenditure is subject to usual governance through the Routine Capital Management Board and the Policy & Resources Committee.

Fiscal Policy Framework

A set of principles and rules agreed by the States that guide decisions on taxation and public spending. It commits the States to the principle of permanent balance, meaning that over the long-term, government expenditure should not exceed the revenue raised through taxes and other sources of income.

Formula-Led Expenditure

Expenditure that is determined by a set of predefined rules or formulas agreed by the States, rather than fixed budget allocations. For example, payments made under the Income Support Scheme vary depending on demand. While an estimated budget is prepared based on reasonable forecasts, this type of expenditure will fluctuate in line with the 'formula'.

Funding Gap

A funding gap arises when expenditure exceeds the recurring revenues available to fund it. It represents the shortfall between ongoing sources of income, such as taxes and fees, and the costs of government activity, including pay costs, the delivery of essential public services and capital and project expenditure.

Funding & Investment Plan (F&I Plan)/Medium -Term Financial Plan

The Government's medium term financial plan that outlines how public funds will be managed during the term. It provides a framework for financial decision-making and sets out how the States' priorities – including the Government Work Plan (GWP) and the Major Projects Portfolio – will be funded and financed.

Gross Domestic Product (GDP)

Gross Domestic Product is a measure of the total economic output of a jurisdiction. In Guernsey this is calculated as the sum of:

- Compensation of employees - including wages and pension contributions
- Gross operating surplus - such as company trading profits
- Remuneration and profits of sole traders
- Household income

This measure reflects the overall value of goods and services produced within the economy over a given period. GDP figures are reported in both nominal and real terms, with real GDP adjusted for inflation using the Guernsey Retail Price Index (RPI) to reflect changes in purchasing power.

General Revenue

General Revenue refers to the segment of States of Guernsey Finances that encompasses income raised from general taxation and duties, such as income tax, document duty, and other levies. It funds the delivery of mandated responsibilities of States' Committees and authorities, as well as the Major Projects Portfolio, and Routine Capital. General Revenue excludes income and expenditure associated with the Contributory Funds, the Bond Reserve and the Core Investment Reserve, although these are part of the broader "Core Government" financial structure.

General Revenue Reserve

The General Revenue Reserve holds the net balance of surpluses and deficits arising from the operational activities of areas funded by General Revenue. It comprises of both earmarked funds – such as the Guernsey Health Reserve – and an unallocated balance. The unallocated portion is used to manage any in-year shortfalls between income and expenditure, and to support funding for the Major Projects Portfolio and, Routine Capital expenditure.

Government Work Plan (GWP)

A strategic framework that outlines the States of Guernsey's prioritised work for the political term, aligning policy objectives with available financial and human resources.

Goods and Services Tax (GST)

GST is a consumption tax levied on most goods and services sold for domestic consumption. It is an input/output tax where registered businesses collect and remit GST chargeable on products sold, less any GST incurred on purchases.

Guernsey Health Reserve (GHR)

The Guernsey Health Reserve is an earmarked reserve within the General Revenue Reserve, established to support the long-term sustainability of health and social care services. It is used to:

- Manage unanticipated health-related spending pressures that arise during the financial year and cannot be met within existing budget.
- Fund health transformation projects that improve efficiency, quality, or capacity of services and demonstrate long-term benefits
- Address demographic pressures, particularly those linked to an ageing population.

The GHR was created in January 2022 following the discontinuation of the Guernsey Health Service Fund (previously one of the Contributory Funds). Its balance was ring-fenced and retained within the General Revenue Reserve under the new designation.

Guernsey Insurance Fund

A contributory social security programme providing financial support during retirement, bereavement, incapacity, unemployment, maternity /early parenthood and death.

HVO

Hydrotreated Vegetable Oil.

Impairment

A reduction in value of an asset resulting from particular circumstances.

Incorporated Trading Entities

These are companies which have been incorporated as a separate legal entity with the States of Guernsey as the sole shareholder. This includes Cabernet Group (trading as Aurigny), Guernsey Post, JamesCo 750 and Guernsey Electricity. The States of Guernsey Budget Report does not include these trading entities.

Inflation

Represents the rate of increase in prices over a given period of time (most commonly a year).

Insurance Deductible Fund

An earmarked fund within the General Revenue Reserve used to cover the self-insured portion of insurance claims made by the States of Guernsey. A contribution is made annually into the fund calculated with reference to the level of self-insured risk.

Interest Expense

The cost incurred by the States' for borrowing funds. Within General Revenue, this includes external interest charges from commercial borrowing and internal interest paid to the Bond Reserve for the use of bond proceeds, primarily to finance the Major Projects Portfolio. It may also include costs from facilities such as the Revolving Credit Facility used for short-term working capital.

Interest Rates

Interest is the monetary charge for borrowing money, generally expressed as a percentage.

International Public Sector Accounting Standards (IPSAS)

A set of accounting standards issued by the International Public Sector Accounting Standards Board, designed specifically for public sector entities. IPSAS is based on International Financial Reporting Standards (IFRS) but adapted to reflect the unique requirements of government and public service organisations. Its purpose is to improve transparency, accountability, and comparability in public sector financial reporting.

Investment Returns

A gain or loss in the value of investments, which is unrealised until such time as an investment is sold. It is important to note that the recorded gain or loss may differ significantly from the actual outcome at the point of sale, as valuations represent a snapshot in time and are subject to ongoing market fluctuations.

Liquid Assets

Financial assets that can be rapidly converted into cash without significant loss of value.

Long-Term Care Insurance Fund

A dedicated reserve in Guernsey and Alderney that provides financial support for long-term care services through the Long-Term Care Insurance Scheme. It helps cover costs for private residential and nursing care, using a co-payment model, and is backed by Social Security contributions and historic surpluses.

Major Projects

Large-scale initiatives, typically involving transformation or infrastructure (e.g. school construction), with a value exceeding £3m. These projects are distinct from Routine Capital works and are subject to specific governance and funding processes.

Major Projects Portfolio

A coordinated collection of Major Projects that have been prioritised and agreed by the States of Deliberation.

Minimum Unit Pricing (MUP)

A policy setting a minimum price per unit of alcohol to reduce harm from cheap, high-strength drinks, primarily targeting heavy consumption.

Net Surplus/Deficit

See Surplus/Deficit.

Net Surplus/Deficit Before Investments

See Surplus/Deficit.

Non-Contributory Benefits

Social benefits funded directly through General Revenue rather than through Social Security contributions. These include Income Support, Family Allowance, Severe Disability Benefit and Carers' Allowances, and are designed to support low-income households and vulnerable individuals without requiring prior contributions.

Notes & Coin

Sterling currency issued by the States of Guernsey. These are backed by General Revenue investments and generate income from being in circulation. The currency is recognised as a liability on the States' balance sheet and is supported by a dedicated Currency Reserve created from sterling deposits in respect of issued Guernsey currency.

OECD

Organisation for Economic Co-operation and Development.

Operating Surplus/Deficit

See Surplus/Deficit.

Pillar 2

Part of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), Pillar 2 introduces a global minimum tax of 15% for multinational enterprises with annual revenues above €750m. It ensures that large groups pay at least this rate in each jurisdiction where they operate, through mechanisms such as the Income Inclusion Rule and Qualified Domestic Minimum Top-Up Tax.

Pipeline

The pipeline comprises Major Projects that require further development and are expected to commence substantive works after the current political term. These projects may receive limited funding for early-stage work—such as scoping, feasibility, or design—to clarify direction and readiness for future delivery.

Pooled Budgets

A funding model where multiple committees combine their budgets into a single pot to deliver shared services more efficiently. This approach supports integrated service delivery, resource flexibility, and strategic outcomes. An example is the Multi-Agency Support Hub (MASH), which provides coordinated support for children and families with complex needs.

Principal Committees

The Principal Committees of the States refers to the following groups:

- Committee *for* Health & Social Care
- Committee *for* Education, Sport & Culture
- Committee *for the* Environment & Infrastructure
- Committee *for* Economic Development
- Committee *for* Employment & Social Security
- Committee *for* Home Affairs
- Committee *for* Housing

The Policy & Resources Committee is the Senior Committee of the States.

For the purposes of this Budget Report, 'Committee' also refers to the groups below which are also allocated General Revenue funding:

- Development & Planning Authority
- Law Officers
- Overseas Aid & Development Commission
- Pooled Budgets
- Royal Court
- Scrutiny Management Committee
- States' Trading Supervisory Board
- States' Assembly & Constitution Committee

Priority-Based Budgeting

This is a budget setting approach which examines services in their entirety, identifies opportunities to improve the efficiency of service delivery, and assesses service-level options above the minimum required level. These options are then prioritised to determine where services could be amended, ceased or enhanced.

Public Sector

The governance, services and infrastructure owned and operated by the Government.

Real Prices

The price for goods or services relative over time taking account of inflation.

Reserves

Refers to either:

- Accounting Reserves: Balances representing the States' net assets, including non-cash items like depreciation and provisions, in line with IPSAS.
- Treasury Reserves: Liquid assets and investments held to meet funding needs or set aside for future use.

For budget purposes, 'reserves' refers to Treasury Reserves.

Revolving Credit Facility

A flexible type of loan agreement that allows funds to be drawn as needed, typically to manage short-term cash flow fluctuations. The States of Guernsey has access to a £100m facility, used to meet liquidity needs without prematurely liquidating investments.

Revenue Impact of Capital Expenditure (RICE)

The ongoing revenue cost resulting from capital projects, such as service contracts, system support, or staffing linked to new assets. These costs are forecasted and monitored alongside capital investment to ensure full lifecycle budgeting.

Revenue Surplus/Deficit

See Surplus/Deficit.

Routine Capital Expenditure

Funding for low-value capital projects (currently up to £3m) that support the delivery of public services. It covers two main types of expenditure:

- Replacement or refurbishment of existing States' assets (e.g. IT systems, medical equipment, vehicles, property related projects, road resurfacing).
- Works arising from service changes or development, where assets are created or modified to meet evolving operational needs.

RPI

Retail Prices Index – a measure of the price inflation experienced by people living in private households on all items (including mortgage interest payments).

RPIX

Retail Prices Index – a measure of the price inflation experienced by people living in private households on all items (excluding mortgage interest payments).

Standard Charge

A fixed tax charge available to individuals who are resident but not solely or principally resident in Guernsey. It satisfies their liability on non-Guernsey income and is set at the higher of £50,000 or the tax due on Guernsey-source income (excluding bank interest). No allowances, reliefs, or deductions apply.

An individual is treated as 'resident' if either:

- they are in Guernsey for 91 days or more in a calendar year; or
- if they are in the island for 35 days or more, in a year, and they have been in Guernsey for at least 365 days in the previous 4 years.

An individual is treated as 'solely resident' as long as they are resident as described above, and they are not resident anywhere else in that year (and for this purpose they will be treated as being resident somewhere else if they spend 91 days or more in that place).

An individual will be treated as 'principally resident' if either:

- they are in Guernsey for 182 days or more in a year; or
- If they are in Guernsey for 91 days or more in a year and have been in the island for 730 days in the previous 4 years; or
- they take up permanent residence in Guernsey in that year of charge. They shall be treated as taking up permanent residence if
 - they are resident as described above, and
 - they are solely or principally resident in the following year of charge, and
 - they were not resident in the immediately preceding year of charge.

Statement of Financial Performance

The Revenue and Expenditure account of the States of Guernsey.

Statement of Financial Position

The Balance Sheet of the States of Guernsey.

States' Trading Entities Reserve

A long-term earmarked reserve representing the book value of shares in the States' incorporated trading entities and the asset value of unincorporated entities.

