P.2023/114

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2024

The States are asked to decide whether, after consideration of the States of Guernsey Annual Budget for 2024, they are of the opinion:-

1. To approve provision within the 2024 Budget for the transfer of £4.0m to Guernsey Ports to fund its 2024 cash requirements.

2. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Waste equivalent to the operating losses for Guernsey Waste as at 31 December 2023; and to approve provision within the 2024 Budget for a transfer of £0.5m to Guernsey Waste to fund its 2024 operating losses.

3. To rescind Resolution 7 b) on item 4, entitled “Future Waste Charges P.2022/63”, of Billet d'État No. XIII dated 18th July 2022.

4. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Dairy equivalent to the balance of Guernsey Dairy’s short-term loan facility as at 31 December 2023; and to approve provision within the 2024 Budget for a transfer of £0.7m to Guernsey Dairy to fund its 2024 cash requirements.

5. To extend the period for the withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual on interest not exceeding the following amounts:

2024	£3,500
2025	£2,000
2026	£1,000
2027 and subsequent years of charge	£nil

6. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £150,000 to £160,000 and, in the case of such an individual in respect of both qualifying and non-qualifying income, from £300,000 to £320,000; and in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –

   (a) for "£150,000" in both places appearing to substitute "£160,000"; and
   (b) for "£300,000" in both places appearing to substitute "£320,000".

7. 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") from £50,000 to £60,000 for 2024 and subsequent years.

8. To approve that, with effect from 2024, where an individual pays a minimum of £50,000 in Document Duty (Anti-Avoidance) Duty on the purchase of 100% of the shareholding of a company that holds an open market property on Part A of the Open Market Register, that individual will be eligible for the Open Market Tax Cap, provided that the conditions as to residence and the permitted period are also met.

9. To increase the limit on the amount of income tax an individual resident in Alderney must pay in 2024 or 2025, in respect of Alderney qualifying income under paragraph 2 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975, from £50,000 to £65,000.

10. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2024.

11. To exempt from income tax payments made to private householders for accommodating officials/competitors/performers or other accredited persons participating in, or providing necessary support or ancillary services to, a large event. The events to be regarded as “large” shall be designated by a Statement of Practice issued by the Director of the Revenue Service.

12. To increase the annual exemption fee paid under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from £1,200 to £1,600 with effect from 1 January 2024.

13. With effect from 1 January 2024, to reduce the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a let commercial property, situated in the Bailiwick of Guernsey, allowable under section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as amended, as follows:

	% of interest paid eligible for tax relief
2024	75%
2025	50%
2026	25%
2027 and subsequent years of charge	0%

with no such relief in respect of a let commercial property available to be carried forward to the first year of letting (should that be after 2027).

14. To change the basis of assessment for investment companies to align with that of trading companies, noting that the detail of the transitional and anti-avoidance provisions is to be developed during the finalisation of the legislation.

15. 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 2024 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 2024

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 £80,000 (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
  - Retirement Annuity Allowance
  - contributions to an approved occupational or personal pension scheme

  over £2,500 (which aggregate amount shall not be withdrawn, and shall not form part of the ‘withdrawable deductions’)

- Mortgage interest relief

NATURE OF ALLOWANCE	AMOUNT OF ALLOWANCE
1. **Personal Allowance*^**	Tax at the individual standard rate on £13,900.
2. **Dependent Relative Allowance***	In respect of each dependent relative - tax at the individual standard rate on £4,390 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £9,510 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,390 the sum of £1 for every pound by which the dependent relative's income exceeds £9,510.
3. **Infirm Person's Allowance***	Tax at the individual standard rate on £4,390
4. **Housekeeper Allowance**	Tax at the individual standard rate on £4,390
5. **Charge of Children Allowance***	Tax at the individual standard rate on £9,195
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 themself; 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 or a child aged 18 receiving secondary 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 or 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 or transferee's tax return.

16. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2023” and to direct that the same shall have effect as an Ordinance of the States.

17. To endorse the intention of the Policy & Resources Committee to propose the introduction of a levy on disposable e-cigarettes.

18. To approve the introduction with effect from 1 January 2024 of an enhanced Tax on Real Property tariff for derelict glasshouses, derelict glasshouse land and unoccupied domestic and commercial buildings at five times the standard tariff, as set out in paragraph 2.64 of this Budget Report.

19. To approve the introduction with effect from 1 January 2024 of an enhanced Tax on Real Property tariff for development buildings or approved development sites where the real property falls within the relevant property reference for three years after the “commencement date” of the permit or, if the real property fell into the relevant property reference in 2023, for a period of three years beginning in 2023 (inclusive), should the works not be completed.

20. To approve the draft Ordinance entitled “The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2023” and to direct that the same shall have effect as an Ordinance of the States.

21. To endorse the intention of the Policy & Resources Committee to propose a further increase in the Tax on Real Property tariffs for commercial car parking in the 2025 Budget.

22. To approve ordinary revenue expenditure for 2024 totalling £610.0m as set out in the table in paragraph 3.11 of this Report and the revenue expenditure budgets in Appendix V;

23. To approve the following Budgets for the year 2024:

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

Compliance with Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees.

In accordance with Rule 4(1)(a), the Propositions contribute to delivery of the Government Work Plan 2021-2025 by including proposals to generate a real-terms increase in revenues of £2.2m and to allocate funding for delivery of the four priorities of the Government Work Plan framework.

In accordance with Rule 4(1)(b), other States Committees have been consulted to establish and discuss their funding requirements in preparation of the revenue expenditure proposals.

In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

In accordance with Rule 4(2)(a), the Propositions relate to the Committee's 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*".

In accordance with Rule 4(2)(b), it is confirmed that the Propositions are supported unanimously by the Policy & Resources Committee.

P T R Ferbrache
President

M A J Helyar
Vice-President

J P Le Tocq
D J Mahoney
R C Murray

FOREWORD

The 2024 Budget is presented amidst the ongoing debate on how to treat the significant structural imbalance in States' finances. The Budget is not, however, the tool to address the long-term sustainability of our Island's finances; rather it has a short-term focus and sets the financial policy for the year ahead. Notwithstanding this, the current fiscal challenges cannot be ignored when considering budget measures for the upcoming year and every effort has been made to balance the position as far as possible.

The 2024 Budget projects a small surplus of £24m, which on the face of it might be considered a good result, but what has not been factored into that surplus is the States' capital expenditure or depreciation. Further, this surplus does contain estimated investment returns of £25m for the year, which as we know with the recent significant losses in 2022 are incredibly volatile. By stripping out investment returns, which should really be considered as capital appreciation or depreciation rather than income, we can see the underlying financial performance of the States. In the case of this Budget that would be a net result of circa zero, or break-even, before depreciation or capital expenditure has even been considered. Yet capital expenditure is unavoidable.

The Budget surplus turns into a **deficit** of £13m, when an estimate for depreciation is included, and that includes the £25m gains from the volatile and hard to predict investment returns. However, owing to a historic underinvestment in capital expenditure the current annual depreciation charge is significantly less than what would be expected if capital spend had been in line with policy. As a result of this underinvestment, the current depreciation charge does not represent the level of cash the States should invest in its fixed assets, as many of the States' assets have been fully depreciated already.

When considering capital investment, the latest estimate for the cost of the major capital portfolio prioritised for this term is £560m, with £130m of this spend originally planned for 2024. This excludes the cost for minor capital replacements, which totals £20m per annum on average. This would turn the £24m surplus into a deficit of £126m. However, it should be noted that the actual value of the capital portfolio for the remainder of this term is currently under review as part of the Funding & Investment Plan debate in October, so how much the States will spend next year is still undecided.

According to the States-approved Fiscal Policy Framework we should be investing an average of 2% of GDP into capital expenditure over the long-term. This would currently equate to £78m per annum, meaning the £24m surplus would become a **deficit** of circa £50m should capital spend be taken into account at this more conservative level. Still, this is clearly not affordable and further illustrates the underlying structural deficit the States are currently operating.

The structural deficit being operated today is being sustained only by the use of reserves built up in the past. However, these reserves are declining. 2022 saw an overall deficit of £135m, funded through reserves. Every year that the financial performance of the States results in a deficit, our reserves will reduce. In addition to this, as our reserves deplete it will not be possible to rely upon investment returns to 'prop up' our dwindling surplus. As reserves get smaller so will the size of any investment return. Should the States need to liquidate investments to fund day to day expenses more of our reserves will need to be invested in short-term instruments rather than for the long-term, which would likely result in lower financial returns. This would represent a double hit to our financial position if we continue to bank on those returns to help cover our spend. This would be a very precarious financial position to be in.

Further to this, the balance of the Core Investment Reserve is significantly lower than it should be. This is the only long-term reserve where the capital value can be made available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. States' policy is that the target balance of the Core Investment Reserve should be 100% of General Revenue income in order to provide sufficient resilience in the event of one of these scenarios emerging. As at the end of 2022 the balance was £158m, only 25% of the General Revenue income budget for 2024, meaning £460m would need be added to the reserve to reach this target balance. This will only be possible if sufficient General Revenue surpluses are generated over and above what's needed to sustain required capital expenditure.

Although the current fiscal challenges are evident every effort was made in delivering this Budget to generate additional income from the existing tax base, without negatively impacting the community or Island as a whole. Real-terms increases of £2m have been included through the raising of tax caps, TRP rates and duties, alongside general inflationary increases of £15m (3.9%), but these measures alone are nowhere near enough to cover the States' increasing expenditure requirements.

In a bid to deliver a no real-terms growth expenditure budget for 2024, all Committees bar the Committee *for* Health & Social Care were requested to deliver annual budget savings of 2.5% (amounting to £6m), to offset the financial pressures of delivering health and care services to an ageing population. Although this savings target was met in part - generating budget savings of £4m of the £6m target – these were more than offset by Committees requesting additional budget as a result of rising costs for operating their existing services. General inflation was initially applied to budgets at a rate of 5.5%; however, after a review of all expenditure budgets inflation has had to be included at 6.1%. Along with other unavoidable cost pressures, this has resulted in the 2024 expenditure budget increasing by £37m, which includes a real-terms increase of £5m (1%).

It is clear from the budget rounds that the Committee *for* Health & Social Care has significant cost pressures. It submitted a request for additional budget of £10m – on top of the general inflation allowance of £5m already applied to the cash limit for 2024. The Policy & Resources Committee has proposed a £4m real-terms increase rather than awarding the full £10m requested, which was based on recent financial modelling that sought to project the cost of rising demand on health and social care services in Guernsey, as well as considering what was currently affordable. However, this does mean that there is particular risk within this Budget with regards to the provision of healthcare and this is only expected to worsen in the future.

As well as the cost pressure of delivering existing services, there is also demand for an expansion to services and the introduction of new ones. This has manifested in the

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requirement for £11m of additional expenditure budget in 2024 to deliver on the priorities of the Government Work Plan and to fund previously agreed service developments.

Finally, all bar one of the unincorporated trading assets are currently operating at a deficit – resulting in a need to temporarily move from a purely 'user-pays' to a partially 'taxpayer-funded' model. In September 2022 the States agreed to fund the Guernsey Waste deficit from General Revenue, with an allowance of £500k made in this Budget. In addition, the States agreed in the 2023 Budget that the Ports' £6m deficit would be funded from General Revenue and this Budget proposes a provision of £4m for 2024. Further, a provision of £500k has been made to fund the Guernsey Dairy deficit as its reserves have been depleted and are now unable to cover the deficit. Going forwards if the fees and charges paid by the users for these entities can't be increased sufficiently to cover the costs of operation, there is an unfair additional burden on the taxpayer meaning that, for example, in the case of Guernsey Ports all taxpayers are subsidising mooring fees for those with boats.

As mentioned, the States are already operating a structural deficit. It is not something that might happen in the future; it is happening today. This means that actions have to be agreed in the very near future in order to move to a sustainable financial position and proposals have been put forward in the recently published Funding & Investment Plan. It is clear from this Budget that incremental income and cost saving measures have no prospect of delivering long-term permanent balance and that the Assembly's decision as to how we achieve this cannot be delayed any longer.

P T R Ferbrache
President

M A J Helyar
Vice-President

J P Le Tocq
D J Mahoney
R C Murray

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2024 BUDGET REPORT

Section 1: Overview

Summary

1.1 The 2024 Budget is set at a time of significant fiscal challenges, which has been taken into consideration when proposing financial policy for the year ahead. Effort has been made to generate additional revenues that don't negatively impact the economy or the community as a whole, as well as including cost saving initiatives in a bid to offset high inflationary and service demand pressures.

1.2 The following measures and initiatives are included in this Budget:

Income

- An increase of £875 in the Personal Income Tax Allowance to £13,900
- A real-terms increase to the Income Tax Caps for non-Guernsey sourced income from £150,000 to £160,000 and worldwide sourced income from £300,000 to £320,000.
- An increase in all other allowances in line with inflation, which is forecast at 3.9%.
- A reduction of the threshold at which the withdrawal of these allowances begins to £80,000.
- An increase in the amount of relief on pension contributions protected from withdrawal to £2,500.
- A further pause in the phased removal of mortgage interest relief.
- 7.5% increase to commercial TRP tariffs.
- Increase to the general Office and Ancillary Accommodation category to the same tariff as all other Office and Ancillary Accommodation. This is the final step of a five-year phased tariff increase.
- New domestic TRP bandings introduced (splitting the current lowest banding of 0-200 into three bands 0-99, 100-149 and 150-199) to enable greater granularity over setting of rates. The proposed rates increase as the bands progress to larger properties, starting at RPIX +0% for the lowest band (0-99) to RPIX +40% for the highest TRP band (500+).
- New TRP penal rates for unoccupied, derelict and 'non-developed' properties.
- Above inflation increases in alcohol (RPIX +2%) and tobacco (RPIX + 5%) duty rates.

Expenditure

- Overall expenditure inflation is budgeted at 6.1%.
- £5.4m of savings included in the 2024 Budget.
- Settlement of pay awards for 2022, 2023 and 2024 have increased the pay budget by £34.3m (5.8%).
- Non-pay inflationary cost pressures of £16.8m (6.1%) with £4.5m relating to the uprating of non-contributory Social Security benefits.
- £7.7m for cost pressures because of increased demand for delivery of services. £4.0m of this relates to health and social care services, £2.0m is owing to the demand on contributory benefits including income support and £0.6m relates to IT resilience costs.
- £11.4m included for service developments and delivery of GWP initiatives.

1.3 The overall position of the 2024 Budget is a General Revenue surplus of £24m, before taking depreciation into account. After depreciation and other non-capitalised project costs the surplus turns into a deficit of £13m.

1.4 However, while depreciation should account for the long-term cost of maintaining and replacing capital assets, this is currently lower than would be expected if capital spend to maintain and develop public infrastructure and assets had occurred. The States have historically underinvested in capital expenditure.

1.5 When adjusting for depreciation and other significant cyclical expenditure and stripping out the effect of investment returns the budgeted structural deficit is £49m for General Revenue alone and £64m when including the Social Security Funds.

Economic Context

1.6 This budget is presented at a critical point for the States' finances. It seeks to set short-term financial policy amidst the ongoing debate to address the unsustainability of public finances, which face a growing annual shortfall as demand rises for essential services, in particular healthcare and pensions. In that context the revenue raising proposals presented in this year's budget are relatively small, but nonetheless there are areas where households and businesses will be required to pay more.

1.7 Economically, the position has stabilised over the last year. The high levels of inflation that appeared through 2022 have begun to fall in Guernsey. RPIX peaked at 8.5% in December 2022, but by June 2023 had reduced to 6.8%. This trend is set to continue and current forecasts project that RPIX will fall below 5% in the first half of 2024 and, barring any more unforeseen shocks, fall further towards more typical levels later in the year. This budget is prepared on the basis of an RPIX forecast of 3.9% in June 2024.

1.8 This return to a more comfortable level of inflation will be welcomed by the community but the transition does present some short-term issues. Various expenditure lines including the old age pension, income support benefits and pay awards are linked to historic inflation (in most cases the 6.8% RPIX reported for June 2023), with expenses expected to increase by 6.1% overall. By contrast many income streams, such as income tax and document duty receipts tend to be more closely linked to current price movements which may be substantially lower. Over time such effects average out – 2022 and 2023 income forecasts were higher than budgeted, at least in part because of the effects of rapidly increasing inflation. In the short term the result is that expenditure is set to grow at a higher rate than income for 2024. This is despite forecasts suggesting that strong labour market conditions will allow wages to regain some of their real value in 2024.

1.9 In an effort to control inflation there has been a sharp increase in the Bank of England's base interest rate. After a decade of ultra-low rates, the base rate rose rapidly back up to levels that are much more typical in the long term. This has put pressure on borrowers, in particular mortgage holders who are either on variable rates, exiting fixed rate agreements or seeking new loans. To reflect this challenge the Policy & Resources Committee is recommending pausing the reduction in mortgage interest relief on a principal private residence for a second year.

1.10 Inevitably, rising interest rates have slowed the property market as the affordability criteria on new mortgages have tightened. There has been a marked decline in the number of transactions and average prices have begun to fall. This has impacted document duty receipts in 2023 and is expected to continue to supress revenues in 2024. While interest rates will eventually fall again, it is worth noting that the current 5.25% is more in line with long term norms than the sub 1% rates experienced since the 2008-2009 financial crisis.

1.11 The longer-term demographic challenges remain unchanged. With each passing year more of our community reach retirement age and we are reliant on net migration to replace these people in the workforce. Net migration has been exceptionally high over the last two years, averaging more than 500 people a year over 2021 and 2022, compared to a longer-term average of 150. Despite this it was only in March 2023 that the total size of the workforce passed its pre-COVID-19 level.

1.12 The cost of providing health services creates a significant cost pressure largely driven by rising demand as a result of the ageing population. It is policy to support those in need of care, but it must be recognised that the resources required to provide the level of care required by our aging community comes at a significant cost.

1.13 The Policy & Resources Committee through the Tax Sub-Committee is now progressing work on areas where more revenue might be raised from corporate entities. While the recently published Funding & Investment Plan included revenue raising from corporate sources, this will be from 2025 onwards and so does not feature in the 2024 Budget.

1.14 Guernsey continues to participate in technical discussions on proposals from the Organisation for Economic Co-operation and Development (OECD) to reform the international tax framework. The OECD Inclusive Framework Group's proposals are seeking to address the challenges of increased globalisation and the digitalisation of the economy. Of key relevance to Guernsey, the second pillar of the solution focuses on the world's largest Multi-National Enterprises (MNEs), ensuring those with global revenues of at least €750m would pay a minimum effective tax rate of 15% on their profits.

1.15 On 19 May 2023, the three Crown Dependencies jointly announced the intention to implement the OECD Pillar 2 initiative, which would provide for a 15% effective tax rate for large in-scope multinational enterprises, from 2025. The Tax Sub-Committee has estimated a potential £10m of additional revenues from this change.

1.16 Overall economic growth is expected, with current estimates suggesting real growth in Gross Value Added (GVA)[1] of approximately 0.7% in 2023 and forecast at 0.5% for 2024.

Funding & Investment Plan / Government Work Plan

1.17 The Funding & Investment Plan (F&I Plan) is an integral part of the Government Work Plan (GWP) and sets out the financial planning framework for this term of government, within which the States will operate. The F&I Plan has not replaced the annual budgeting cycle through which any revenue raising measures are proposed and budgets are allocated to Committees.

1.18 As well as presenting the projected operational expenditure, the F&I Plan includes the financial impacts of initiatives prioritised as part of the GWP in order to deliver on the main priorities of this government:

1. Public service resilience, security and governance;
2. Housing, infrastructure and the economy; and
3. Sustainable health and care services.

1.19 The total additional funding being recommended for such initiatives in 2024 is £6.2m.

1.20 Overall, the projected 2024 Budget surplus is in line with that estimated in the 2023 F&I Plan. While budgeted expenditure is higher owing to inflation and demand pressures, this has been partially offset by increased savings and higher income.

1.21 The overall budget position shows a revenue surplus of £11m before investment returns net of financing costs, resulting in very little surplus available to fund capital expenditure.

1.22 Owing to an insufficient revenue surplus, the F&I Plan proposes the use of existing reserves and borrowing to fund capital expenditure. However, how much capital expenditure the States will commit to, and whether new borrowings will be taken out will form part of the funding and financing strategy, to be decided upon in the F&I Plan debate on 17th October 2023 and therefore cannot be reflected in this Budget.

[1] Gross Value Added is the measure of the value of goods and services produced in an economy.

1.23 As highlighted in the F&I Plan, the significant longer-term fiscal issues - such as the growing demand for health and social care services for the ageing population, the need for an ongoing and sustainable investment in infrastructure, and the vulnerability of the tax base to a decline in the workforce as a result of the changing demographics – are causing the States to be in a position of structural deficit.

1.24 These pressures are not new or unique to Guernsey and most developed jurisdictions are facing similar pressures as their populations age. In line with the F&I Plan, the 2024 Budget proposals include an additional allowance of £4m towards the rising cost and demand pressures of providing health and social care services.

1.25 The published F&I Plan[1] lays out three scenarios for the States to consider at the October 2023 meeting, each of which has a different impact on States' finances. The decisions the Assembly make at this debate will have a significant impact on their ability to set balanced budgets, as it will be increasingly difficult for income to match or exceed expenditure without a clear plan as to how the States can return to a sustainable financial position.

1.26 The resolutions of the Government Work Plan 2021-2025[2] included:

"To direct the Policy & Resources Committee to include proposals in the annual Budget Report for each of the years 2022, 2023, 2024 and 2025 to generate an additional real terms increase in revenues each of these years of £1m per annum."

1.27 The Policy & Resources Committee is proposing (Section 2) budget measures which will generate a net real-terms increase in revenues of £2.2m per annum:

- An increase of 7.5% in commercial TRP tariffs (raising £850k in real terms);

- Continuation of the gradual increase to the commercial TRP tariffs category for general Office and Ancillary Accommodation to the same tariff as the other Office and Ancillary Accommodation categories, resulting in an increase of £6.75 per unit (raising £850k in real terms);

- An increase in commercial car parking TRP tariffs (raising £133k in real terms);

- A proposed increase in the domestic TRP tariffs averaging 17% overall, but with modest real increases applied to the majority of properties of average size or less and progressively higher increases applied to larger homes (raising £1.3m in real terms);

- An increase of 5.9% in the excise duty on alcohol (raising £350k in real terms);

[1] Funding & Investment Plan, 2023
[2] Billet d'État XV, 2021

Household Impact Analysis

1.28 Chart 1 presents the overall average impact on household finances of the tax and contribution measures proposed in this budget and in the Committee *for* Employment & Social Security's contributory uprating report (to be debated separately).