Surplus

See Surplus/deficit.

Surplus/(Deficit)

A surplus arises when revenue exceeds expenditure, indicating more income has been generated than spent. This contributes to financial sustainability and creates opportunities for investment or the growth of reserves.

In contrast, a deficit occurs when government expenditure exceeds revenue from sources such as taxes, fees and other income. This reflects a shortfall in funding and may signal the need for corrective measures.

The surplus or deficit is shown at different levels in this report:

Revenue Surplus/(Deficit)

Reflects income less day-to-day expenditure. This level does not include any capital expenditure, Routine Capital or Major Project expenditure, depreciation or investment returns.

Operating Surplus/(Deficit)

The operating surplus/(deficit) includes unincorporated trading entities' losses and non-capitalised project expenditure. It does not take account of depreciation, interest expense or investment returns. This level provides the core operational position.

Net Surplus/(Deficit) before Investments

The net income and expenditure position after accounting for depreciation, interest expense and profit or loss on disposal of assets, but before any investment returns. This level of reporting offers a more comprehensive picture of the overall position and is the level quoted throughout this Budget Report.

Net Surplus/(Deficit)

The net income and expenditure position after taking account of all cash and non-cash transactions, investment return and Notes and Coin.

TRP (Tax on Real Property)

An annual charge on property ownership in Guernsey, calculated by applying a set rate to the number of TRP units. One TRP unit being equal to 1m² of built area or 50m² of land. Rates vary by property size and type.

Unincorporated Trading Entities

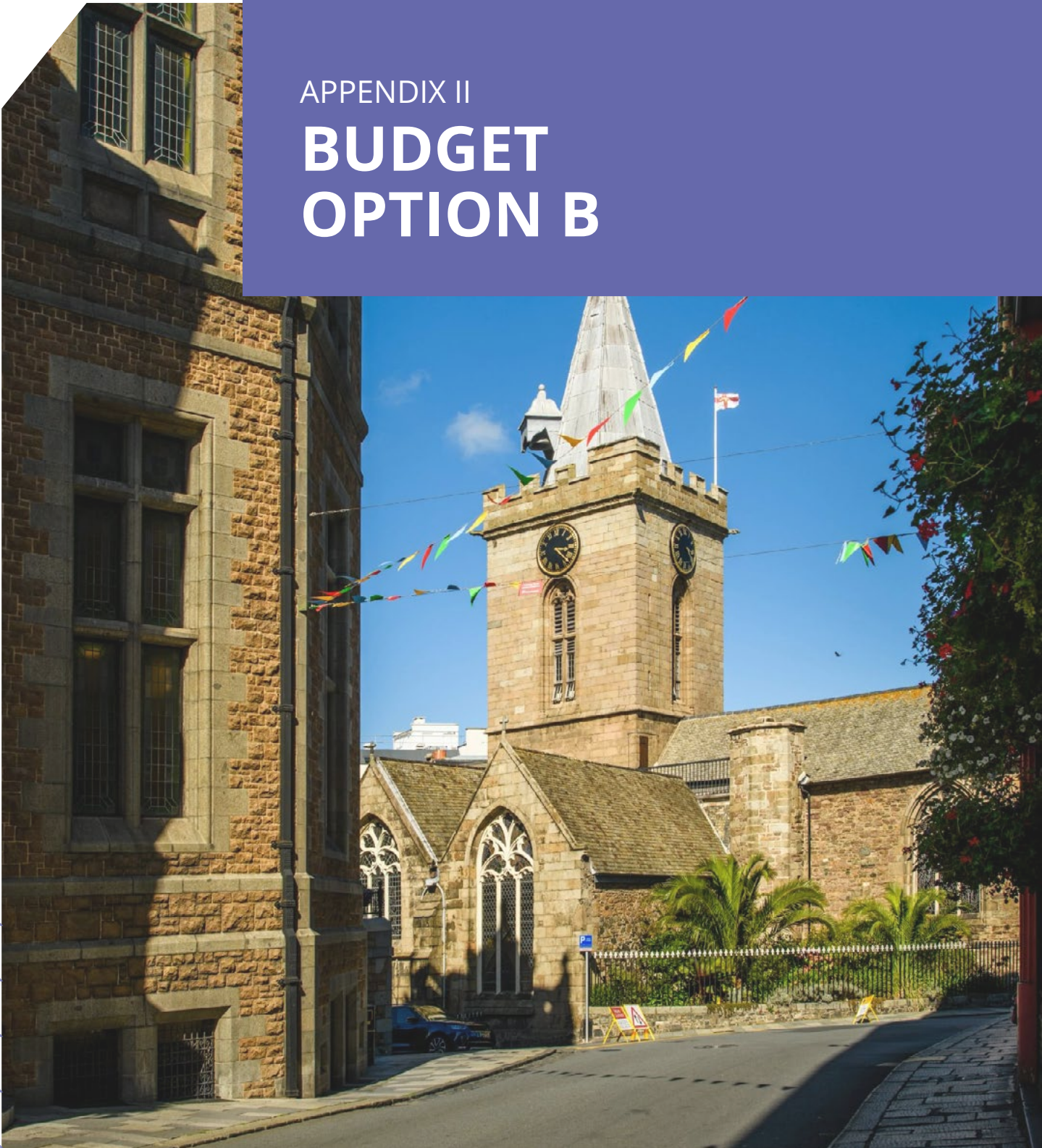
The unincorporated trading entities of the States consist of Guernsey Ports, Guernsey Water, Guernsey Waste, Guernsey Dairy, States Works. The States of Guernsey Budget includes budgets for these trading entities, although they are not fully consolidated in income and expenditure (in line with the 2024 Financial Statements).

Vehicle First Registration Duty (VFRD)

A duty that applies to new and second-hand vehicles being registered in Guernsey for the first time.

APPENDIX II

BUDGET OPTION B



2027 Budget – Option B

The analysis presented in Section 4 of the main Budget Report is based on the 2027 expenditure proposals set out under **Option A**. As described in Section 6, an alternative expenditure proposal, **Option B**, is also presented for consideration by the States. This appendix provides equivalent analysis to that contained in Section 4 using the **Option B** expenditure assumptions.

It illustrates the impact that adoption of **Option B** would have on the overall General Revenue position, the Core Government financial position and the estimated funding gap for 2027.

This appendix should be read alongside Sections 4 and 6 of the report and enables comparison of the financial outcomes arising under **Option A** and **Option B**.

Table 1 summarises the General Revenue position for 2027 under **Option B**.

	2027 Budget Estimate Option B £m	2026 Forecast Outturn £m	2026 Budget Estimate £m
Revenue Income			
Income Tax	569.9	585.0	499.9
Other Taxes	127.4	123.5	118.5
Social Security Contributions	38.6	37.4	34.5
Miscellaneous Income	44.4	43.0	43.6
Revenue Income	780.3	788.9	696.5
Committee Income	72.8	68.9	70.4
Total Revenue	853.1	857.8	766.9
Revenue Expenditure			
Committee Expenditure	(758.8)	(742.6)	(734.1)
Budget Reserve/GWP	(30.1)	(7.4)	(16.9)
Savings	0.0	2.5	2.5
Economic Growth Initiatives	(5.0)	0.0	0.0
Total Revenue Expenditure	(793.9)	(747.5)	(748.5)
<i>Memo: Committee Net Expenditure</i>	<i>(716.1)</i>	<i>(678.6)</i>	<i>(678.1)</i>
Revenue Surplus	59.2	110.3	18.4
Impairment for Unincorporated Trading Entities	(2.5)	(2.2)	(3.3)
Impairment for Incorporated Trading Entities	(5.7)	(9.7)	0.0
Expensed Project Costs	(25.0)	(20.0)	(25.0)
Operating Surplus /(Deficit)	26.0	78.4	(9.9)
Depreciation	(31.0)	(29.8)	(32.2)
Interest Expense	(6.5)	(5.9)	(6.2)
Net Surplus/(Deficit) before Investments	(11.5)	42.7	(48.3)
Investment Returns	23.6	31.1	21.0
Notes & Coin	3.0	4.9	2.7
Net Surplus /(Deficit)	15.7	78.7	(24.6)

Table 1

Total Revenue Expenditure under **Option B**, comprising Committee Net Expenditure, the proposed Budget Reserve and 'Economic Growth Initiatives', is budgeted at £793.9m for 2027. This represents a 6.1% increase compared with the 2026 Budget. The 2027 figure includes £5m for Economic Growth Initiatives, further details of which are provided in paragraphs 6.98-6.109 of the Budget Report. Although an equivalent amount was included in the 2026 Budget, it was offset against estimated Pillar 2 revenues. Excluding the £5m provision from 2027 to provide a like-for-like comparison, expenditure growth is 5.6%, which is 1.3% above inflation.

Under **Option B** the 2027 Budget results in a Revenue Surplus of £59.2m, which after taking account of expensed project costs, depreciation, interest costs and impairment of trading entities reduces to a Net Deficit Before Investments of £11.5m.

After allowing for estimated investment returns and Notes & Coin, the Budget results in a Net Surplus of £15.7m.

The States continues to face a funding gap in 2027, reflecting the difference between the underlying level of revenue available and the funding required to support ongoing expenditure, capital investment and strategic priorities. As illustrated in Table 3 of this appendix, adoption of **Option B** would worsen the estimated funding gap by £15.7m compared with **Option A**.

2027 Core Government Position

The overall States of Guernsey 'Core Government' 2027 Budget position under **Option B** is illustrated in Table 2 of this appendix. In addition to General Revenue, the Core Government position includes the Social Security Funds, General Revenue ringfenced funds and other reserves and funds held by the States.

Subject to the approval of the budget measures by the States, the 2027 budgeted Net Deficit Before Investments of £11.5m under **Option B** worsens to £24m deficit when these wider elements of the States are included. While the notional investment return would more than offset this deficit, it represents capital appreciation rather than income. Before investment return, therefore, the States' underlying revenues are insufficient to meet its expenditure requirements.

Table 2 below shows the Core Government summary for the 2027 Budget under **Option B** with the 2026 Budget and 2027 Budget under **Option A** shown for comparison.

£m	2026 Budget	2027 Budget Option A	2027 Budget Option B				
	Core Government	Core Government	General Revenue	Social Security Funds	Other Funds/Reserves	Eliminations	Core Government
Total Revenue	914	1,025	780	261	11	(27)	1,025
Income							
Committee Income	70	73	73	-	-	-	73
Total Revenue	984	1,098	853	261	11	(27)	1,098
Total Revenue Expenditure	(979)	(1,031)	(794)	(274)	-	22	(1,046)
Revenue Surplus/(Deficit)	5	67	59	(13)	11	(5)	52
Unincorporated Trading Entities	(3)	(2)	(2)	-	-	-	(2)
Incorporated Trading Entities	-	(6)	(6)	-	-	-	(6)
Expensed Project Costs	(25)	(25)	(25)	-	-	-	(25)
Operating Surplus/(Deficit)	(23)	34	26	(13)	11	(5)	19
Depreciation	(32)	(31)	(31)	-	-	-	(31)
Interest Expense	(13)	(12)	(7)	-	(11)	5	(13)
Net Deficit before Investments	(68)	(9)	(12)	(13)	-	-	(25)
Investment Returns	83	97	24	63	10	-	97
Notes & Coin	3	3	3	-	0	-	3
Net Surplus/(Deficit)	18	91	15	50	10	-	75

Table 2

2027 Funding Gap

The following table (Table 3) illustrates the funding gap based on the 2027 Budget **Option B**, which is estimated as £63m. This compares to the estimated funding gap of £47m under **Option A**.