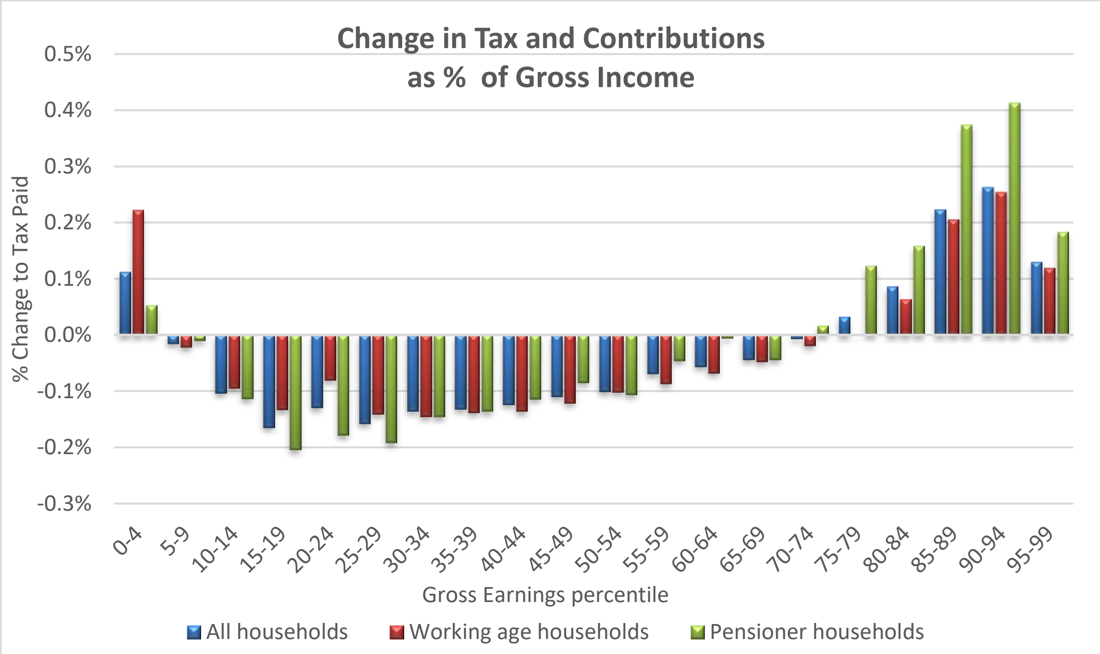

Chart 1

1.29 The analysis assumes all Budget measures are approved, as well as the proposed increase in the Social Security Contribution rate for employees of 0.2%, self-employed and non-employed (under pension age) of 0.3% and 0.1% for pensioners[1].

1.30 It further assumes that:

- Income support mechanisms automatically adjust for changes in direct tax liability (both positive and negative); and

- Increases to TRP tariffs are applied to property owners, but the cost is relayed in full to renters either directly or via rent increases.

1.31 The overall impact of these changes would result in a small improvement to the financial position of the majority of lower- and middle-income households. These households will benefit from the increase in personal income tax allowance, which will be greater than the additional amount that they would pay via Social Security contributions and TRP.

1.32 For households in the lowest income percentiles, the automatic adjustment of income support in response to changes in tax liability would mean that there would be neither an increase nor a decrease in cost. However, for low-income households with disproportionately large properties the increase in TRP tariffs would be greater than

[1] Contributory Benefit and Contribution Rates for 2024 policy letter

the benefit they might receive from the higher tax allowance, which explains the increase in liability for the lowest bracket of earners in Chart 1 (paragraph 1.28).

1.33 On average those households at the higher end of the income scale will pay more owing to the increase in the contribution rates combined with the lowering of the threshold for the withdrawal of allowances.

1.34 The increase in contribution rates is lower for pensioners than for those of working age, although pensioners are more likely to own a home which is large relative to their income and will therefore be subject to higher rates of TRP. As a result, the impact profile for pensioner households is slightly different to that for households of working age.

2024 BUDGET REPORT

Overall Financial Position

1.35 Table 1 summarises the General Revenue position for 2023 and 2024. The overall financial position is illustrated in the Overall Position Table (Table 2, paragraph 1.55), which includes the deficit on the Social Security Contributory Funds.

	2024 Budget £m	2023 Forecast £m	2023 Budget £m
Revenue Income			
Income Tax	443	435	407
Other Taxes	105	98	107
Social Security Contributions	33	32	32
Miscellaneous Income	40	38	36
Revenue Income	**621**	**603**	**582**
Revenue Expenditure			
Cash Limits	(593)	(568)	(539)
Budget Reserve	(7)	(5)	(22)
Service / GWP Developments	(11)	(5)	(12)
Savings to be delivered	1	0	1
Committee Expenditure	**(610)**	**(576)**	**(573)**
Revenue Surplus /(Deficit)	**11**	**27**	**9**
Proceeds on Disposal of PPE (Previously Capital Income)	-	3	3
Investment Return net of financing costs	18	33	27
Operating Surplus	**29**	**63**	**39**
Provision for Trading Entities	(5)	(7)	(6)
General Revenue Surplus before Depreciation	**24**	**56**	**33**

Depreciation	(32)
Write off of Non-Capitalised Project Costs	(2)
Contributions to Third Parties	(3)
General Revenue Surplus after Depreciation	**(13)**

Table 1

1.36 In 2023 additional income tax revenues and higher estimated investment returns are the primary drivers behind the increased surplus compared to budget. The current forecast presents the surplus at £56m before depreciation and project related expenditure but this reduces to £23m when investment returns are excluded.

1.37 Overall, the budgeted surplus before depreciation for 2024 reduces to £24m, which is in line with the F&I Plan after adjusting for estimated project and transformation spend. While budgeted expenditure is higher than the F&I Plan because of inflation and demand pressures, this is offset by a higher income budget.

1.38 However, it should be noted that this surplus includes investment returns net of financing costs budgeted at £18m for 2024. Without this, a small revenue surplus of £11m is budgeted, further reducing to £6m when including the estimated funding requirements of the trading assets. While the 2024 Budget is balanced in terms of the income generated being of sufficient level to cover day to day expenditure, it is insufficient to meet capital expenditure requirements.

1.39 The guiding principle of the States' Fiscal Policy Framework is a policy of a long-term position of permanent balance. This would mean generating an ongoing revenue surplus that is sufficient to afford necessary capital and transformation projects, as well as funding public services, covering the expenditure of the agreed strategic policies of government and ensuring reserves are maintained at an appropriate level.

1.40 Principle 6 of the framework directs the States to maintain capital expenditure at a level which reflects the need for long- and medium-term investment in infrastructure; and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four-year period and 2% per year averaged over any eight-year period.

1.41 At 2% of GDP the capital expenditure would be c£78m for 2024, clearly unaffordable from the budgeted general revenue surplus of £11m.

International Public Sector Accounting Standards (IPSAS)

1.42 The States have decided to implement International Public Sector Accounting Standards (IPSAS), a recognised accounting framework which is aligned to International Financial Reporting Standards and focuses on the requirements of the public sector. IPSAS is being introduced in a phased manner, owing to the requirement to develop and embed the systems and processes necessary for generating the appropriate financial information for the accounts.

1.43 The 2022 States of Guernsey Accounts incorporated two significant changes:

i. The identification, classification and valuation of tangible fixed assets as well as the development of an asset register to record, manage and report accurately upon them. The fixed asset portfolio was reported as at 31 December 2022, together with 2021 comparative balances. £1.7bn was added to the asset base of the Statement of Financial Position, with a dedicated reserve created reflecting the net book values of all assets at the point of recognition and which will be further utilised as the next steps towards IPSAS compliance are taken, including recognition of pensions.

ii. The operations of both General Revenue and the Social Security Contributory Funds being brought together into a combined set of accounts as from 1 January 2022. Historically the Committee *for* Employment & Social Security produced a separately audited set of accounts in respect of these Funds.

1.44 The next steps on the path to full IPSAS compliance include incorporating pensions, the unincorporated trading assets, incorporated trading assets and other defined entities into the Accounts. The intention is that the full transition to IPSAS compliant Accounts will be completed in time to be reflected in the 2024 financial statements.

1.45 IPSAS 24, "Presentation of Budget Information in Financial Statements," requires the financial statements to present a comparison of the annual budget to the accounts. Its main goal is to enhance transparency and accountability by specifying how budget information should be presented in financial statements. It requires entities to disclose original and supplementary budgets, comparing them with actual financial results, and explaining significant variances. This ensures consistent terminology and formatting, making it easier for users to understand the relationship between budgets and financial performance, ultimately promoting responsible use of public funds.

1.46 It is important to note that the budgeting framework and process has different objectives to IPSAS-based accounts. The States of Guernsey Budget supports the objective of balancing the States' financial position in line with the Government's fiscal policy framework, by ensuring that public income and expenditure is controlled and approved by the States.

1.47 As a result, the budgetary framework will not seek to consolidate arms-length entities and the incorporated trading assets, but investment in these entities by way of grants or other funding from the States will be included in the budget.

1.48 However, many of the IPSAS related changes will be reflected in the budgetary framework in due course, with the intention that the budgetary framework mirrors the changes made to the year-end accounts where relevant and appropriate.

1.49 For this Budget, to enable consistency and comparison with previous Budgets, the summary schedule (Table 1, paragraph 1.35) has largely been prepared on a like for like basis with the previous year.

1.50 However, certain changes that were adopted in the 2022 States' accounts have been included:

- Incorporating asset write-off against revenues received from the sale of property, plant and equipment (this was previously budgeted as capital income).

- Removing the grant funding for Guernsey Waste previously included as a cash limit for STSB and treating this in the same way as funding to the other trading assets.

- Including an estimate for depreciation reflecting the change to fixed asset accounting.

1.51 In addition, to aid the adoption of a more consistent framework and comparison to the 2022 Accounts, a schedule has been prepared which also includes the following elements:

- The incorporation of the Social Security contributory funds;

- The addition of investment returns and financing costs relating to other reserves such as the Core Investment Reserve; and

- The budget for other elements of General Revenue such as the financial performance of the Channel Islands Lottery.

Overall Position

1.52 Table 2 in paragraph 1.55 illustrates the 2024 Budget including estimates for movements on the:

- Social Security Funds.

- General Revenue ringfenced funds – Guernsey Health Reserve, Insurance Deductible Fund, Seized Asset Fund.

- Other Funds – Core Investment Reserve, States Trading Entities Reserve and the Bond Reserve.

1.53 In line with the approach taken in the 2022 accounts, the trading assets have not been consolidated at this stage, although their General Revenue funding requirements have been included.

1.54 The General Revenue position presented in the table shows the same £13m deficit as Table 1 in paragraph 1.35, but income and expenditure have been adjusted to be presented in line with the 2022 published accounts. An adjustment has been made for the lottery income and expenditure (which nets to zero). In addition, project costs expensed to the Statement of Financial Performance have been reflected within revenue expenditure.

1.55 Overall, the budgeted deficit of £13m increases to a surplus of £36m when incorporating the movements on the Social Security Funds and other reserves. However, £89m of this is investment return which reflects capital growth rather than income. When this is stripped out the surplus swings to a **deficit** of £53m, reinforcing that the States' underlying revenues are insufficient to meet expenditure requirements.

2024 BUDGET REPORT

Overall Position (In line with the consolidation in the 2022 Accounts)	2022 Consolidated £'m	2024 Budget General Revenue £'m	Ring Fenced General Revenue £'m	Other Funds/ Reserves £'m	Social Security Funds £'m	Consolidated £'m
Income	**807**	695	4	-	207	**906**
Pay Expenditure	**(287)**	(334)	-	-	(2)	**(336)**
Non-Pay Expenditure	**(523)**	(352)	(4)	-	(220)	**(576)**
Operating (Deficit) / Surplus	**(3)**	**9**	**-**	**-**	**(15)**	**(6)**
Investment Returns	**(94)**	25	1	14	49	**89**
Interest Receivable on Loans	**5**	-	-	6	-	**6**
Fixed Asset Depreciation	**(29)**	(32)	-	-	-	**(32)**
Finance Charges and Other Costs	**(10)**	(12)	-	(6)	-	**(18)**
Contributions (to)/from related parties	**(4)**	(3)	-	-	-	**(3)**
Net (Deficit) / Surplus	**(135)**	**(13)**	**1**	**14**	**34**	**36**
Net (Deficit) / Surplus - before investment return	**(41)**	**(38)**	**1**	**-**	**(15)**	**(53)**

Table 2

Structural Deficit Report

1.56 A structural deficit is defined as a government deficit that is independent of the business cycle and is created when a government is spending more than the long-term average tax revenues it is receiving.

1.57 The structural deficit focuses on the long-term sustainability of government finances by looking at the difference between recurring revenue (such as taxes and fees) and recurring expenses (like salaries and essential services).

Investment Returns

1.58 While investment returns contribute to the States' reserves and are included in the Statement of Financial Performance, there is no cash impact until the underlying asset (the investment) is sold. Most of the investments held by the States are relatively liquid; they can be bought and sold on financial markets, providing the States with the ability to convert them to cash relatively quickly. However, investment returns are uncertain and can significantly fluctuate year-on-year, as seen in the movement from the £84m positive return in 2021 swinging to a £94m loss in 2022.

1.59 Investment returns reflect capital growth rather than income. They are also highly volatile and not guaranteed, which is why they have been adjusted out of the core structural deficit calculation.

Cyclical Adjustments

1.60 Cyclical adjustments in structural deficit calculations 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. The cyclical adjustments made in the structural deficit analysis include:

- Tax Revenues

  Banking and companies' profits have increased from unusually low levels in 2022 to very high levels in 2023, driven by rapidly rising interest rates. While these are expected to reduce in 2024, they are still expected to be some £2m higher than typical levels.

  Document duty is difficult to predict, and levels of income depend on the buoyancy of the housing market in determining price and volume of conveyances. While property activity was higher than average in 2022, the market has slowed in 2023 and a further fall in prices is expected through 2023 and early 2024 as interest rate increases suppress activity.

- Income support

  Demand for income support is currently higher than average owing to the current economic climate leading to cost-of-living pressures. While unemployment has continued to decrease, with 506 people seeking work at the end of June 2023 (629 in 2022), income support claims from the working population have increased. This high demand in 2023 is expected to further increase in 2024, placing a temporary pressure of circa £2m on the 2024 Budget position.

- Capital and Project Spend

  While depreciation should account for the long-term cost of maintaining and replacing capital assets, this is lower than would be expected if capital spend to maintain and develop public infrastructure and assets had occurred.

  In order to evaluate the overall financial health of the States finances the structural deficit calculation includes an adjustment to supplement the expected depreciation charge to take account of historic underinvestment.

- Inflationary Cost

  As inflation rates are falling rapidly, as described in paragraphs 1.7 and 1.8, there is a mismatch between the budget income inflation rate (3.9%) and the expenditure inflation rate (6.1%). This is largely owing to contracts being based on earlier rates of inflation (for example June 2023 RPIX which was 6.8%), as well as public sector pay rises for 2024 being 5.8% in line with the agreed multi-year pay deal. The net impact of this on the 2024 Budget is £11.8m, with each 0.25% difference between the interest rates on income and expenditure having a £1.5m impact.

  As the mismatch is not expected to continue at this level it has been adjusted for in the structural deficit calculation.

- Other One-Off Revenues and Expenses

  Unexpected, material, one-off windfalls or one-off expenses are excluded from the structural deficit calculation to focus on recurring, structural imbalances. The higher than usual level of one-off expenditure on GWP activity expected in 2024 has been adjusted out of the calculation.

- Interest Rates

  Cyclical changes in interest rates can affect the cost of servicing government debt. While the interest rates in 2022 and 2023 have increased significantly compared to previous long-term trends, it is felt that these are unlikely to reduce in the near future. No adjustment has been made in the structural deficit calculation as the States' debt (existing bond) is at a fixed rate, which is not influenced by the swings in interest rates. This may need to be adjusted for in future years should short-term variable debt be utilised.

1.61 Table 3 below shows the budgeted deficit, adjusted for the above changes. This results in a budgeted structural deficit of £64m for 2024.

Structural Deficit Calculation	2022 Consolidated	*2024 Budget*				
		General Revenue	Ring Fenced General Revenue	Other Funds/ Reserves	Social Security Funds	Consolidated
	£'m	£'m	£'m	£'m	£'m	£'m
Net (Deficit) / Surplus before investment return	**(41)**	**(38)**	**-**	**-**	**(15)**	**(53)**
Cyclical Adjustments						
(High)/Low banking & company profits	**(4)**	(2)	-	-	-	**(2)**
(High)/Low property activity	**(3)**	8	-	-	-	**8**
High Income Support	**-**	2	-	-	-	**2**
Capital and Project Spend (increase)	**(19)**	(31)	-	-	-	**(31)**
Inflationary Cost/(Benefit)	**(2)**	12	-	-	-	**12**
One Off Expenses	**6**	0	-	-	-	**0**
Structural (Deficit) / Surplus	**(63)**	**(49)**	**-**	**-**	**(15)**	**(64)**

Table 3

Revenue Income

1.62 The budget for income tax receipts is based on the best information, indicators and forecasts available. There is an inherent difficulty in forecasting income tax receipts as there is a significant time delay between profits and investment income earned and tax liability assessed and paid for all receipts apart from those relating to employment. Although income tax is collected based on interim assessments, the submission of returns and issue of final assessments can be up to two years later than the year of charge and can lead to significant under- or over-payments in the intervening period. This can distort the statistics and lead to inaccuracies in forecasting.

2023 Revenue Income

1.63 Overall, the forecast revenue income for 2023 is £21m (3.6%) higher than budget.

1.64 The forecast for income tax receipts is £28m higher than the budget estimate. Receipts from individuals are strong with ETI forecast to be £10m higher than budget because of both median earnings rising faster than anticipated and employment levels increasing. Other individual income taxes are expected to be £2m above budget, primarily on account of rental income and inflation-linked rises to pension income.

1.65 Banking profits are forecast to be £11m higher than budget. Discussions with the banking sector have highlighted expected high profits in 2023 largely because of the rapid increase in interest rates, with profits expected to drop in 2024 towards more normal levels.

1.66 Collections from companies are expected to be £6m higher than budget, the growth in profits anticipated to be from the funds sector, which is showing strong employment growth.

1.67 Document duty is expected to be £7m below budget owing to the recent slow-down in the housing market.

1.68 Other sources of income are largely in line with budget expectations.

2024 Revenue Income

1.69 Overall, the 2024 Budget revenue income is £621m, an increase of £18m compared to the 2023 forecast and £39m compared to the 2023 Budget.

1.70 The income tax receipts budget for 2024 includes an allowance for inflation as well as economic growth of 0.5%. Tax receipts have also been adjusted down by £0.5m owing to the introduction of secondary pensions as this is expected to reduce taxable income once auto-enrolment begins on 1st July 2024.

1.71 Recent elevated banking profits, attributable to high interest rates, have been assumed to drop back down but still at higher levels than experienced in the recent past.

1.72 A further fall in document duty is assumed owing to high interest rates suppressing housing market activity, although it is thought that there may be a recovery in prices and volumes by late 2024.

1.73 Real-term revenue raising measures are budgeted to contribute an additional £2.2m of income.

2024 BUDGET REPORT

Revenue Expenditure

2023 – Committee expenditure

1.74 Appendix II details the anticipated 2023 forecast for each Committee compared to budget.

1.75 Overall, expenditure is anticipated to be £3m, or just under 0.5%, over Authorised Budget.

1.76 The majority of Committees are forecasting overspends, the largest being the Committee *for* Health & Social Care (£3.7m) and the Committee *for* Employment & Social Security (£853k). These overspends are partially mitigated by favourable forecasts from the Committee *for* Home Affairs (£842k) and the States' Trading Supervisory Board (£321k).

1.77 In addition, the centrally held budget provision for Government Work Plan initiatives, service developments and other budgetary risks is forecast to be underspent by £3m, owing to the pause in all but essential funding requests as the Policy & Resources Committee attempted to prevent any further decline in the financial position.

2024 – Committee expenditure

1.78 The total revenue expenditure budget proposed for 2024 is £610m, an increase of £37m compared to the 2023 Budget, which is real terms growth of approximately 1% (£5m).

1.79 An initial inflation allowance of 5.5% was included in Committee cash limits; however, after a review of all budget submissions expenditure inflation has had to be revised to 6.1%.

1.80 Included in this figure is a provision held in reserve of £11m for delivery of GWP initiatives and service developments. Section 3 sets out full details of Committee expenditure budget proposals.

Proceeds on Disposal of Property, Plant & Equipment

1.81 Several properties have been sold as part of the rationalisation of the States' estate and further sales are anticipated.

1.82 The 2023 Budget included an allowance for £3m for such capital income and assumed there would not be any costs to offset against these proceeds, as capital expenditure was previously fully expensed in the year it was incurred.

1.83 For the 2022 Accounts, the States changed its accounting for fixed assets in accordance with the IPSAS framework. This means the carrying value of the asset is now written-off against the sale proceeds of the asset with the net proceeds, rather than gross, taken to the Statement of Financial Performance. This change in accounting method resulted in a net accounting loss of £0.3m on disposal of assets in 2022.

1.84 The net proceeds after asset write-off are budgeted as nil in 2024.

Unincorporated Trading Assets

1.85 Table 4 details the forecast net profit/(loss) for each of the unincorporated trading assets:

£'000	2024 Budget	2023 Forecast	2023 Budget	2022 Actual
Guernsey Ports	(2,560)	(6,633)	(6,172)	(4,256)
Guernsey Waste	(2,461)	(2,057)	(1,958)	(1,795)
Guernsey Dairy	(537)	(348)	(857)	(463)
Guernsey Water	(474)	(1,271)	(186)	(530)
States Works	741	650	625	467
Total (Loss)	**(5,291)**	**(9,659)**	**(8,548)**	**(6,577)**

Table 4

1.86 One of the core principles of the operation of the unincorporated trading assets is that they should raise sufficient revenues to fund all their expenditure (including capital). If losses cannot be funded from within accumulated reserves or eradicated through income raising measures and/or expenditure reduction, there is a requirement for taxpayer funding to be made available from General Revenue.

1.87 However, as can be seen from the above table, the only trading asset to be forecasting a surplus from 2022 to 2024 is States Works.

1.88 The COVID-19 pandemic and the reduction in passenger numbers as a result of travel restrictions had a severe impact on Guernsey Ports. The Ports' losses over this period depleted its limited reserves and it was unable to meet its operational cash requirements. This led to £5.3m of funding from General Revenue in 2020 and a further £8.6m in 2021, with the Policy & Resources Committee agreeing to make a loan facility of £4.5m available to the Ports in 2022 while trading recovered to more normal levels.

1.89 However, while passenger numbers have somewhat recovered, they remain significantly below pre-pandemic levels. This led the States to agree in the 2023 Budget a transfer, equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022, from General Revenue to Guernsey Ports and made a provision in the 2023 Budget for the transfer of £6.2m to fund its 2023 deficit.