£m	2027 Budget		
	General Revenue	Social Security Funds	Consolidated
Net Deficit before Investments	(11)	(13)	(24)
Bond Capital Repayment	(6)	-	(6)
Cyclical Adjustments		-	
(High)/Low Personal Income Taxes	5		5
(High)/Low banking & company profits	3	-	3
(High)/Low Pillar 2 taxes	(11)	-	(11)
Capital and Project Spend (increase)	(29)	-	(29)
Funding Gap under Option B	(61)	(13)	(63)
Funding Gap under Option A	(34)	(13)	(47)
Previous Funding Gap Estimates			
2026 Budget	(61)	(17)	(78)
Tax Reform Policy Letter	(63)	(19)	(82)

Table 3

It should be noted that the funding gap estimated for 2027 of £63m based on the **Option B** expenditure budget is a snapshot, and does not take into account any worsening over time. An ageing population, growing demand for services and increasing numbers of pensioners mean that costs are expected to rise over time.

Compared with previous estimates, the 2027 funding position has improved, reflecting stronger underlying and recurring Pillar 2 revenues, banking revenues identified in the 2026 forecast, and higher Social Security contribution receipts, partially offset by additional real terms expenditure. While positive, these improvements do not resolve the underlying structural funding gap.

Opportunities and Risks to the 2027 Financial Position

The following table (Table 4) illustrates the budget estimates under **Option B** against reasonable worst- and best-case alternative scenarios based on the above variables. This excludes investment returns.

	Worst Case	Best Case
2027	£m	£m
Budgeted Net Deficit Before Investments (Option B)	(11.5)	(11.5)
Income Tax revenues 1% below/above expected levels	(5.4)	5.4
Further risk Committee <i>for</i> Health & Social Care overspend by 1%	(2.7)	-
Increase in one-off revenues from taxes (Banks, doc duty)	0.0	5.0
Additional 0.5% on pay awards	(2.0)	-
Pillar 2 revenues	(10.0)	10.0
Economic growth initiatives budget 50% underspent	(0.0)	2.5
Illustrative Net (Deficit)/Surplus Before Investments (Option B)	(31.6)	11.4

Table 4

APPENDIX III

2026 EXPENDITURE



2026 Expenditure

The following table details the 2026 forecast for each committee compared with 2026 Budget:

	Original Budget	Authorised Budget	Budget After Expected Budget Transfers	Forecast	(Over)/Under-Spend Against Budget After Expected Budget Transfers
	£'000s	£'000s	£'000s	£'000s	£'000s
Policy & Resources	14,437	15,304	15,304	16,288	(984)
Corporate Services	92,625	95,688	95,688	94,943	745
Economic Development	12,740	12,728	12,728	12,507	221
Education, Sport & Culture	97,893	96,536	96,536	96,741	(205)
Employment & Social Security	5,690	4,593	4,593	4,425	168
Environment & Infrastructure	17,393	17,848	17,848	17,976	(128)
Health & Social Care	261,319	265,250	267,650	268,392	(742)
Home Affairs	45,424	45,752	45,752	46,239	(487)
Housing	8,987	9,387	9,387	9,513	(126)
Scrutiny Management	626	626	626	626	-
SACC	104	128	128	128	-
Development & Planning	1,430	1,430	1,430	1,355	75
Overseas Aid & Development	5,608	5,608	5,608	5,187	421
States' Trading Supervisory	1,660	1,924	1,924	2,131	(207)
Royal Court	2,732	2,823	2,823	2,689	134
Law Officers	8,173	8,254	8,254	8,285	(31)
Pooled Budgets	1,214	1,248	1,248	1,075	173
Total Non-Formula-Led	578,055	585,127	587,527	588,500	(973)
Policy & Resources	2,288	2,288	2,288	2,288	-
Employment & Social Security	83,338	83,338	83,338	82,889	449
Total Formula-Led	85,626	85,626	85,626	85,177	449
Total incl. Formula-Led	663,681	670,753	673,153	673,677	(524)
Budget Reserve	16,859	9,788	7,388	7,388	-
Savings	(2,500)	(2,500)	(2,500)	(2,500)	-
Committee Net Expenditure	678,040	678,041	678,041	678,565	(524)

Note: For the purposes of this Report, the term 'Committee' includes the Policy & Resources Committee and seven Principal Committees plus the following who are also allocated General Revenue funding: Development & Planning Authority, Overseas Aid & Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee, States' Assembly & Constitution Committee, Royal Court, Law Officers and Pooled Budgets.

During 2026 to date, £7.1m has been transferred into individual Committee Authorised Budgets from the Budget Reserve provision made within the Original 2026 Budget. A further £2.4m of budget transfers are expected which have been reflected separately in the table above.

Of the £7.1m transferred to committees, £5.5m relates to adjustments to pay budgets. These adjustments reflect the impact of the pay awards settled during the year.

In addition, during 2026 there have been a number of adjustments to Authorised Budgets following budget transfers between committees totalling £3.3m, including:

- £1.0m transferred from the Committee *for* Education, Sport & Culture The Guernsey Institute to Corporate Services' States Property Unit;
- £700k transferred from the Committee *for* Employment & Social Security to Corporate Services reflecting the centralisation of staff to the Customer Hub;
- £547k transferred from the Committee *for* Employment & Social Security to Corporate Services' Digital & Technology;
- £338k transferred from the Committee *for* Employment & Social Security to the Committee *for* Housing reflecting the transfer of responsibility for delivery of a service; and
- A total of £733k made up of eight transfers affecting eight committees at much lower values.

Non-Formula-Led Expenditure

Non-Formula-Led expenditure is expected to be £973k adverse to authorised budget after expected budget transfers. Forecast overspends across eight committees totalling £2.9m are expected to be partially offset by underspends in other areas totalling £1.9m.

Some variance is expected to be due to vacancies for the Established Staff pay group being lower than the assumed rate of 7%, adjustment for this will be made from the Budget Reserve at year-end. The only committee for which this is anticipated to be material is the Committee *for* Health & Social Care. The amount ultimately transferred will be capped at the lower of the value of the 7% turnover/vacancy amount and the committee's overall overspend.

The major variances are forecast in the following committees:

- Policy & Resources Committee – the forecast overspend of £984k is due to Revenue Service budget pressures, along with £600k cost relating to Tax Reform which is anticipated to be transferred to the Guernsey Investment Fund.

- Corporate Services – the forecast underspend of £745k is principally driven by a forecast underspend of £1.3m in the States Property Services owing to a combination of insurance recoveries notably from adverse weather incidents which are not budgeted for, and vacancies. This is partially offset by forecast overspends in Digital & Technology and the Customer Hub.
- Committee *for* Health & Social Care – the forecast overspend, after expected budget transfers is £742k.

The Policy & Resources Committee has authorised the use of up to £2.4m of funding from the Budget Reserve to meet the 2026 net overspend on Off-Island Acute healthcare, with an initial allocation of up to £600,000 and further funding released quarterly as required. The funding reflects sustained cost pressures driven by higher-cost cases and increasing demand, which cannot be fully managed within the existing Health and Social Care budget. This transfer is reflected in the 'Authorised Budget After Expected Budget Transfers' column.

The forecast for Established Staff is higher than the authorised budget, as the rate of vacancies has been lower than the 7% which is assumed in the 2026 Budget. A further budget transfer of up to £742k would be expected at year-end to address this variance. The amount ultimately transferred will be capped at the lower of the value of the 7% vacancy estimate and the overall overspend of the Committee *for* Health & Social Care. This is not reflected in the table but is expected to bring the budget for the Committee *for* Health & Social Care in line with forecast.

- Committee *for* Home Affairs – the expected overspend is £487k due to operational pressures across a number of service areas including Law Enforcement and the Joint Emergency Services Control Centre. This is partially offset by vacancies and some additional income in the Guernsey Custom & Immigration Service.
- Overseas Aid & Development – the forecast underspend is £421k, reflecting delays in grant-funded projects meeting their obligations and, consequently, the timing of instalment payments for project grants.
- Committee *for* Economic Development – the forecast underspend is £221k primarily due to staff vacancies.
- States' Trading Supervisory Board – the expected overspend of £207k is wholly driven by Alderney Airport. Pay costs are over budget owing largely to unbudgeted Airport Fire Service overtime.
- Committee *for* Education, Sport & Culture – the anticipated overspend of £205k is primarily driven by additional demand for individual pupil support. This is partly offset by lower spend in other areas including higher education and pre-school funding.

- Pooled Budgets – the forecast is for an underspend of £173k due to delay in resourcing initiatives including corporate safeguarding.
- Committee *for* Employment & Social Security – the forecast underspend for non-formula-led expenditure is £168k primarily driven by staff vacancies.

Formula-Led Expenditure

The forecasted underspend of £449k in Formula-Led expenditure is primarily attributable to anticipated underspends in Family Allowance reflecting a reduced volume of claims compared to that projected in the original budget, as well as underspends in Legal Aid costs. These forecasted underspends are marginally offset by expected overspends for Severe Disability Benefit and Carers Allowance reflecting a higher volume of claims than projected in the original budget.

Budget Reserve

The 2026 Budget Reserve was set at £16.9m. This included an allowance for pay awards, which are now largely settled and have now been incorporated into Authorised Budgets. Negotiations relating to teachers' pay for the period from September to December remain ongoing.

The Budget Reserve has funded a number of unexpected, one-off expenditure items during 2026 to date, most notably:

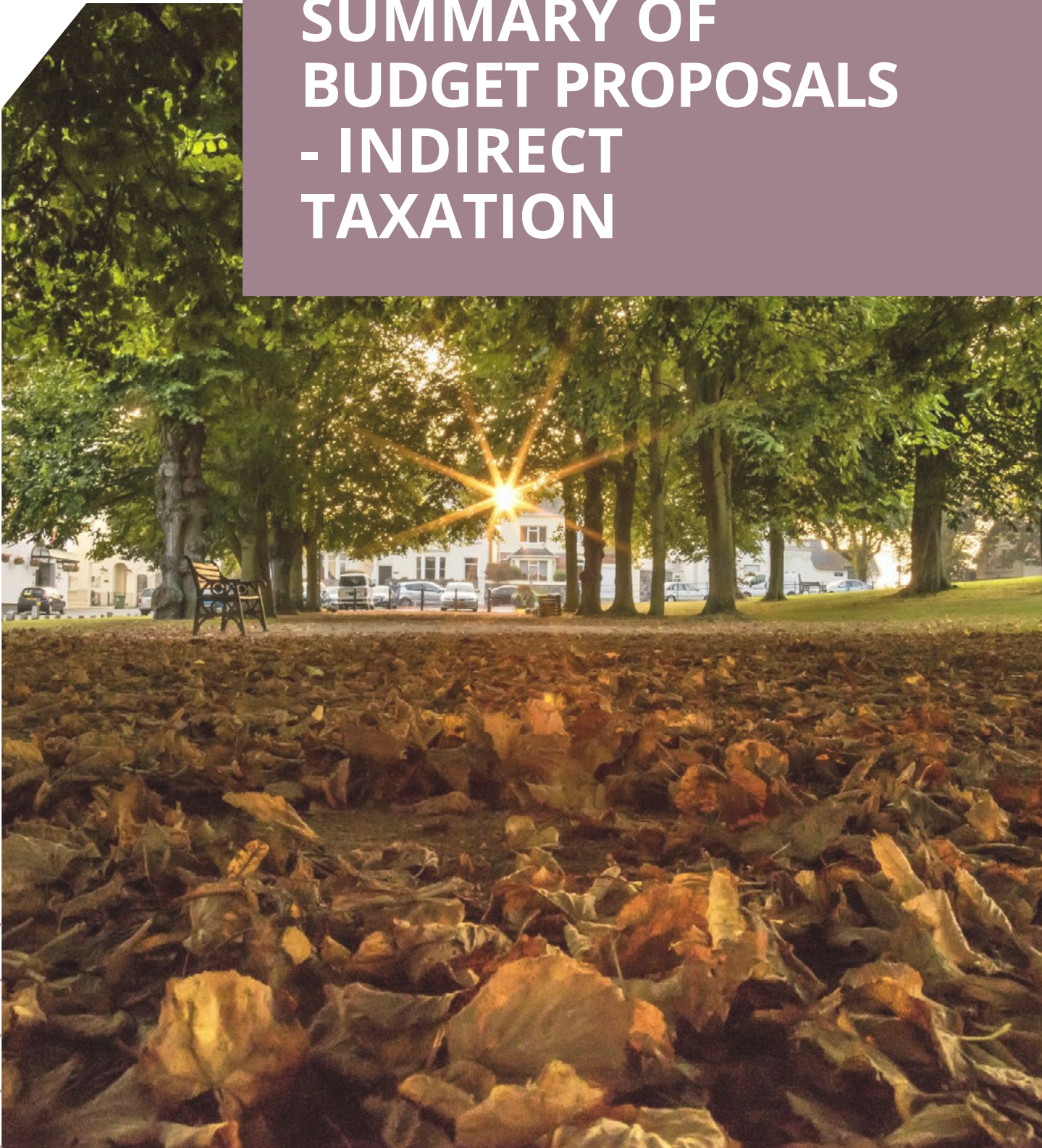
- £523k associated with improvements to the Revenue Service.
- £312k for the Marine Spatial Plan.
- £239k for repairs to Alderney Airport runway.
- £186k for Tax Reform.