1.90 In 2023 the States' Trading Supervisory Board took steps to address Guernsey Ports' trading deficit by way of a three-year programme to improve its financial performance, starting with a significant increase in tariffs, the 2024 impact of which are incorporated in this budget. However, it will continue to generate losses in the interim, albeit at a lower rate than previous years.

1.91 Latest forecasts indicate a loss of £6.6m for 2023, improving to a loss of £2.6m in 2024. However, if the Ports' planned capital expenditure of £4m goes ahead, its cash requirements would likely be higher because of the annual capital spend being £1.5m more than the depreciation charge. The average capital spend for 2021 and 2022 was £5.1m, so this appears to be a reasonable estimate.

1.92 The Policy & Resource Committee **is recommending that the States approve provision within the 2024 Budget for a transfer to Guernsey Ports to fund its 2024 cash requirements, which are estimated at £4.0m** [Proposition 1].

1.93 Further to this, the Policy & Resources Committee and the States' Trading Supervisory Board will explore the options for future funding models for the Ports, including whether there are realistic options for incorporation or if continued taxpayer funding might be appropriate as a contribution towards the economic value created by the Ports.

1.94 The Waste Strategy financial model was based on a user-pays principle designed to break even over its twenty-year timeframe. However, owing 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, losses were incurred.

1.95 In September 2022, following consideration of a States' Trading Supervisory Board policy letter titled *"Future Waste Charges"*[1], 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.

1.96 For 2023, the forecast trading deficit, before depreciation, was £825k and provision of this amount was included in the States' Trading Supervisory Board's Cash Limit for 2023. For 2024, the forecast trading deficit before depreciation is £507k.

1.97 Owing to the dependence on the outcome of a future policy letter on the strategic use of Les Vardes Quarry, there is uncertainty in the Guernsey Waste budget estimate for 2024. Assuming the current inert waste site will be full by the end of 2023 the budget estimate includes income and costs relating to the future handling and processing of inert waste.

1.98 The funding requirement agreed in the 2023 Budget for Guernsey Waste was included in the States' Trading Supervisory Board's cash limit as per the States' Resolution. However, because of the adoption of the IPSAS accounting framework it is recommended that this is no longer treated as a cash limit and a subsequent grant to Guernsey Waste, but rather a transfer from General Revenue to Guernsey Waste. The cash limit for the States' Trading Supervisory Board has been reduced accordingly in the 2024 Budget.

[1] Billet d'État XIII, 2022

1.99 The Policy & Resource Committee **is recommending that a transfer equivalent to the operating losses for Guernsey Waste as at 31 December 2023 is made from General Revenue to Guernsey Waste and that the States approve provision within the 2024 Budget for a transfer to Guernsey Waste to fund its 2024 operating losses, which are estimated at £0.5m** [Proposition 2]. In addition, it is **recommended to rescind Resolution 7 b) of Article IV of Billet d'État XIII, 2022 entitled 'Future Waste Charges'** [Proposition 3].

1.100 In 2023 the Policy & Resources Committee provided a short-term loan facility of up to £1.2m to the Guernsey Dairy to fund its short-term capital expenditure requirement whilst the Future Guernsey Dairy Project progresses. 'The Future Guernsey Dairy Project' policy letter[1] illustrated that a new facility, funded by an investment from taxpayers, would allow significant efficiencies to be made in the operation of the dairy enabling it to return to a profitable position.

1.101 However, as the Guernsey Dairy has been running with small trading deficits in recent years it has depleted its cash reserves. The delay in the funding decision for a new dairy has led to increasingly higher maintenance costs on ageing equipment with no realistic prospect of Guernsey Dairy being financially self-sustainable in the near future.

1.102 It is now expected that a loss of £348k will be made in 2023, increasing to a loss of £537k in 2024. However, if the dairy's planned capital expenditure of £1m goes ahead, cash requirements could be greater owing to capital spend being £700k higher than the annual depreciation charge. Capital spend for 2021 and 2022 at Guernsey Dairy averaged £117k, so this budget includes an estimate of funding in line with the net deficit after depreciation.

1.103 The Policy & Resource Committee **is recommending that a transfer equivalent to the balance of Guernsey Dairy's short-term loan facility as at 31 December 2023 is made from General Revenue to Guernsey Dairy and that the States approve provision within the 2024 Budget for a transfer to Guernsey Dairy to fund its 2024 cash requirements, which are estimated at £0.7m** [Proposition 4].

1.104 In addition to this, the States' Trading Supervisory Board has also highlighted the potential need for additional funding to continue to operate at the current site. The Future Guernsey Dairy Project is a 'pipeline' scheme within the proposed reprioritised capital portfolio which is to be debated by the States as part of the F&I Plan in October 2023 and it is therefore likely that Guernsey Dairy will be required to maintain operations at the existing site for at least the next seven years.

1.105 A condition survey has highlighted potential cost of up to £15m to maintain the safe and compliant operations of the processing facility for the next seven years. However, the Committee *for the* Environment & Infrastructure has also been carrying out a review of the dairy industry, which may lead to changes in the way the States of Guernsey supports the local dairy farming industry.

1.106 The Policy & Resources Committee, the States' Trading Supervisory Board and the Committee *for the* Environment & Infrastructure will explore the options for the

[1] Billet d'État XIII, 2020

strategy and future funding for the Guernsey Dairy and report back on progress as part of the 2025 Budget Report.

1.107 Although Guernsey Water is forecasting losses in 2023 and 2024, currently it is able to fund these from its retained reserves.

Opportunities and Risks to 2024 Financial Position

1.108 A Budget is defined as a plan for a period of time expressed in financial terms but is never a precise prediction of future events. There are always risks and opportunities associated with assumptions contained within a budget which may culminate in results being slightly, or very, different to the plan.

1.109 In respect of the 2024 Budget there are a number of risks which could result in a materially different outcome:

- The income tax forecasts have assumed inflation of 3.9% and real economic growth of 0.5%. There is a risk that salaries and profits will not keep pace with inflation and the impact of revenues growing by 1% below inflation would be £4m.

- In general terms, as inflation rises it leads to an increase in both States' income and expenditure. As set out above, an assumption has been made that income tax and other income sources will be influenced by an inflation rate of 3.9% in 2024, but the inflation on expenditure is expected to be higher at 6.1%. This mismatch between the nominal increases in income and expenditure (with expenditure rising faster than income) has led to a deterioration in the overall position. Each 0.25% mismatch between income and expenditure inflation rates would have a £1.5m impact on the overall surplus.

- The housing market was strong in both 2021 and 2022 through a combination of high prices and higher volumes, with document duty across the two years nearly double the £15m average of the five pre-COVID years. This has significantly reduced in 2023 and the latest document duty forecast is £18m, £7m lower than the 2023 Budget of £25m. A further reduction for 2024 has been forecast, with a budget estimate of £16.6m, though this is hard to predict with any certainty. There is risk the actual position could be even lower, particularly if interest rates continue to rise, thereby restricting the ability of buyers to borrow, impacting both house prices and volume of sales.

- The amount of fuel duty collected is determined by both the rate of duty (which it is proposed is increased to 84.1p per litre in 2024) and the volumes sold. Over recent years, fuel duty volumes have been declining because of increased engine efficiency and, more recently, the move to electric vehicles. An allowance for a decline of 2% has been included in the 2024 Budget, but each further 1% decrease would result in a loss of revenue of approximately £200k.

- The States earn investment returns on their reserves which are attributed to General Revenue. Based on an assumed return of inflation plus 2.5% and given the level of reserves, the 2024 budget estimates an investment return of £25m before financing charges. This assumption is in line with the long-term average; however, as experienced over the last few years this can fluctuate significantly over the short term. For example, in 2022 the investment returns were negative owing to the contraction of, and volatility in, worldwide investment markets. A repeat of such performance in 2024 would completely eradicate the budgeted surplus position.

- Health and care services continue to experience strong growth in demand and this comes at the same time as a shortage of healthcare professionals able, or willing, to take up employment in Guernsey, resulting in high reliance on short-term agency staff. In 2023 this has created cost pressures and led to the Committee forecasting an overspend of £3.7m. Although efforts have been made to address some of these pressures through the 2024 budget, each 1% overspend on the Committee *for* Health & Social Care's budget would cost over £2.3m.

- Although significant effort is being made to realise savings in full, historically the States do not have a good track record of successfully delivering on savings targets, particularly where these involve service changes or restrictions. Therefore, not achieving savings in full must be raised as a risk.

1.110 The centrally held budget reserve is intended to mitigate some of these risks, but it may be insufficient, particularly if several of the risks materialise.

1.111 A reasonable allowance has been made for contingency within this budget; however, if one or more of the above risks materialise it may not be possible to manage the overall position in line with this plan. Table 5 below illustrates the budget estimates against a reasonable alternative scenario based on the above variables:

	£m
2024 budgeted revenue surplus	24
Income Tax revenues growing 1% below inflation	(4)
Document Duty falling further	(1)
Investment returns being £nil	(25)
Overspend of 1% on Committee *for* Health & Social Care budget	(2)
Non-Delivery of savings (20% of the savings target in cash limits)	(1)
Capital Spend higher than Depreciation - Dairy	(1)
Illustrative 2024 revenue deficit	**(10)**

Table 5

1.112 There are also opportunities for the financial position to improve in 2023. A small change to ETI can have a significant impact on revenues, with 1% of growth equating to approximately £2.5m.

1.113 Chart 2 below illustrates the difference between ETI budget and actual receipts for the last 14 years. With the exception of 2020, which was severely impacted by COVID lockdowns, in recent years individuals' ETI has been higher than the budget estimate.

This analysis has informed the 2024 budget estimate resulting in an upward adjustment to budget forecast.

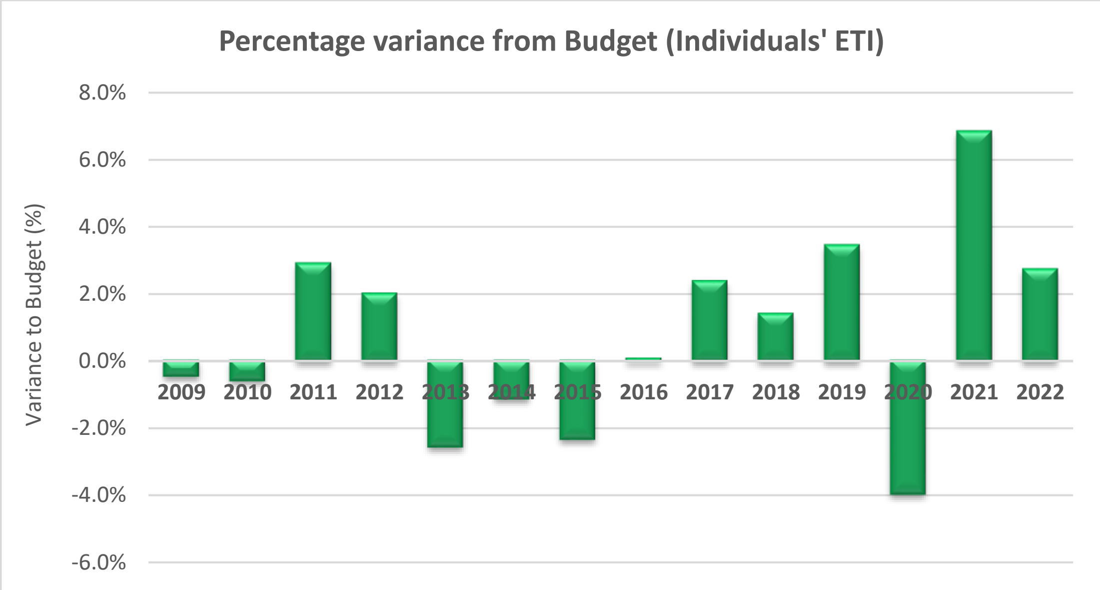

Chart 2

Section 2: Income Proposals

Personal Income Tax

Personal Income Tax Allowances

2.1 **It is recommended that an individual's personal allowance is increased by £875 (6.7%) to £13,900.** This is 2.8% above the inflation projection. This will result in a real reduction of £3.6m in States' income tax revenues. This will be partially compensated by a reduction in the threshold at which the withdrawal of personal allowances for higher earners commences (paragraphs 2.4 to 2.8).