In total £7.1m has already been transferred to committee budgets to accommodate in-year pressures and adjustments leaving an authorised budget of £9.8m. There are £2.4m of expected budget transfers for the Committee *for* Health & Social Care, the impact of these is reflected in the 'Budget After Expected Budget Transfers' column.

The forecast assumes that a further £4.9m will be approved before the end of the year, subject to further review and authorisation.

APPENDIX IV

SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION



Summary of Budget Proposals

- Indirect Taxation

Duty on Tobacco

2027	9.3% increase	(inflation forecast plus 5%)
2026	13.3% increase	(inflation forecast plus 10%)
2025	13.2% increase	(inflation forecast plus 10%)
2024	8.9% increase	(inflation forecast plus 5%)
2023	11.0% increase	(inflation forecast plus 5%)
2022	7.5% increase	(inflation forecast plus 5%)
2021	1.5% increase	(inflation forecast only)
2020	6.9% increase	Cigarettes and cigars (June 2019 RPIX plus 5%)
	9.4% increase	All other tobacco products (June 2019 RPIX plus 7.5%)
2019	7.4% increase	Cigarettes (June 2018 RPIX plus 5%)
	7.9% increase	Cigars (June 2018 RPIX plus 5.5%)
	9.9% increase	All other tobacco products (June 2018 RPIX plus 7.5%)
2018	7.8% increase	Cigarettes (June 2017 RPIX plus 5%)
	10.3% increase	All other tobacco products (June 2017 RPIX plus 7.5%)
2017	5.6% increase	Cigarettes (June 2016 RPIX plus 5%)
	8.1% increase	All other tobacco products (June 2016 RPIX plus 7.5%)
2016	6.5% increase	Cigarettes (June 2015 RPIX plus 5%)
	9.0% increase	All other tobacco products (June 2015 RPIX plus 7.5%)
2015	5.5% increase	(inflation forecast plus 3%)
2014	5.7% increase	(June 2013 RPI plus 3%)
2013	6.0% increase	(inflation forecast plus 3%)
2012	6.5% increase	(September 2011 RPI plus 3%)

Duty on Alcohol

2027	6.3% increase	(inflation forecast plus 2%)
	10.0% – 15.0% decrease as new 'Tap Relief' on qualifying beer, cider and wine products supplied in containers of 20L or larger, to support the local hospitality industry	
2026	3.3% increase	(inflation forecast only)
2025	Rate freeze - 0% increase	(inflation forecast less 3.2%)
2024	5.9% increase	(inflation forecast plus 2%)
2023	7.5% increase	(inflation forecast plus 1.5%)
2022	4.0% increase	(inflation forecast plus 1.5%)
2021	1.5% increase	(inflation forecast only)
2020	5.0% increase	(inflation forecast plus 2.3%)
2019	5.0% increase	(inflation forecast plus 2.5%)
2018	5.0% increase	(inflation forecast plus 2.3%)
2017	5.0% increase	(inflation forecast plus 2%)
2016	5.0% increase	(inflation forecast plus 2.5%)
2015	5.0% increase	(inflation forecast plus 2.5%)
2014	5.0% increase	(inflation forecast plus 1.7%)
2013	3.0% increase	(inflation forecast only)
2012	3.0% increase	(inflation forecast only)

Duty on Fuel

2027	4.3% increase	(inflation forecast only)
2026	4.3% increase	(inflation forecast plus 1%)
2025	3.2% increase	(inflation forecast only)
2024	3.9% increase	(inflation forecast only)
2023	6.0% increase	(inflation forecast only)
2022	4.0% increase	(inflation forecast plus 1.5%)
2021	1.5% increase	(inflation forecast only)
2020	3.1% increase	(inflation forecast plus 0.4%)
2019	4.6% increase	(inflation forecast plus 2.1%)
2018	5.5% increase	(inflation forecast plus 2.8%)
2017	8.5% increase	(inflation forecast plus 5.5%)
2016	12.9% increase	(inflation forecast plus 10.4% to restore the real value of the motor tax element)
2015	6.1% increase	(inflation forecast plus 3.6%)
2014	5.0% increase	(inflation forecast plus 1.7%)
2013	3.0% increase	(inflation forecast only)
2012	9.8% increase	(inflation forecast plus 6.8%)

Document Duty

2027	Continuation of the scheme to encourage downsizing
2026	Removal of additional rates for residential property purchases which are not an individual's Principle Private Residence
2025	Increase in thresholds in line with RPI since 2019; introduction of a higher band for conveyances for the proportion of the property value which exceeds £5m
2024	No Change
2023	Temporary reduction to encourage downsizing. Increase in rates for residential property purchases which are not an individual's Principal Private Residence
2020-2022	No Change
2019	Duty on bonds set to 0% with compensatory increases in rates for conveyances; introduction of a higher band for conveyances for the proportion of the property value which exceeds £2m
2018	No Change
2017	Change to a graduated based system of calculating duty
2015-2016	No Change
2014	Increase in thresholds and temporary rate reductions for lower bands
2012-2013	No Change

Tax on Rateable Value/Taxation of Real Property

2027	4.3% increase (inflation forecast only)	Domestic
	4.3% increase (inflation forecast only)	Commercial (excluding the below)
	0% increase	Commercial – tariffs for land and buildings associated with the Hostelry and Food Outlets, Retail and Warehousing categories frozen at 2026 rates
	15.0% increase	Commercial Car Parking (Land)
2026	8.3% increase (inflation forecast plus 5%)	Domestic
	5.0% increase (inflation forecast plus 1.7%)	Commercial
	3.3% increase (inflation forecast only)	Commercial Car Parking (Buildings)
	35% increase	Commercial Car Parking (Land)
2025	3.2% increase (inflation forecast only)	Domestic and Commercial
2024	0%-40.0% increase (plus inflation forecast)	Domestic – RPIX plus a percentage being charged on all bands including the two new bands, the percentage ranges from 0% for the lowest-rated properties to 40% for the highest
	7.5% increase (inflation forecast plus 3.6%)	Commercial
	40.0% increase	Glasshouses (Domestic and Commercial)
	40.0% increase over two years (buildings) and ten-fold increase over two years (land)	Commercial Car parking – to be increased by 40% over two years for buildings and a ten-fold increase over two years for land
2023	0%-20% increase (including inflation forecast)	Domestic – average of 8% increase but no increase on lower-rated properties
	7.5% increase (inflation forecast plus 1.5%)	Commercial
2022	4% increase (inflation forecast plus 1.5%)	Domestic and Commercial
2021	1.5% increase (inflation forecast only)	Domestic and Commercial with the exception of Hostelry and Food Outlets and Self-catering Accommodation categories which have no increase
2020	10.2% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.3%)	Commercial

	Parity between General Office and Ancillary Accommodation Categories	General Office and Ancillary Accommodation category increased to same tariff as Office and Ancillary Accommodation for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses over five years
2019	10% increase (inflation forecast plus 7.5%) plus premium	Domestic – 10% plus a premium ranging from 15% to 60% for each TRP banding, with a higher premium for higher bandings to be phased in over two years
	5.0% increase (inflation forecast plus 2.5%)	Commercial
2018	10.2% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.3%)	Commercial
2017	10.5% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.0%)	Commercial
2016	10.0% increase (inflation forecast plus 7.5%)	Domestic
	2.5% increase (inflation forecast only)	Commercial retail
	5.0% increase (inflation forecast plus 2.5%)	Commercial (other than retail)
2015	15.0% increase (inflation forecast plus 12.5%)	Domestic
	5.0% increase (inflation forecast plus 2.5%)	Commercial retail
	10.0% increase (inflation forecast plus 7.5%)	Commercial (other than retail)
2014	5.0% increase (inflation forecast plus 1.7%)	Domestic and Commercial
2013	3.0% increase (inflation forecast only)	Domestic and Commercial
2012	20.0% increase (inflation forecast plus 17%)	Domestic
	3.0% increase (inflation forecast only)	Commercial

Vehicle First Registration duty

2027	4.3% increase (inflation forecast only)
2026	8.3% increase (inflation forecast plus 5%) and implementation during 2026 of an additional First Registration Duty charge for private high value vehicles.
2025	3.2% increase (inflation forecast only).
2024	7% increase (in line with inflation at June 2023) plus introduction of two additional bandings for vehicles with higher emissions.
2023	100% average increase in order to restore the real value as the rates had not increased since 2016. Introduction of additional motorcycle bandings.
2016-2022	No Change

APPENDIX V

SUMMARY OF DELEGATED AUTHORITIES



Summary of Delegated Authorities

The Policy & Resources Committee has delegated financial authority to:

- Approve opening of capital votes on projects with an estimated cost of up to £5m (Billet d'État III, 2023) in respect of capital votes not yet opened under Resolution 14 (Billet d'État XV, 2021) as at February 2023;
- Approve votes of up to the amount agreed in the F&I Plan in respect of projects with capital votes opened under Resolution 14 (Billet d'État XV, 2021) prior to February 2023;
- Approve opening capital votes for other capital projects including urgent projects, routine capital expenditure and strategic property purchases of up to £3m (Billet d'État XIX, 2025) and for emergency capital projects without limit;
- Make transfers from the Budget Reserve approved by the States (up to the amount available within the Reserve) (Budget 2015, Billet d'État XXII, 2014);
- To allocate the "unallocated" funding of the Routine Capital allocations for 2025-2028 to categories based on demand (Billet d'État XIX, 2025);
- Approve transfers of funding from the Budget Reserve and General Revenue Reserve to Committee budgets over the period 2021-2025 for: managing the effect of Brexit and meeting international standards (ongoing expenditure); Recovery actions (one-off and ongoing expenditure); revenue impact of capital expenditure (ongoing expenditure); and reshaping government initiatives (transformation) (one-off expenditure) (Billet d'État XV, 2021 and Billet d'État X, 2022);
- Decide whether to transfer the real-terms investment returns from the Core Investment Reserve to the General Revenue Reserve [was Capital Reserve] (Billet d'État XX, 2017);
- Approve loans from the States of Guernsey Bond to States owned entities including subsidiaries thereof, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association, the Ladies College and/or to sporting organisations or playing field authorities to support the provision of sporting facilities (Billet d'État XVI, 2020);
- Continue with a £200m short-term borrowing facility or to enter into new external borrowing facilities up to a total maximum of £200m for a period of up to 40 years (Billet d'État XV, 2021);

- Take out new external borrowing up to a maximum of £150m, for a period of up to 40 years, on such terms and conditions as the Policy & Resources Committee deems appropriate, specifically to lend on to the Guernsey Housing Association, or another provider of affordable housing, to fund the Affordable Housing Development Programme and to be repaid over the life of the borrowing at a rate calculated to ensure that there are no residual costs to the States of Guernsey (Billet d'État XVII, 2023); and
- Approve the use of assets in the Seized Asset Fund for distinct initiatives aligned with the Fund's purpose defined as aligning with the objectives; improving the performance of the criminal justice system (particularly asset recovery) and the effective implementation of standards and initiatives in related areas such as anti-money laundering and terrorist financing (AML/CFT), reducing the crime rate, and repairing the damage caused by crime, including restorative justice measures. The Policy & Resources Committee are required to consult the Committee *for* Home Affairs before approving any funding from the Seized Asset Fund (Billet d'État VIII, 2021).

Principal Committees have delegated authority in respect of revenue expenditure within their Authorised Budgets.

The Committee *for* Employment & Social Security has delegated authority of up to £250,000 for capital expenditure from the Social Security funds.

The States' Trading Supervisory Board has delegated authority for capital expenditure of up to £2m by the unincorporated trading entities (Guernsey Water, Guernsey Waste, States Works, Guernsey Dairy, Guernsey Ports) (Ports - Policy & Resource Plan Phase 2, Billet d'État No XII, 2017).



APPENDIX VI

BUDGETS

Income and Expenditure Account

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	Income and Expenditure by Category	Note	2027 Budget Option A £'000s
Revenue Income					
527,636	499,900	585,000	Income Taxes	1	569,900
118,989	118,460	123,475	Other Taxes	2	127,448
34,565	34,500	37,380	Social Security Contributions		38,600
41,944	43,558	43,039	Miscellaneous Income	3	44,350
723,134	696,418	788,894	Revenue Income		780,298
68,315	70,444	68,925	Committee Operating Income		72,769
791,449	766,862	857,819	Total Revenue		853,067
Revenue Expenditure					
351,076	363,911	374,654	Pay	4	365,667
278,572	284,588	282,770	Non-Pay	5	292,345
80,304	85,626	85,177	Formula-Led	6	88,452
-	14,359	4,888	Budget Reserve/GWP/Savings		26,720
-	-	-	Economic Growth Initiatives		5,000
709,952	748,484	747,489	Total Revenue Expenditure		778,184
641,637	678,040	678,564	Memo: Committee Net Expenditure		700,415
81,497	18,378	110,330	Revenue Surplus		74,883
(10,666)	(3,287)	(2,194)	Impairment - Unincorporated Trading Entities		(2,504)
-	-	(9,700)	Impairment - Incorporated Trading Entities		(5,700)
(25,654)	(25,000)	(20,000)	Expensed Project Costs		(25,000)
45,177	(9,909)	78,436	Operating Surplus/(Deficit)		41,679
(29,998)	(32,230)	(29,800)	Depreciation		(31,000)
(2,272)	-	-	Loss on Disposal of Property, Plant & Equipment		-
(5,716)	(6,238)	(5,900)	Interest Expense		(6,500)
7,191	(48,377)	42,736	Net Surplus/(Deficit) Before Investments		4,179
30,229	21,015	31,100	Investment Returns		24,243
3,329	2,737	4,858	Notes and Coin		3,010
40,749	(24,625)	78,694	Net Surplus/(Deficit)		31,432

Income and Expenditure Account

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure by Service Area</u>	2027 Budget Option A £'000s
723,134	696,418	788,894	Revenue Income	780,298
			Committee Net Expenditure	
89,585	92,625	94,942	Corporate Services	96,348
12,563	12,740	12,507	Committee for Economic Development	11,567
94,323	97,893	96,740	Committee for Education, Sport & Culture	96,001
82,112	89,028	87,314	Committee for Employment & Social Security	90,762
15,972	17,393	17,976	Committee for the Environment & Infrastructure	17,765
253,378	261,319	268,393	Committee for Health & Social Care	267,525
43,075	45,424	46,239	Committee for Home Affairs	45,037
9,110	8,987	9,513	Committee for Housing	9,586
21,190	16,725	18,576	Policy & Resources Committee	17,037
573	626	626	Scrutiny Management Committee	623
-	104	128	States Assembly & Constitution Committee	129
1,121	1,430	1,355	Development & Planning Authority	1,350
4,690	5,608	5,187	Overseas Aid & Development Commission	6,203
2,307	1,660	2,131	States' Trading Supervisory Board	1,631
2,933	2,732	2,689	Royal Court	2,707
7,744	8,173	8,285	Law Officers	8,184
961	1,214	1,075	Pooled Budgets	1,240
-	16,859	4,888	Budget Reserve/ GWP	26,720
-	(2,500)	-	Savings	-
641,637	678,040	678,564	Total Committee Net Expenditure	700,415
-	-	-	Economic Growth Initiatives	5,000
81,497	18,378	110,330	Revenue Surplus	74,883
(10,666)	(3,287)	(2,194)	Impairment - Unincorporated Trading Entities	(2,504)
-	-	(9,700)	Impairment - Incorporated Trading Entities	(5,700)
(25,654)	(25,000)	(20,000)	Expensed Project Costs	(25,000)
45,177	(9,909)	78,436	Operating Surplus/(Deficit)	41,679
(29,998)	(32,230)	(29,800)	Depreciation	(31,000)
(2,272)	-	-	Loss on Disposal of Property, Plant & Equipment	-
(5,716)	(6,238)	(5,900)	Interest Expense	(6,500)
7,191	(48,377)	42,736	Net Surplus/(Deficit) Before Investments	4,179
30,229	21,015	31,100	Investment Returns	24,243
3,329	2,737	4,858	Notes and Coin	3,010
40,749	(24,625)	78,694	Net Deficit	31,432

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

There have been the following transfers between Committees in 2026:

- £1.0m from the Committee *for* Education, Sport & Culture to Corporate Services States Property Unit.
- £0.7m from the Committee *for* Employment & Social Security to Corporate Services' Customer Hub.
- £0.6m from the Committee *for* Employment & Social Security to Corporate Services' Digital & Technology.
- £0.4m from the Committee *for* Employment & Social Security for grants and administration transferred as part of the new Committee *for* Housing.
- A total of £0.7m made up of eight transfers affecting eight committees at much lower values.

Notes

1. Income Taxes

2025 Actual	2026 Original Budget	2026 Forecast		2027 Budget
£'000s	£'000s	£'000s		£'000s
363,437	370,900	372,000	Individuals	388,400
148,760	112,000	197,000	Companies (including Banks)	165,500
15,439	17,000	16,000	Distributed Profits	16,000
527,636	499,900	585,000	Income Taxes	569,900

2. Other Taxes

2025 Actual	2026 Original Budget	2026 Forecast		2027 Budget
£'000s	£'000s	£'000s		£'000s
			Customs - Excise and Import Duties	
4,490	4,590	4,590	<i>Beer</i>	4,490
822	880	880	<i>Cider</i>	870
21,809	22,635	22,635	<i>Motor Fuel</i>	23,140
3,810	4,200	4,200	<i>Spirits</i>	4,375
12,087	8,365	8,365	<i>Tobacco</i>	8,370
-	175	175	<i>Vapes</i>	758
6,573	6,835	6,830	<i>Wine</i>	7,114
568	500	500	<i>Import duties</i>	500
50,159	48,180	48,175		49,617
39,934	42,970	43,000	Tax on Real Property	44,752
26,725	24,660	29,900	Document Duty	30,600
2,171	2,650	2,400	Vehicle First Registration Duty	2,479
118,989	118,460	123,475	Other Taxes	127,448

3. Miscellaneous Income

2025 Actual	2026 Original Budget	2026 Forecast		2027 Budget
£'000s	£'000s	£'000s		£'000s
25,242	26,240	26,240	Housing Rental Income	27,350
11,830	12,800	12,281	Company Fees	12,500
3,025	3,518	3,518	Property Rental Income	3,500
268	850	850	Royalties	850
1,579	150	150	Other Income	150
41,944	43,558	43,039	Miscellaneous Income	44,350

4. Pay Costs by Pay Group

2025 Actual	2026 Original Budget	2026 Forecast		2027 Budget Option A
£'000s	£'000s	£'000s		£'000s
126,262	135,103	139,258	Established Staff	-
112,017	113,600	118,721	Nurses and Medical Consultants	-
59,282	60,687	61,417	Teachers, Lecturers and Learning Support Assistants	-
19,978	20,749	20,782	Public Service Employees	-
10,791	11,628	11,734	Police Officers	-
3,970	4,257	4,207	Border Agency Officers	-
4,310	4,342	4,189	Prison Officers	-
4,402	4,500	4,607	Fire Officers	-
3,946	3,696	3,586	Home Support Staff	-
2,380	2,186	2,224	Crown Officers and Judges	-
3,738	3,163	3,929	Other Pay Groups	-
351,076	363,911	374,654	Pay Costs by Pay Group	365,667

As the 2027 Budget has not yet been allocated by category or service area, the detailed expenditure breakdown has been left blank. The 2025 actual expenditure, 2026 Budget and 2026 forecast are provided for comparison

5. Non-Pay Costs by Expenditure Category

2026 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s		2027 Budget Option A £'000s
Staff Non-Pay Costs				
6,327	6,499	6,607	Recruitment	-
2,403	2,747	2,731	Training	-
806	729	762	Other Staff Costs	-
9,536	9,975	10,100		-
Support Services				
3,141	2,725	2,670	Advertising Marketing and PR	-
515	447	432	Audit Fees	-
1,123	737	1,197	Bank Charges	-
11,652	3,247	22,096	Communications and IT	-
3,916	2,856	5,888	Consultants Fees	-
80,518	87,350	67,880	Contracted Out Work	-
110	97	111	Incidental and Other costs	-
1,602	1,092	1,088	Postage, Stationery and Printing	-
6,570	8,019	7,448	Risk Management and Insurance	-
109,147	106,570	108,810		-
Premises				
3,609	887	1,071	Equipment, Fixtures and Fittings	-
5,070	7,165	7,149	Rents and Leasing	-
20,158	20,140	20,069	Repairs, Maintenance and Servicing	-
7,400	8,314	8,308	Utilities	-
36,237	36,506	36,597		-
Third Party Payments				
360	176	194	Benefit Payments	-
29,687	34,396	30,033	Grants and Subsidies	-
30,047	34,572	30,227		-
Transport				
1,632	1,687	1,680	Vehicles and Vessels	-
Supplies and Services				
42,737	42,006	45,539	Services	-
49,236	53,272	49,817	Supplies	-
91,973	95,278	95,356		-
278,572	284,588	282,770	Non-Pay Costs by Expenditure Category	292,345