2.2 The recommended personal allowance is as follows:

	2024	2023
Personal Allowance	£13,900	£13,025

Married couples or couples within a civil partnership may elect to transfer any unused personal allowance between spouses.

Given the formal move to independent taxation in 2023, the Policy & Resources Committee has given consideration to whether the practice of allowing spouses and unmarried couples with children to transfer any unused allowances should be restricted. Although it is estimated that restricting the transfer of allowances would increase tax revenues by approximately £5m, the Policy & Resources Committee decided that it was not appropriate to apply further restrictions at this time owing to the impact this would have on low-income households, in particular pensioner couples and families with children.

2.3 **It is recommended that the supplementary personal income tax allowances are increased by 3.9%** as follows[1][2]:

	2024	2023
Dependent relative	£4,390	£4,225
Housekeeper	£4,390	£4,225
Infirm Persons	£4,390	£4,225
Charge of Children	£9,195	£8,850

Withdrawal of Personal Allowances for Higher Earners

2.4 The purpose of income tax allowances is to reduce tax liability by allowing a portion of an individual's income to remain untaxed. This is of most benefit to lower and middle-income earners. The intention of withdrawing this allowance above a set threshold is gradually to reduce the benefit provided to higher income individuals without creating the "cliff edge" that would result from a simple means test. The withdrawal rate

[1] In respect of claims for dependent relatives (other than for children in higher education), housekeepers and infirm persons, no new claims have been admitted from Year of Charge 2009 onwards.
[2] No new claims have been admitted for Dependent Relative allowance in respect of children in higher education from Year of Charge 2018 onwards.

therefore functions to taper the withdrawal at a suitable rate as income increases and prevent undue distortions in the marginal rates applied.

2.5 The taxable income threshold at which personal allowances, other allowances and deductions are withdrawn from individuals was reduced to £90,000 from 1 January 2023. The withdrawal ratio is a rate of £1 of allowance withdrawn for every £5 that a person's income exceeds the withdrawal threshold. Currently £1,000 of relief on pension contributions are protected from withdrawal.

2.6 The Policy & Resources Committee is **recommending that, with effect from 1 January 2024, the withdrawal threshold is lowered to £80,000 and the level of relief on pension contributions protected from withdrawal is increased to £2,500.** The Committee considered applying a lower threshold, however, it was advised that lowering the level further would start to have significant bearing on middle-income households with a single earner. As the policy intent is that the threshold for withdrawal needs to be at such a level where there is little or no significant impact on lower- and middle-income households, it was decided to not lower the threshold below £80,000.

2.7 These changes are estimated to increase the tax liability of around 4,000 households, with approximately 1,000 becoming subject to the withdrawal of personal allowances for the first time. In real terms it is expected to raise an additional £1.5m per annum. The maximum impact on an individual will be £400 (£1 in £5 of £10,000 allowance withdrawn at an income tax rate of 20%) and all individuals subject to the withdrawal of allowances will be impacted, other than those whose allowances are already fully withdrawn or those where the increase in the pension contribution protection offsets the withdrawal amount.

2.8 The reason behind the increase in pension contributions protection is to be more consistent with the States' policy to encourage pension provision through the introduction of secondary pension legislation, with the pension contributions protection calculated at approximately 6.5% of median earnings, i.e. the required employee secondary pension contribution percentage at the end of the transitional period.

Tax relief on Mortgage Interest for a Principal Private Residence and Domestic Let Properties

2.9 In April 2015, following consideration of *"The Personal Tax, Pensions and Benefits Review"*[1], the States agreed the phased withdrawal of income tax relief provided on mortgage interest in respect of principal private residences by 2025.

[1] Billet d'État IV, 2015

2.10 The interest limit on relief was due to reduce from £3,500 to £2,000 in 2023; however, to provide support to islanders during this period of high inflation and rising interest rates, a one year pause in the phased withdrawal was agreed by the States in the 2023 Budget. Having taken account of the prevailing economic conditions, and particularly the high interest rate environment and the likely impact on those now rolling off a fixed rate deal, the Policy & Resources Committee is now **recommending a further one year pause to the phased withdrawal of tax relief on mortgage interest for a principal private residence, with the maximum relief available remaining at £3,500 in 2024** [Proposition 5].

2.11 This measure will allow mortgage holders to retain up to £300 that they would have paid in tax had the planned withdrawal continued in 2024. The Policy & Resources Committee will review the further stages of reductions in the maximum relief to £2,000 in 2025, £1,000 in 2026 and £nil from 2027 onwards as part of the preparation of the 2025 Budget.

2.12 In the 2023 Budget the States approved the proposal to reduce the relief available on interest on mortgages held against domestic let property. It was agreed that interest relief on let residential properties, situated in the Bailiwick of Guernsey, is removed by 1 January 2026 by applying a 75% restriction on interest payments being deductible in 2023; reducing to 50% deductible in 2024; 25% deductible in 2025; and nil in 2026. It is recommended that this policy is continued.

Income Tax Cap

2.13 Since 2008 there has been a provision in the income tax legislation enabling an individual's income tax liability to be capped ("the Income Tax caps"):

- a cap applicable to non-Guernsey source income and Guernsey bank interest (introduced at £100,000, increased to £110,000 from 2012, £130,000 from 2019 and £150,000 from 2023); and

- a cap relating to worldwide income (introduced at £200,000, increased to £220,000 from 2012, £260,000 from 2019, and £300,000 from 2023).

These increases were proposed to retain the real value of these tax caps.

Note: The Income Tax caps reference an individual's income tax liability, not their income.

2.14 **The Policy & Resources Committee is recommending that the tax cap applicable to non-Guernsey source income is increased in real terms to £160,000, and that the tax cap applicable to worldwide income is increased to £320,000 with effect from 01 January 2024** [Proposition 6]. This would generate an additional income of £700k with a real terms increase of £190k.

2.15 Since 2018 there has also been an open market tax cap of £50,000 applied for qualifying new residents 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. An individual is able to claim this cap for the year they take up permanent residence and then three consecutive years (i.e. a total of up to 4 years). Currently there are approximately 30 claimants.

2.16 Those individuals married or in a civil partnership claiming the open market tax cap prior to the introduction of independent taxation in 2023, will have their joint cap grandfathered until the end of the 4-year period (i.e. it will not be applied separately to each spouse). For any qualifying residents moving to Guernsey and buying a property after January 2023, the cap is applied separately to each individual, making the provision less generous than at its introduction.

2.17 Currently, when an individual purchases an open market property through a company, the individual pays the equivalent sum of Document Duty Anti Avoidance Duty that they would have otherwise paid in Document Duty had they purchased the property as an individual. However, the Open Market tax cap does not currently extend to this type of purchase.

2.18 **The Policy & Resources Committee is recommending that the Open Market tax cap is increased to £60,000 in order to retain its real value with effect from 1 January 2024** [Proposition 7] **and eligibility for the cap is to be extended for 2024 and subsequent years to those buying the open market property owned by a company, and purchasing 100% shareholding of that company, providing the other conditions as to residence and the permitted period are also met** [Proposition 8].

2.19 A £50,000 tax cap was introduced from 1 January 2016 for residents of Alderney, provided that they have never previously claimed the Income Tax cap, and available for an initial period of ten years, i.e. up until the end of 2025. There are currently fewer than 10 claimants of this tax cap.

2.20 **In order to retain the real value of this cap, the Policy & Resources Committee is recommending that it is increased with effect from 1 January 2024 to £65,000** [Proposition 9]**.**

Tax-free element of lump sums from pension schemes

2.21 A member of a pension scheme may take a tax-free lump sum of up to 30% of the fund value up to a specific limit. As part of the 2019 Budget Report, the States agreed that the annual tax-free lump sum limit for a pension scheme is set annually as part of the Budget. **In line with the approach that has been taken since the 2022 Budget not to increase this limit, it is recommended that the 2024 limit is maintained at £203,000** [Proposition 10], representing a real-terms reduction in this provision.

Payments to householders to facilitate large events

2.22 In both 2003 and 2023, a lack of visitor accommodation led to the Director of the Revenue Service issuing a Statement of Practice exempting payments from tax, where payment was made to private householders for accommodating officials and competitors taking part in the Island Games. Such exemptions were put in place for limited specified periods when there was a need for householders to provide adequate accommodation to enable the Games to go ahead. This did not exempt income received in respect of spectators or other general attendees. It also only related to private householders and not to those who provide accommodation in the normal course of their business.

2.23 Anticipating that such a need may arise again in the future, the Policy & Resources Committee is recommending **that section 40 of the Income Tax (Guernsey) Law 1975 be amended to exempt payments made to private householders for accommodating officials/competitors/performers or other accredited persons participating in, or providing necessary support or ancillary services to, a large event taking place in the Island in the manner outlined above, such events to be designated as "large" by a Statement of Practice** [Proposition 11].

Other Tax Measures

<u>Exempt Companies Fee</u>

2.24 A collective investment vehicle established to enable investment in, manage, or hold assets of such a fund that meets conditions prescribed in the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended, may apply for exemption from tax. A body granted exempt status is exempt from income tax in respect of sources of income from outside Guernsey and may also invest on a tax-free basis in a Guernsey bank deposit and in another body to which an exemption from tax has been granted and may hold shares in a Guernsey company.

2.25 The annual fee payable on applications for exempt status is £1,200, an amount which has been unchanged since 2015. Approximately £0.7m is raised from these fees. **It is recommended that the fee is increased by 33% in line with inflation since 2015, an increase of £400 to £1,600** [Proposition 12]. This increase is estimated to raise an additional £0.2m in fee income.

<u>Tax relief for Interest on Commercial Let Guernsey Property</u>

2.26 Tax relief on interest paid in respect of an individual's principal private residence is gradually being withdrawn. In the 2023 Budget the States agreed that tax relief on interest paid in respect of domestic let property (regardless of whether the owner was an individual, company, or other entity) would also be withdrawn over a 4-year period, so that no tax relief would be available from 2026.

2.27 In order to achieve equity between the domestic and commercial rental sectors, the Policy & Resources Committee is **recommending the withdrawal of tax relief on interest paid in respect of let commercial Guernsey property (regardless of who the owner is) by 1 January 2027 by applying a 75% restriction on interest payments being deductible in 2024; reducing to 50% deductible in 2025; 25% deductible in 2026; and nil in 2027** [Proposition 13].

The full impact on revenues cannot be easily ascertained as only the net property income is recorded in assessments.

Basis of assessment for investment companies

2.28 In accordance with the Income Tax (Guernsey) Law 1975, investment companies must compute their income on a calendar year basis, rather than being based on their accounting year-end, which trading companies may use.

2.29 Changing the basis of assessment for investment companies to align with that of trading companies would avoid the additional computational work which is currently required for investment companies without a 31 December year-end when submitting tax returns. It would also reduce the level of additional compliance checks of the submitted apportionment that is currently required by the Revenue Service.

2.30 A review of investment companies has shown that fewer than 4% of companies that have a non-31 December year-end have income which is taxable at 20% and it is therefore anticipated that there would be a limited financial impact from applying transitional measures in 2024.