6. Formula-Led Costs by Expenditure Category

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s		2027 Budget Option A £'000s
Policy & Resources Committee				
2,244	2,288	2,288	<i>Payments to States Members</i>	-
Committee for Employment & Social Security				
57,161	61,142	61,090	<i>Income Support Scheme</i>	-
6,950	7,765	7,150	<i>Family Allowance</i>	-
11,861	12,376	12,750	<i>Severe Disability Benefit & Carers' Allowances</i>	-
2,105	2,055	1,899	<i>Legal Aid</i>	-
80,321	85,626	85,177	Formula-Led Costs	88,452

Policy & Resources Committee

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	Net Expenditure by Category	2027 Budget Option A £'000s
1,423	1,442	1,442	Operating Income	-
Non-Formula-Led Expenditure				
11,074	11,379	12,117	Pay costs	-
Non-Pay costs				
99	135	146	Staff Non-Pay costs	-
6,339	749	3,752	Support Services	-
42	72	73	Premises	-
2,421	3,138	1,138	Third Party Payments	-
1	1	1	Transport	-
393	405	503	Supplies & Services	-
9,295	4,500	5,613		-
18,946	14,437	16,288	Net Expenditure (Non-Formula-Led) by Category	14,673
Formula-Led Expenditure				
2,244	2,288	2,288	Third Party Payments	2,364
2,244	2,288	2,288	Expenditure (Formula-Led) by Category	2,364
21,190	16,725	18,576	Total Net Expenditure by Category	17,037

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Policy & Resources Committee

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
Non-Formula-Led Expenditure				
2,368	2,000	1,620	<i>Alderney Air Routes PSO</i>	-
198	186	205	<i>Central Services</i>	-
1,700	-	-	<i>Development Agency</i>	-
1,932	2,134	2,334	<i>External Affairs</i>	-
6,940	6,221	7,318	<i>Revenue Service</i>	-
2,317	1,781	1,511	<i>Policy & Strategy</i>	-
2,412	1,084	2,249	<i>Treasury</i>	-
17,867	13,406	15,237		-
90	65	60	Commonwealth Parliamentary Association	-
989	966	991	HE Lieutenant Governor	-
18,946	14,437	16,288	Net Expenditure (Non-Formula-Led) by Service Area	14,673
Formula-Led Expenditure				
2,244	2,288	2,288	Payments to States Members	2,364
21,190	16,725	18,576	Total Net Expenditure by Service Area	17,037

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, the following budget transfers have been made from the Budget Reserve:

- £0.6m to support the Revenue Service recovery programme and Tax Reform.
- £0.1m for the British Irish Council.
- £0.2m in relation to Government Work Plan policy development.

Corporate Services

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
12,349	13,308	13,146	Operating Income	-
			Expenditure	
43,950	46,430	51,139	Pay costs	-
			Non-Pay costs	
1,535	1,554	1,708	Staff Non-Pay costs	-
37,758	38,922	35,810	Support Services	-
15,189	15,665	15,590	Premises	-
76	157	135	Transport	-
3,426	3,205	3,706	Supplies & Services	-
57,984	59,503	56,949		-
89,585	92,625	94,942	Net Expenditure by Category	96,348

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Corporate Services

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
			Corporate Functions	
735	878	818	Assurance & Risk	-
1,828	2,260	1,716	Chief Executive's Office	-
754	836	806	Communications & Media	-
466	498	543	Data & Analysis Services	-
866	892	941	Data Protection	-
318	418	311	Debt Management	-
5,250	4,997	5,304	Finance	-
7,153	7,729	7,729	Human Resources	-
29,041	30,043	31,878	Information Systems & Services	-
4,942	5,343	4,914	Insurance	-
2,241	2,361	2,507	Procurement	-
31,786	33,275	33,348	Property Services	-
3,480	2,436	3,519	Shared Services Centre / Customer Hub	-
550	523	411	Transformation & Change	-
101	136	114	Tribunals & Reviews	-
74	-	84	Transformation	-
89,585	92,625	94,942	Net Expenditure by Service Area	96,348

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, budget transfers of £0.4m have been made from the Budget Reserve in relation to pay awards settled during the year.

Committee for Economic Development

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
1,545	1,652	1,623	Operating Income	-
			Expenditure	
5,025	5,530	5,364	Pay costs	-
			Non-Pay costs	
42	58	49	Staff Non-Pay costs	-
4,531	4,642	4,004	Support Services	-
378	422	435	Premises	-
3,768	3,227	3,810	Third Party Payments	-
1	2	4	Transport	-
363	511	464	Supplies & Services	-
9,083	8,862	8,766		-
12,563	12,740	12,507	Net Expenditure by Category	11,567

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.



Committee for Economic Development

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
644	642	695	Central Services	-
370	418	435	Civil Aviation Office	-
			Finance & Economic Development	
721	652	430	<i>Finance Sector Development</i>	-
1,578	1,812	1,749	<i>Business Innovation & Skills</i>	-
2,299	2,464	2,179		-
3,082	2,850	2,825	Grant & Support Schemes	-
2,100	2,346	1,878	Guernsey Registry	-
			Marketing & Tourism	
1,369	1,356	1,399	<i>Consumer & Communications</i>	-
131	117	133	<i>Guernsey Information Centre</i>	-
13	67	13	<i>Quality Development</i>	-
386	455	508	<i>Strategic Marketing</i>	-
783	757	720	<i>Trade & Media Relations</i>	-
2,683	2,752	2,773		-
169	58	152	Office of the Public Trustee	-
176	184	194	Sea Fisheries	-
1,042	1,026	1,375	Strategic Projects	-
12,563	12,740	12,507	Net Expenditure by Service Area	11,567

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, a budget transfer of £0.1m has been made from the Budget Reserve in relation to transport links.

Committee for Education, Sport & Culture

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
6,955	6,453	6,556	Operating Income	-
700	700	700	Reserves Transfer from Lottery Fund	
7,855	7,153	7,256		
Expenditure				
77,517	80,251	79,842	Pay costs	-
Non-Pay costs				
1,690	1,888	1,659	Staff Non-Pay costs	-
2,028	1,197	1,444	Support Services	-
2,193	2,022	1,809	Premises	-
14,598	15,155	14,802	Third Party Payments	-
272	205	272	Transport	-
3,680	4,328	4,168	Supplies & Services	-
24,461	24,795	24,154		-
94,323	97,893	96,740	Net Expenditure by Category	96,001

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, budget transfers have been made from the Budget Reserve of £0.1m in relation to pay awards settled during the year, and of £0.1m in relation to the Education Devolution & Delegation Investigation & Advisory Committee.

Committee for Education, Sport & Culture

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
			Beau Sejour	
926	1,148	1,373	Net expenditure	-
(700)	(700)	(700)	Less transfer from Channel Islands Lottery (Guernsey) Fund	-
226	448	673		-
5,589	5,946	4,880	Central Services	-
1,061	497	550	Cultural Activities & Events	-
			The Guernsey Institute	
9,915	10,333	8,958	College of Further Education	-
388	749	770	Guernsey Institute	-
628	649	649	Guernsey Training Agency	-
1,396	1,455	1,464	Institute of Health & Social Care Studies	-
12,327	13,186	11,841		-
4,047	4,547	4,375	Higher Education	-
			Museums & Libraries	
1,907	1,959	2,039	Grants to Libraries	-
314	345	368	Island Archive Service	-
763	850	921	Museums Service	-
2,984	3,154	3,328		-
7,021	7,360	7,803	School & Pupil Support Services	-
			Schools	
3,034	2,860	2,860	Grants to Colleges	-
2,413	2,598	2,732	Pre-School	-
20,062	20,499	20,815	Primary Schools	-
957	955	963	School Music Service	-
21,637	22,229	22,235	Secondary Schools	-
9,404	10,040	10,092	Special Schools	-
2,691	2,680	2,703	Voluntary Schools	-
60,198	61,861	62,400		-
870	894	890	Sports	-
94,323	97,893	96,740	Net Expenditure by Service Area	96,001

Committee for Employment & Social Security

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
23	31	179	Operating Income	-
Non-Formula-Led Expenditure				
2,030	2,874	2,079	Pay costs	-
Non-Pay costs				
41	44	43	Staff Non-Pay costs	-
1,453	658	1,639	Support Services	-
7	2	2	Premises	-
442	1,920	507	Third Party Payments	-
6	12	7	Transport	-
96	211	166	Supplies & Services	-
2,045	2,847	2,364		-
4,052	5,690	4,264	Net Expenditure (Non-Formula-Led) by Category	4,674
Formula-Led Expenditure				
78,060	81,285	80,990	Third Party Payments	-
-	2,053	2,060	Supplies & Services	-
78,060	83,338	83,050	Net Expenditure (Formula-Led) by Category	86,088
82,112	89,028	87,314	Net Expenditure by Category	90,762

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Committee for Employment & Social Security

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
Net Expenditure (Non-Formula-Led) by Service Area				
860	1,708	832	Administration of Social Security & Legal Aid	-
1,659	2,058	1,721	Benefits & Grants	-
578	697	676	Central Services	-
66	99	62	Disability & Inclusion	-
510	730	730	Employment Relations Service	-
362	400	404	Health & Safety Executive	-
4,035	5,692	4,425	Net Expenditure (Non-Formula-Led) by Service Area	4,674
Formula-Led Expenditure				
Legal Aid				
1,203	1,424	1,036	<i>Civil Legal Aid</i>	-
902	629	863	<i>Criminal Legal Aid</i>	-
2,105	2,053	1,899		-
6,950	7,765	7,150	Family Allowance	-
11,861	12,376	12,750	Severe Disability Benefit & Carers' Allowances	-
57,161	61,142	61,090	Income Support Scheme	-
78,077	83,336	82,889	Net Expenditure (Formula-Led) by Service Area	86,088
82,112	89,028	87,314	Net Expenditure by Service Area	90,762

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Committee for the Environment & Infrastructure

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
4,430	4,413	4,470	Operating Income	-
			Expenditure	
4,006	4,233	4,458	Pay costs	-
			Non-Pay costs	
31	60	41	Staff Non-Pay costs	-
10,510	11,115	11,419	Support Services	-
2,691	2,799	2,934	Premises	-
1,940	2,550	2,429	Third Party Payments	-
173	187	134	Transport	-
1,051	862	1,031	Supplies & Services	-
16,396	17,573	17,988		-
15,972	17,393	17,976	Net Expenditure by Category	17,765

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Committee for the Environment & Infrastructure

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
962	925	1,238	Central Services	-
151	111	178	Alderney Breakwater	-
			Agriculture, Countryside & Land Management	
2,832	3,284	3,297	<i>Agriculture & Veterinary Services</i>	-
1,103	1,258	1,137	<i>Coastal Services</i>	-
1,068	1,040	1,187	<i>Parks, Gardens & Nature Trails</i>	-
706	767	1,020	<i>Other Environmental Services</i>	-
5,709	6,349	6,641		-
352	492	433	Energy & Infrastructure	-
			Traffic & Highway Services	
3,655	3,824	3,989	<i>Highway Services</i>	-
726	925	830	<i>Integrated Transport Strategy</i>	-
(1,330)	(1,095)	(1,299)	<i>Licensing & Traffic Services</i>	-
5,747	5,862	5,966	<i>Passenger Transport</i>	-
8,798	9,516	9,486		-
15,972	17,393	17,976	Net Expenditure by Service Area	17,765

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, budget transfers have been made from the Budget Reserve of £0.3m in relation to the Marine Spatial Plan, and of £0.1m in relation to Fuel Import Strategy.