2.31 If agreed, the finalisation of transitional measures and anti-avoidance provisions would be developed during the drafting of the legislation in consultation with the Guernsey Society of Chartered and Certified Accountants Tax Sub-Committee (GSCCATS).

2.32 The Policy & Resources Committee is **recommending a change to the basis of assessment for investment companies to align with that of trading companies, noting that the detail of the transitional and anti-avoidance provisions is to be developed during the finalisation of the legislation** [Proposition 14].

Excise Duties

Alcohol

2.33 The *"Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)"*[1] does not give specific direction on the rates of excise duty on alcohol but includes:

"While it is recognised that excise duties can go some way to discourage excessive consumption and change consumption, it is acknowledged that it can be somewhat of a blunt instrument when compared to more targeted fiscal policies such as Minimum Unit Pricing (MUP)."

2.34 The Committee *for* Health & Social Care will be considering whether any changes to the current rates of excise duty should be requested in future years in order to facilitate the introduction of MUP, recognising that MUP would apply to the retail price. However, for public health reasons, the Committee *for* Health & Social Care has requested that the Policy & Resources Committee recommends an increase of inflation plus 2.0% in excise duty rates for all alcohol products.

[1] Combined Substance Use Strategy for Guernsey and Alderney 2021- 2026 - Drugs, Alcohol and Tobacco

2.35 The Policy & Resources Committee **is recommending an increase in the duties levied on alcohol of 5.9% from 1 January 2024** as set out in The Excise Duties (Budget) Ordinance, 2023 [Proposition 16]. This is estimated to raise an additional £1.0m per annum (£350k in real terms).

2.36 The 2023 anticipated income from excise duty on alcohol is £16.6m, which is lower than 2022 when the impact of the COVID-19 travel restrictions meant that the opportunity to access duty free alcohol products was significantly reduced for many consumers. The 2024 Budget for income from excise duty on alcohol is £18.5m.

2.37 The effect of the changes proposed in the Budget on the most popular products is detailed below:

Description of Goods	Present Duty	Increase in Duty	Proposed Duty
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	56.2p	**3.4p**	59.6p
Spirits (37.5% ABV) – 25mls	41.8p	**2.5p**	44.3p
Spirits (37.5% ABV) – bottle (1 litre)	£16.73	**99p**	£17.72
Light wine (5.5% to 15% volume) – 125mls	39.2p	**2.3p**	41.5p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.35	**14p**	£2.49

Table 6

Tobacco

2.38 The rates of excise duty are one of a range of tools used to achieve policy objectives and the Policy & Resources Committee may recommend changes in excise duty rates for reasons other than fiscal considerations.

2.39 The *"Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)"* includes:

"Increases in the price of tobacco products have helped to reduce the smoking prevalence in Guernsey and Alderney from over 30% in 1988 to 13% in 2018. A year-on-year increase in the tax (RPI plus 5%) applied to tobacco is now embedded in Government policy and should be continued."

2.40 Therefore, based on an inflation forecast of 3.9%, the Policy & Resources Committee **is recommending an increase in excise duty on all tobacco products of 8.9% from 1 January 2024** as set out in The Excise Duties (Budget) Ordinance, 2023 [Proposition 16]. This would increase the excise duty on an average packet of 20 cigarettes from £6.95 to £7.57.

2.41 However, the income received from excise duty on tobacco is volatile and difficult to predict. Demand will be affected by a duty increase but also reflects changing consumption habits, including the growing popularity of e-cigarettes and the ongoing impact of high-profile smoking cessation strategies. In the decade up to 2019, annual income ranged from £7m to £8.5m and averaged £7.7m.

2.42 In 2020 and 2021 income of £13.9m and £11.7m respectively was positively affected by the impact of the COVID-19 restrictions on travel, which meant that the opportunity to access duty free tobacco products was significantly reduced for many consumers. Income collected in 2022 totalled £7.5m, which is closer to the ten-year trend seen before the COVID-19 restrictions were in place. It is estimated that income from Excise Duty on Tobacco will be £7.8m in 2023, which is £0.1m greater than the 2023 Budget of £7.7m. The 2024 Budget for income from Excise Duty on Tobacco is estimated at £8.0m, which reflects a combination of increased duty, reduced demand, and a return to more regular stock-holding levels by importers.

Disposable electronic cigarettes (Vapes)

2.43 Currently no duty is charged on electronic cigarettes (e-cigarettes). The potential to introduce duty on e-cigarettes and a higher duty on disposable e-cigarettes was put forward by the Committee *for the* Environment & Infrastructure when the Policy & Resources Committee invited Members to suggest revenue raising measures they wished to be explored for the 2024 Budget. This idea has been considered for the 2024 Budget with input sought from the Committee *for* Health & Social Care.

2.44 While e-cigarettes are useful as a smoking cessation aid there are concerns about the increasing use of disposable vapes, particularly regarding their impact on the environment and attractiveness to under-age smokers. Work has started to understand the practicalities of collecting a duty on disposable e-cigarettes, including the operational and legal changes that would be necessary. This work will continue with a consultation with businesses in the trade to understand the impact that such a duty would have and how it could be implemented. The Policy & Resources Committee is **recommending endorsement of its intention to propose the introduction of a levy on disposable e-cigarettes** [Proposition 17].

Motor Fuel

2.45 The Policy & Resources Committee is recommending that **the excise duty on motor fuel is increased by 3.9%, from 1 January 2024** as set out in The Excise Duties (Budget) Ordinance, 2023 [Proposition 16]. This would maintain the real value of the duty by increasing it by 3.2p per litre to 84.1p per litre, which is expected to raise an additional £0.8m per annum.

2.46 Diesel for marine (and other non-road) use would remain exempt from duty and the concessionary rate of duty on petrol for marine use would be 26.9p per litre from 1 January 2024. The concessionary rate of duty for biodiesel will increase by 4.5% to 74.1p per litre from 1 January 2024, which will maintain the 10p per litre concession against diesel.

2.47 The 2023 anticipated income from excise duty on motor fuel is £21.1m, which is £0.7m greater than the budget estimate of £20.4m. Although 2023 is set to outperform budget, year on year there is a decline in fuel volumes considered to be a result of increased efficiency of internal combustion engines, change in driving habits (including in response to the recent high pump prices of fuel), and increasing use of vehicles which do not use motor fuel as energy source. The 2024 Budget estimate for income from excise duty on motor fuel is set at £20.8m, which allows for a 2% volume decrease compared to 2023.

Motor Taxes

2.48 In the Tax Review debate in February 2023, the States resolved that the Policy & Resources Committee and the Committee *for the* Environment & Infrastructure should:

"investigate annual revenues generated through transport, such work to include consideration of fuel duty, distance charging, the application of an annual tax on ownership of vehicles and paid public parking and to report back to the States by the end of March 2024."

2.49 The Committees are looking at an annual charge on vehicle ownership and will bring proposals to the States as soon as the detailed investigation and planning work is complete.

Tax on Real Property ('TRP')

Unoccupied Properties

2.50 Following consideration of the 2023 Budget, the States endorsed the Policy & Resources Committee's stated intention to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for unoccupied buildings (residential and commercial).

2.51 At that time, it was envisaged that an unoccupied building would be a residential property which has not been occupied as a person's residence for a period of at least six months during the previous calendar year and a commercial property which has not been in use for the provision of a business or trade, etc. for the same period.

2.52 It was also proposed that the enhanced tariffs would be set at five times the standard tariff for the property.

2.53 The operational and legal implementation of these measures has now been reviewed and the suggested basis for implementation is described below.

2.54 For enhanced TRP on unoccupied residential buildings, it is proposed that a residential building is considered to be unoccupied where it has not been occupied as a person's personal private residence for a period of at least six months (whether on aggregate or otherwise) in any calendar year.

2.11 However, in accordance with statutory guidance, where the lawful occupier has:

- been admitted to a hospital or an approved establishment, whether within or outside the Bailiwick, for the purposes of receiving medical treatment;

- been accommodated in a care home, nursing home or other types of home providing care and accommodation;

- served in the armed forces of the Crown outside the Bailiwick;

- attended an institution of higher education outside the Bailiwick; or

- has been prevented from occupying the building due to a decision of a court or a decision of a public body exercising a statutory function, or from travelling to Guernsey to occupy the building,

for any period during that calendar year, that period of inoccupation shall not be counted for the purpose of determining whether the minimum period has been established.

2.55 For enhanced TRP on unoccupied commercial buildings, a commercial building is considered to be unoccupied where it has not been occupied as a place of business (i.e. a place from which a business, employment or trade is carried out) for a period of at least six months (whether on aggregate or otherwise) in any calendar year. Statutory guidance will provide further detail regarding the meaning of place of business where ancillary purposes are undertaken in that building.

2.56 Horticultural glasshouses will be excluded to avoid confusion with the enhanced TRP tariffs for derelict glasshouse, as set out below.

<u>Derelict Glasshouses</u>

2.57 Following the 2023 Budget debate, the States also endorsed the Policy & Resources Committee's stated intention to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for derelict land and glasshouse sites.

2.58 It was proposed that the enhanced TRP for derelict glasshouses and land is applied to commercial properties only and domestic glasshouses and land will be excluded from the enhanced tariff for the time being.

2.59 Owing to the difficulty in defining dereliction in relation to a land parcel, it is proposed that land associated with a derelict glasshouse will fall into the property reference of derelict glasshouse land.

2.60 Where there is a mix of derelict and non-derelict glasshouses (or a derelict glasshouse and other building) on one land parcel, the land parcel would be apportioned between derelict and non-derelict in line with the relative proportion of derelict and non-derelict property TRP units. Statutory guidance will be published by the Committee in order to clarify the process by which the apportionment would take place.

2.61 The new property reference of derelict glasshouse is intended to cover glasshouses which are neglected, poorly maintained, or unsuitable for occupancy as a glasshouse.

Statutory guidance will provide further details and examples of glasshouses which the Committee considers fall into this category, such as glasshouses that:

- are in a ruinous or dilapidated condition;
- are in a condition which depreciates the value of land or buildings in the vicinity;
- are in such a state of non-repair as to be no longer usable for their intended purpose;
- constitute a hazard to the health or safety of the public; or
- are unsightly in relation to neighbouring properties because the exterior finish of the building or structure is not maintained.

2.62 Glasshouses which have been rendered derelict by natural hazard, etc. may in exceptional circumstances be determined not to fall into this category, for example, where they are to be removed, repaired or rebuilt within a defined period.

2.63 While it is expected that some revenues will be raised, the policy driver behind this proposal is for derelict sites to be cleared.

2.64 The Policy & Resources Committee is **recommending that an enhanced Tax on Real Property tariff is applied to derelict glasshouses, derelict glasshouse land and unoccupied domestic and commercial properties at five times the standard tariff with effect from 01 January 2024** [Proposition 18].

<u>Development buildings and approved development sites</u>

2.65 In the 2023 Budget, the States endorsed the Policy & Resources Committee's intention to include, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission, but the development has not been completed within three years. It was intended that the enhanced tariff should be five times the "development building" or "approved development site" tariff.

2.66 Each planning permit has an "issue date" and a "commencement date". The issue date is the date the permission to develop is granted and the commencement date is the date that the owner/developer confirms to the Development & Planning Authority that the works have begun. Upon confirmation of a commencement date, the planning permit is considered active. If no commencement date is received, the permit remains inactive and will eventually expire.

2.67 Having now reviewed the operational details, it is suggested that rather than apply the enhanced tariff three years after planning permission is granted, this is changed to three years from the "commencement date", that being the date on which the works are started.