Committee *for* Health & Social Care

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
30,805	31,453	29,891	Operating Income	-
			Expenditure	
147,123	149,903	155,807	Pay costs	-
			Non-Pay costs	
4,325	4,582	4,382	Staff Non-Pay costs	-
42,405	44,030	45,364	Support Services	-
7,554	7,588	7,449	Premises	-
2,185	2,963	2,280	Third Party Payments	-
719	757	731	Transport	-
79,872	82,949	82,271	Supplies & Services	-
137,060	142,869	142,477		-
253,378	261,319	268,393	Net Expenditure by Category	267,525

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Committee for Health & Social Care

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
Expenditure				
2,524	2,349	2,418	Accommodation management	-
38,833	37,770	41,201	Acute hospital services	-
43,785	43,553	45,111	Adult services	-
877	922	1,031	Children's convenor	-
19,598	20,436	21,039	Children's services	-
12,370	12,852	12,972	Clinical support	-
14,704	15,416	15,635	Community health & social care	-
61,109	61,757	66,133	Contract management	-
10,347	14,372	12,111	Corporate and strategy	-
3,692	3,369	3,155	Medical directorate	-
5,927	6,034	5,870	Operational support	-
31,340	33,416	32,754	Pharmacy	-
8,272	9,073	8,963	Public health	-
253,378	261,319	268,393	Net Expenditure by Service Area	267,525

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, budget transfers have been made from the Budget Reserve of £4.5m in relation to pay awards settled during the year, and of £0.6m in relation to additional demand in Off Island Acute Services, and has returned £0.3m for Tier 3 Weight Management programme.

Committee *for* Home Affairs

2025 Actual	2026 Original Budget	2026 Forecast	<u>Net Expenditure by Category</u>	2027 Budget Option A
£'000s	£'000s	£'000s		£'000s
3,554	3,447	3,856	Operating Income	-
			Expenditure	
39,084	41,136	41,459	Pay costs	-
			Non-Pay costs	
1,513	1,233	1,776	Staff Non-Pay costs	-
2,114	3,155	3,013	Support Services	-
975	856	974	Premises	-
158	115	177	Third Party Payments	-
302	299	315	Transport	-
2,483	2,077	2,318	Supplies & Services	-
7,545	7,735	8,573		-
43,075	45,424	46,239	Net Expenditure by Category	45,037

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Committee *for* Home Affairs

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
1,652	1,403	1,559	Administration and Central Services	-
496	962	825	Cyber Security	-
700	1,135	1,106	Domestic Abuse Strategy	-
2,381	2,757	3,067	Economic & Financial Crime Bureau	-
222	203	239	Emergency Planning	-
591	773	916	Family Proceedings Advisory Services	-
1,366	1,191	1,477	Financial Investigation Unit	-
5,053	5,089	5,273	Guernsey Fire and Rescue Service	-
1,581	1,590	1,750	Joint Emergency Services Control Centre	-
21,074	22,017	21,790	Law Enforcement	-
(255)	(386)	(268)	Population Management	-
6,738	6,798	6,787	Prison Service	-
1,274	1,455	1,324	Probation Service	-
275	437	394	Sexual Assault Referral Centre	-
(73)	-	-	<i>Less funding from the Seized Asset Fund</i>	-
43,075	45,424	46,239	Net Expenditure by Service Area	45,037

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

In 2026, budget transfers have been made from the Budget Reserve of £0.2m in relation to pay awards settled during the year,

Committee for Housing

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
100	251	165	Operating Income	-
			Expenditure	
2,220	2,286	2,423	Pay costs	-
			Non-Pay costs	
5	7	7	Staff Non-Pay costs	-
416	93	403	Support Services	-
6,428	6,718	6,729	Premises	-
-	-	338	Third Party Payments	-
42	33	14	Transport	-
99	101	102	Supplies & Services	-
6,990	6,952	7,255		-
9,110	8,987	9,851	Net Expenditure by Category	9,586

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
374	250	547	Central Services	-
7,043	7,411	7,401	Social Housing Buildings Maintenance	-
869	832	862	Social Housing Tenancy Management	-
824	494	703	Specialist Housing	-
9,110	8,987	9,513	Net Expenditure by Service Area	9,586

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Scrutiny Management Committee

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
Expenditure				
560	547	521	Pay costs	-
Non-Pay costs				
5	5	5	Staff Non-Pay costs	-
3	44	68	Support Services	-
3	17	17	Premises	-
2	13	15	Supplies & Services	-
13	79	105		
573	626	626	Net Expenditure by Category	623

States Assembly & Constitution Committee

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
-	104	128	Expenditure	
-	104	128	Net Expenditure by Category	129

Notes

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Presentational changes were outlined in the 2026 Budget Report, where costs were combined for SACC and Scrutiny Management Committee under the heading "Parliamentary Committees". As agreed with the Policy & Resources Committee, these committees are now presented separately.

In 2025 the costs for SACC were recorded within the Royal Courts.

Development & Planning Authority

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
1,778	1,817	1,807	Operating Income	-
			Expenditure	
2,604	2,952	2,758	Pay costs	-
			Non-Pay costs	
30	46	39	Staff Non-Pay costs	-
230	197	321	Support Services	-
-	3	1	Premises	-
12	14	12	Transport	-
24	35	31	Supplies & Services	-
296	292	404		-
1,121	1,430	1,355	Net Expenditure by Category	1,350

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
90	(63)	38	Building Control	-
86	241	248	Planning Control	-
222	355	234	Planning Support	-
723	897	834	Policy & Conservation	-
1,121	1,430	1,355	Net Expenditure by Service Area	1,350

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Overseas Aid & Development Commission

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
Expenditure				
86	83	90	Pay costs	-
Non-Pay costs				
66	-	-	Staff Non-Pay Costs	-
1	16	12	Support Services	-
4,536	5,504	5,084	Third Party Payments	-
1	5	1	Supplies & Services	-
4,604	5,525	5,097		-
4,690	5,608	5,187	Net Expenditure by Category	6,203

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

States' Trading Supervisory Board

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
1,695	2,359	2,335	Operating Income	-
			Expenditure	
2,366	2,507	2,710	Pay costs	-
			Non-Pay costs	
42	93	53	Staff Non-Pay costs	-
766	1,036	1,039	Support Services	-
686	227	485	Premises	-
26	18	50	Transport	-
116	138	129	Supplies & Services	-
1,636	1,512	1,756		-
2,307	1,660	2,131	Net Expenditure by Category	1,631

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
1,967	1,320	1,791	Alderney Airport	-
340	340	340	Central Services	-
2,307	1,660	2,131	Net Expenditure by Service Area	1,631

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Royal Court

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
2,612	2,765	2,616	Operating Income	-
			Expenditure	
4,986	4,763	4,603	Pay costs	-
			Non-Pay costs	
2	44	40	Staff Non-Pay costs	-
282	350	314	Support Services	-
76	88	89	Premises	-
1	1	6	Transport	-
198	251	253	Supplies & Services	-
559	734	702		-
2,933	2,732	2,689	Net Expenditure by Category	2,707

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Service Area</u>	2027 Budget Option A £'000s
1,219	1,112	1,196	Bailiff's Office	-
(31)	9	(257)	Client Services	-
1,351	1,203	1,389	Court Services	-
394	408	361	Parliament	-
2,933	2,732	2,689	Net Expenditure by Service Area	2,707

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Law Officers

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Expenditure by Category</u>	2027 Budget Option A £'000s
345	353	280	Operating Income	-
			Expenditure	
7,505	7,875	8,065	Pay costs	-
			Non-Pay costs	
167	226	153	Staff Non-Pay costs	-
238	212	163	Support Services	-
12	27	9	Premises	-
-	1	-	Transport	-
167	185	175	Supplies & Services	-
584	651	500		-
7,744	8,173	8,285	Net Expenditure by Category	8,184

Pooled Budgets

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Income by Category</u>	2027 Budget Option A £'000s
			Expenditure	
940	1,086	1,052	Pay costs	-
-	-	-	Non-Pay Costs	-
18	-	1	Staff Non-Pay Costs	-
-	128	22	Support Services	-
2	-	-	Transport	-
1	-	-	Services & Supplies	-
961	1,214	1,075	Net Expenditure by Category	1,240

The 2027 Budget presented for each committee under Option A has not been allocated by category or service area. If Option A is agreed, each committee will determine how its budget is allocated.

Guernsey Airport

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
15,761	16,582	16,620	Income	17,255
			Expenditure	
13,493	13,425	13,220	Pay Costs	14,028
			Non-Pay Costs	
442	540	516	Staff Non-Pay costs	496
117	-	-	Peripheral Activities	-
2,495	2,559	2,929	Support Services	2,344
13,316	2,779	2,880	Premises	2,797
169	177	217	Transport	247
509	633	552	Supplies & Services	544
17,048	6,688	7,093		6,428
(14,780)	(3,531)	(3,693)	Operating Deficit	(3,201)
(1,331)	(1,545)	(1,375)	Depreciation and impairment	(1,688)
383	-	-	Revaluation of investment property	-
(15,728)	(5,076)	(5,068)	Net Deficit	(4,889)

Guernsey Airport

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Capital Expenditure</u>	2027 Budget £'000s
1,434	1,813	368	Miscellaneous capital works	750
11	410	347	IT projects and equipment	600
35	239	837	Equipment, machinery and vehicles	650
1,480	2,462	1,552	Routine Capital expenditure	2,000
64	-	39	PFOS (Contaminated Soil Removal)*	9,923
-	-	-	Bailiwick Air Navigation Systems	215
-	-	150	Airport Roof	150
1,544	2,462	1,741	Total Capital Expenditure	12,288
(64)	-	(189)	Capital Contribution from General Revenue	(10,288)
1,480	2,462	1,552	Net Capital Expenditure	2,000

*Around 15,000 tonnes of PFOS-contaminated soil remain stored in containment bunds near the airport. PFOS is a “forever” chemical previously used in firefighting foam. This project aims to remove the long-term environmental risk associated with PFOS and to protect Guernsey’s groundwater and water resources.



Guernsey Harbours

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
15,656	16,495	17,772	Income	17,524
			Expenditure	
6,502	6,625	6,654	Pay Costs	6,823
			Non-Pay Costs	
188	109	114	Staff Non-Pay costs	124
281	-	-	Peripheral Services	-
1,718	1,987	1,770	Support Services	1,979
1,587	2,018	1,834	Premises	2,101
65	136	106	Transport	143
259	324	282	Supplies & Services	273
4,098	4,573	4,106		4,620
5,056	5,297	7,012	Operating Surplus	6,081
(1,219)	(1,372)	(1,443)	Depreciation	(1,348)
630	-	-	Revaluation of investment property	-
(186)	(276)	(182)	Net Interest	(176)
4,281	3,649	5,387	Net Surplus	4,557

Guernsey Harbours

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Capital Expenditure</u>	2027 Budget £'000s
1,247	1,009	749	Miscellaneous capital works	800
149	308	264	IT projects and equipment	150
109	221	134	Equipment, machinery, vehicles & vessels	1,050
1,505	1,538	1,147	Routine Capital Expenditure	2,000
-	-	107	QEII Gate	749
1,505	1,538	1,254	Total Capital Expenditure	2,749
-	-	(107)	Capital Contribution from General Reserve	(749)
1,505	1,538	1,147	Net Capital Expenditure	2,000



Ports Holding Account

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s		2027 Budget £'000s
Operating Surplus/(Deficit)				
(14,780)	(3,531)	(3,693)	Guernsey Airport	(3,201)
5,056	5,297	7,012	Guernsey Harbours	6,081
(9,724)	1,766	3,319	Total Operating Surplus/(Deficit)	2,880
(186)	(276)	(182)	Investment Return and Interest	(176)
10,363	-	-	Movement in Provisions	-
Capital Expenditure				
1,544	2,462	1,741	Guernsey Airport	12,288
1,505	1,538	1,254	Guernsey Harbours	2,749
3,049	4,000	2,995	Total Capital Expenditure	15,037
(2,596)	(2,510)	142	Surplus/(Deficit) for the year	(12,333)
(1,289)	(1,684)	(1,415)	Balance at 1 January	(408)
(2,596)	(2,510)	142	Deficit for the year before depreciation	(12,333)
64	-	296	Capital Contribution from General Revenue	11,037
2,522	2,234	676	Cash Contribution from General Revenue	1,120
-	-	-	Utilisation of Disposal Proceeds	1,000
(116)	(107)	(107)	Loans repaid	(107)
(1,415)	(2,067)	(408)	Balance at 31 December	(1,691)

Guernsey Water

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
22,636	24,552	24,610	Income	26,882
			Expenditure	
5,087	5,623	6,733	Pay Costs	9,121
			Non-Pay Costs	
74	83	101	Staff Non-Pay costs	143
1,725	1,889	1,900	Premises	2,085
1,250	1,402	1,906	Supplies & services	1,724
7,404	7,929	6,434	Support services	5,060
368	349	589	Transport	387
15,908	17,275	17,663		18,520
6,728	7,277	6,947	Operating Surplus before Depreciation	8,362
(5,452)	(5,662)	(5,711)	Depreciation	(5,781)
13	-	13	Gain / (loss) on disposal of fixed assets	-
(589)	(699)	(643)	Net Interest	(880)
700	916	606	Net Surplus	1,701

Guernsey Water

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Capital Expenditure</u>	2027 Budget £'000s
-	-	-	Land	-
5,168	5,808	5,664	Infrastructure	7,643
1,442	132	294	Buildings	282
201	95	85	Motor vehicles	194
67	32	-	Office equipment	-
252	1,748	1,616	Intangibles	1,104
7,130	7,815	7,659	Capital Expenditure	9,223



Guernsey Waste

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
13,399	14,372	13,870	Income	14,683
			Expenditure	
539	650	602	Pay Costs	685
			Non-Pay Costs	
3	2	3	Staff Non-Pay Costs	3
(55)	20	20	Peripheral activities	18
8,654	9,773	9,515	Support Services	9,914
347	374	361	Premises	368
2	3	3	Transport	3
2,901	2,992	3,311	Supplies & Services	3,377
11,852	13,164	13,213		13,683
1,008	558	55	Operating Surplus/(Deficit)	315
(1,957)	(2,103)	(2,026)	Depreciation	(2,186)
229	-	-	Net interest receivable	-
(720)	(1,545)	(1,971)	Net Deficit	(1,871)

Guernsey Waste

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Capital Expenditure</u>	2027 Budget £'000s
-	55	-	IT projects and equipment	50
265	1,033	642	Equipment, machinery and vehicles	1,120
265	1,088	642	Routine Capital Expenditure	1,170

Notes

The Waste Strategy financial model was based on breaking even over its twenty-year timeframe. However, losses were incurred due to the increase in recycling and a greater than forecast decrease in general waste as a result of the combined success of the new household waste and recycling collections introduced in 2018.

In September 2022, following consideration of a States' Trading Supervisory Board policy letter titled "Future Waste Charges", the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97m for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards.

In the 2024 Budget it was agreed by the States that funding for Guernsey Waste's operating deficit would be made by way of a transfer from General Revenue to Guernsey Waste.

In the 2027 Budget it is proposed that future General Revenue support for Guernsey Waste is based on its operating deficit excluding inert waste activities. This change would allow Guernsey Waste to retain future inert waste surpluses to help fund the Future Inert Waste project.

States Works

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
18,453	18,565	17,073	Income	16,856
			Expenditure	
10,695	11,059	9,985	Pay Costs	9,058
			Non-Pay Costs	
87	91	117	Staff Non-Pay Costs	120
3	-	(58)	Peripheral activities	2
1,106	1,165	1,200	Support Services	1,250
2,477	2,134	2,313	Premises	2,343
1,332	1,276	1,072	Transport	1,323
758	756	744	Supplies & Services	613
5,763	5,422	5,388		5,651
1,995	2,084	1,700	Operating Surplus	2,147
(1,297)	(1,478)	(1,419)	Depreciation	(1,552)
109	80	101	Gain on disposal of assets	10
209	-	-	Net interest receivable	-
1,016	686	382	Net Surplus	605

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Capital expenditure</u>	2027 Budget £'000s
311	15	-	Office equipment	-
5	581	557	Site developments	449
3,044	2,196	1,889	Vehicles, plant, tools and equipment	1,125
3,360	2,792	2,446	Routine Capital Expenditure	1,574

Guernsey Dairy

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Income and Expenditure</u>	2027 Budget £'000s
11,128	11,283	11,277	Income	11,691
			Expenditure	
2,053	2,160	2,131	Pay Costs	2,258
			Non-Pay Costs	
12	24	34	Staff Non-Pay costs	25
716	774	703	Support Services	774
844	947	836	Premises	853
43	35	35	Transport	25
7,137	7,321	7,424	Supplies & Services	7,722
8,752	9,101	9,032		9,399
324	22	114	Operating Surplus	34
(315)	(315)	(315)	Depreciation	(313)
49	(22)	(22)	Net Interest	(22)
58	(315)	(223)	Net Deficit	(301)

Guernsey Dairy

2025 Actual	2026 Original Budget	2026 Forecast	<u>Capital Expenditure</u>	2027 Budget
£'000s	£'000s	£'000s		£'000s
151	1,320	1,573	Equipment, Machinery and Vehicles	1,830
-	100	100	Miscellaneous Capital Works	100
151	1,420	1,673	Routine Capital Expenditure	1,930
-	-	(1,271)	Contribution from General Reserve	(1,930)
151	1,420	402	Net Capital Expenditure	-

Notes

As part of the Major Projects Portfolio policy letter approved in April 2026, the States agreed that the 'Guernsey Dairy Essential Works project' should proceed as a delivery project. The project's capital funding requirements will therefore be met from the General Reserve.



Committee for Employment & Social Security Contributory Funds

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Income / Expenditure</u>	2027 Budget £'000s
Income				
228,910	232,070	252,295	Contribution Income	261,180
Benefit Expenditure				
204,212	212,667	216,060	Social Insurance	230,778
29,680	32,712	33,921	Long-term Care Insurance	36,845
233,892	245,379	249,981		267,623
Administration				
1,284	1,618	1,294	Pay Costs	1,620
2	37	40	Staff Non-Pay Costs	44
3,444	4,024	4,278	Support Services	4,711
214	333	336	Premises	255
-	3	2	Transport	2
73	145	108	Supplies & services	136
5,017	6,160	6,058		6,768
(9,999)	(19,469)	(3,744)	Operating Deficit Before Depreciation	(13,211)
(66)	(112)	(66)	Depreciation	(66)
(10,065)	(19,581)	(3,810)	Net Deficit Before Investments	(13,277)
(104)	-	(487)	Transfer to General Revenue as Contribution towards Revenue Service IT Project	-
(10,169)	(19,581)	(4,297)	Deficit After Reserves Transfers	(13,277)

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Net Income / (Expenditure)</u>	2027 Budget £'000s
(22,215)	(29,644)	(15,860)	Guernsey Insurance Fund	(22,896)
12,046	10,063	11,563	Long-term Care Insurance Fund	9,619
(10,169)	(19,581)	(4,297)	Net Deficit	(13,277)

Superannuation Fund Administration

2025 Actual £'000s	2026 Original Budget £'000s	2026 Forecast £'000s	<u>Total Expenditure by Category</u>	2027 Budget £'000s
499	544	522	Pay costs	593
			Non-Pay costs	
421	350	271	Services	550
152	305	125	Support Services	269
1,072	1,199	918	Total Expenditure by Category	1,412

APPENDIX VII

TOBACCO DUTY-FREE REVIEW



Tobacco Duty-Free Review

Following a resolution of the States during consideration of the 2026 Budget, the Policy & Resources Committee reviewed whether Guernsey's duty-free allowances for tobacco products should be reduced or removed. The review considered whether changes could support public health objectives and generate additional revenue, while also assessing the wider economic, operational and transport implications.

After completing the review, the Committee concluded that the current duty-free tobacco allowances should remain unchanged at this time.

What the Review Considered

The review confirmed that Guernsey is not required by international agreements to maintain any particular level of duty-free tobacco allowance and would be free to reduce or remove the allowance if it wished to do so.

The review examined three options:

- (i) Remove duty-free tobacco allowances entirely.
- (ii) Reduce the existing allowances.
- (iii) Make no change to the current arrangements.

A formal consultation was undertaken with a wide range of stakeholders, including transport operators, government committees, Guernsey Customs & Immigration Service, public health bodies and industry representatives. The review also considered relevant legal, economic and public health evidence.

Public Health Considerations

The Committee recognises that smoking remains a significant public health issue.

Evidence considered during the review showed that smoking continues to be a major cause of preventable illness and premature death. The review also acknowledged evidence that increasing the price of tobacco products and reducing access to cheaper tobacco can contribute to reductions in smoking rates over time. Public health stakeholders therefore supported reducing or removing duty-free tobacco allowances as part of wider tobacco control measures.

The review further recognised that smoking imposes substantial costs on society and that the wider social and health impacts of smoking are significantly greater than the revenue directly generated from tobacco duties.

Economic and Operational Considerations

Alongside the public health evidence, the Committee considered extensive evidence regarding the potential consequences of changing the allowances.

Stakeholders from the transport sector advised that duty-free tobacco sales make an important contribution to the viability of certain air and sea services serving the Bailiwick. Responses indicated that reducing or removing allowances could affect revenues that support routes, services and wider travel operations. Detailed confidential commercial information was provided during the consultation and informed the assessment undertaken by the Committee.

The review also identified wider risks relating to connectivity, tourism and competitiveness. Reliable air and sea links are considered strategically important to the Bailiwick's economy, supporting residents, businesses and visitors. Stakeholders expressed concern that any reduction in duty-free allowances could have unintended consequences for passenger demand and the sustainability of some services.

Customs and enforcement considerations were also examined. The review found that reducing or removing allowances would create additional operational requirements and enforcement challenges, particularly if Guernsey adopted arrangements that differed from neighbouring jurisdictions.

Why No Change is Proposed

The review identified a genuine policy trade-off. On one side were potential health benefits, savings in health and social care services, and the possibility of additional duty revenues for the States of Guernsey. On the other were concerns about economic impacts, transport connectivity, operational complexity and cost of enforcement, and unintended consequences for the wider economy.

While the Committee accepts that reducing or removing duty-free tobacco allowances could contribute to public health objectives, it concluded that the potential economic and operational risks currently outweigh the likely benefits which could be achieved through other government action. In particular, the review highlighted the importance of maintaining sustainable air and sea links for an island community with a limited transport market.

The Committee therefore decided not to propose changes to the existing duty-free tobacco allowances at this time.

Conclusion

The decision should not be interpreted as a view that smoking is harmless or that tobacco control is unimportant. The Committee fully recognises the health harms associated with smoking and supports the Bailiwick's wider public health ambitions.

However, having weighed the available evidence, consultation responses and the broader strategic interests of the Bailiwick, the Committee concluded that maintaining the current duty-free tobacco allowances represents the most balanced and proportionate approach at present.



States of
Guernsey