2.68 The reason for this change is that a property with planning permission, but where no work has taken place, will remain in its normal property category until work has begun on the property. Until that point, even if planning permission has been granted, the property would be charged TRP at standard rates. The lower "development building" and "approved development site" property references only apply when the works have actually commenced.

2.69 If three years pass from the point of the permission being granted and no work has taken place, the planning permission will no longer be valid and a fresh application will need to be made, and fresh planning fees will be payable.

2.70 As this measure was announced in the 2023 Budget Report, the following will apply:

- Where planning permission has been given for the construction of a new building or an annex or extension to an existing building, that real property can only fall into the "development building" or "approved development site" property reference:

    i. for a period of three years after the "commencement date" of the planning permission; or

    ii. for a period of three years beginning in 2023 (inclusive, if real property was determined to fall into that property reference for 2023); and

    iii. Any real property which after three years of being classed as a "development building" has not been issued with a completion certificate or it has not been confirmed that the building has met the relevant requirements, will fall into the "enhanced rate" category until such certificate or confirmation has been given.

2.71 The Policy & Resources Committee is **recommending that an enhanced tariff of five times the standard rate for development buildings or approved development sites where the real property falls within the relevant property reference for three years after the "commencement date" of the permit or, if the real property fell into the relevant property reference in 2023, for a period of three years being in 2023 (inclusive), should the works not be completed** [Proposition 19].

<u>Commercial</u>

2.72 The 2023 Budget for commercial TRP is £23.3m. **It is recommended that all commercial buildings and land tariffs for 2024 are increased by 7.5%**, [Proposition 20] which will raise approximately £1.75m per annum (£850k in real terms).

2.73 As part of the 2020 Budget, the States agreed that, over a period of five years, the tariffs for the general Office and Ancillary Accommodation category (which largely comprises premises used by professional services and related businesses) are gradually increased to the same tariff as the Office and Ancillary Accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses. 2024 would be the fifth and final year of this stepped increase, achieving parity between the two categories. The increase in 2024 will be £6.75 per building unit and £0.25 per land unit in addition to the general increase and would raise an additional £850k.

2.74 Therefore, the 2024 Budget estimate for commercial TRP is £25.9m.

Domestic

2.75 Following a review of domestic TRP by the Tax Sub-Committee, it is recommended that the lowest band of TRP, (properties with a TRP of 0-200) which covers approximately 70% of properties, is split into three bands to enable more granularity in the setting of rates. The additional bands are proposed to be set at TRP units of 0-99; 100-149 and 150-199 with each of these new bands covering between 20% and 30% of (predominantly local market) properties.

TRP band	% local market unit	% open market units	% all units
0-99	21.7%	1.6%	20.3%
100-149	29.6%	2.6%	27.7%
150-199	22.8%	9.8%	21.9%
200-299	17.9%	30.2%	18.7%
300-399	5.1%	21.0%	6.1%
400-499	1.7%	14.3%	2.6%
500+	1.2%	20.5%	2.7%

Table 7

2.76 The Policy & Resources Committee recognises that affordable housing is a significant issue in Guernsey, but also that property taxes are low in comparison with other jurisdictions. It is therefore proposed that there is no real increase to the rates charged for the smallest properties, increasing rates by the forecast RPIX of 3.9% only. The proposed increases rise as the bands progress to larger properties, with modest real increases applied to the majority of properties of average size or less, but with progressively higher increases applied to larger homes.

2.77 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2024 are increased as follows** [Proposition 20]**:**

- RPIX (3.9%) for properties with a TRP rating of less than 99;
- RPIX (3.9%) + 3% for properties with a TRP rating of 100-149;
- RPIX (3.9%) + 6% for properties with a TRP rating of 150-199;

- RPIX (3.9%) + 10% for properties with a TRP rating of 200 – 299;
- RPIX (3.9%) + 20% for properties with a TRP rating of 300 – 399;
- RPIX (3.9%) + 30% for properties with a TRP rating of 400 – 499; and
- RPIX (3.9%) + 40% for properties with a TRP rating of over 500.

2.78 Overall, this would raise an additional £1.6m per annum (£1.3m in real terms). Therefore, the estimate for domestic TRP in 2024 is £11.1m.

2.79 Table 8 illustrates the effect of the increase in TRP rates on different domestic properties for 2024:

TRP of Property	2023 Rate per Property Unit	2023 Rate increased by inflation only (3.9%)	Proposed 2024 Rate per Property Unit	Average additional payment for 2024	Average total payment for 2024
0-99	£1.94	£2.02	£2.02	£6	£156
100-149	£1.94	£2.02	£2.07	£17	£261
150-199	£1.94	£2.02	£2.13	£33	£364
200-299	£2.46	£2.56	£2.80	£82	£672
300-399	£2.85	£2.96	£3.53	£232	£1,204
400-499	£3.24	£3.37	£4.34	£486	£1,919
500+	£3.72	£3.87	£5.35	£1,109	£3,634

Table 8

<u>TRP - Glasshouses</u>

2.80 TRP on glasshouses has not been increased since 2008 and the tariff of £0.05 per unit is low compared to the next lowest TRP tariff for buildings, which is £0.98 per unit for outbuildings. If the tariff had been increased in line with inflation since 2008 the rate for 2024 would be £0.07 per unit. This is a £0.02 (40%) increase on current levels and will generate additional annual revenues of approximately £17.5k.

2.81 The Policy & Resources Committee is **recommending that glasshouse tariffs for 2024 are increased to £0.07 per unit** [Proposition 18]**:**

<u>TRP - Commercial Car Parking</u>

2.82 As part of the 2024 Budget setting process the Policy & Resources Committee has reviewed the commercial car parking category with the objectives of encouraging efficient use of land; ensuring accurate categorisation; and evaluating the potential to raise additional income.

2.83 As a result of this analysis, it has become clear that there is a discrepancy in how car parking is classified, and the Policy & Resources Committee has asked that this be reviewed and reclassified as appropriate to ensure a consistent and fair classification.

There are currently 1,589 commercial land parcels under review, which is expected to take several years to complete. Until reviews have been completed it is not possible to estimate the amount of additional TRP income that will be generated as a result of any reclassifications. Any increase will not be backdated.

2.84 As part of this ongoing review, it has become apparent that the tariffs for commercial car parking are low in comparison with other commercial rates. The 2023 tariff for "B4.8 Garaging and Parking (non-domestic)" at £6.95 per unit is lower than the tariffs for many commercial building categories. In addition, the 2023 tariff for "L6.1 Garage and Parking (non-domestic) Land" at £0.55 per unit is lower than the rate changed for land linked to most office buildings (£1.81 per unit) and given the nature of the land usage a significant increase is suggested.

2.85 **It is proposed that commercial car parking tariffs are increased over two years as below:**
B4.8 Garage and parking (non-domestic) buildings:

An increase of 40% over two years from the current tariff of £6.95 per unit to £9.73 per unit. The tariff is proposed as £8.34 in 2024 and £9.73 in 2025.

L6.1 Garage and parking (non-domestic) land:

A ten-fold increase over two years from the current tariff £0.55 per unit to £5.50 per unit. The tariff is proposed as £2.75 in 2024 and £5.50 in 2025.

2.86 The first of these increases are in The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2023 which the States is being asked to enact [Proposition 18]. The second year of the increase would be enacted in the relevant TRP Ordinance for 2025 [Proposition 20].

Document Duty and Anti-Avoidance Duty

2.87 The 2023 Budget estimate for income from Document Duty and Anti-Avoidance Duty was £25m. However, owing to the previously buoyant housing market now slowing down, a lower amount of £18m is forecast for 2023.

2.88 Annual local market housing price increases were consistently high between Q3 2021 (19.0% year on year growth) to the end of 2022 (Q4 2022: 15.9% year on year growth). However, in Q2 2023 the annual increase reduced to 0.3%. The total number of conveyances subject to duty to the end of August 2023 was 675 (local market) and 39 (open market), compared to 941 (local market) and 61 (open market) up to August 2021 and 981 (local market) and 68 (open market) up to August 2022.

2.89 The level of Document Duty can be difficult to forecast as it is dependent on both the volume and value of conveyances. The estimate for income from Document Duty and Anti-Avoidance Duty in 2024 is £17m.

2.90 It is not proposed that any changes are made to the general rates or thresholds associated with Document Duty and Anti-Avoidance Duty.

Scheme to encourage 'down-sizing'

2.91 A scheme to encourage 'down-sizing' was introduced on 01 January 2023 whereby the first £400k of the property being purchased by the 'down-sizer' would be charged at 0% document duty, subject to certain conditions being met[1].

2.92 The Committee will review its use and effectiveness during 2024 and make recommendations accordingly in the 2025 Budget report.

Vehicle First Registration Duty

2.93 In the 2023 Budget a 100% increase to the rates of First Registration Duty was applied in order to restore their real value as they had not increased since 2019. It has now been agreed with the Committee *for the* Environment & Infrastructure that going forward rates will be increased annually based on RPIX.

Alignment with Government Work Plan

2.94 The Resolutions of the Government Work Plan 2021-2025 included:

"To direct the Policy & Resources Committee to include proposals in the annual Budget Report for each of the years 2022, 2023, 2024 and 2025 to generate additional real terms increase in revenues for each of these years of £1m per annum."

2.95 The proposed income increases contained within this 2024 Budget Report total real terms increase of £2.2m, comprising:

Budget Measure	2024 Real terms increase/(decrease) (£m)
Income taxes	(1.3)
Duty on alcohol	0.4
Commercial TRP (general)	0.9
Commercial TRP (Office Rates)	0.8
TRP Car Parking rates	0.1
Domestic TRP	1.3
Total	**2.2**

Table 9

This real-terms increase exceeds the target set within the Government Work Plan.

[1] Conditions were: a) A reduction in TRP rating of at least 25% on the domestic building element between the property being sold and the property being purchased (TRP categories); b) the property being sold has been the vendor's "Principal Private Residence" for the last two years; c) the scheme can only be accessed once by an individual; and, d) The scheme can only be accessed once in respect of a property being sold – i.e. if a couple decide to sell a jointly-owned property and purchase two smaller properties, the Document Duty reduction would apply to only one of the properties being purchased

2024 BUDGET REPORT

Section 3: Expenditure Proposals

3.1 The original 2023 Budget expenditure was £573.1m, comprising £539.3m allocated to individual Committees, £22.0m held as the Budget Reserve, £12.4m allocated for service developments, and a £600k target for delivery of savings.

3.2 The original budget was updated post the 2023 Budget debate to take account of subsequent pay awards as pay deal negotiations concluded. These changes are reflected in the Authorised Budget in Table 10 in paragraph 3.11 alongside other approved funding released from the Budget Reserve, service development and GWP provision as well as agreed inter-committee transfers and savings.

3.3 In setting the Committee 2024 cash limits, the Policy & Resources Committee's objective was to seek no real terms growth in the expenditure budget overall. As set out in paragraph 1.7, this was against a backdrop of the impact of inflation on expenditure outstripping the impact on income, with many contractual and pay increases, as well as formula-led expenditure, being linked to earlier high inflation rates.

3.4 In setting the budgets an inflation allowance of 5.5% was included, but the majority of Committees were asked to deliver a 2.5% saving against their cash limits in order to offset the inflationary cost increases. The only exception to this request was the Committee *for* Health & Social Care which was asked to prepare a budget on a no real-terms growth basis overall.

3.5 While not all of the savings targets have been realised within these budget proposals, the exercise has resulted in budget savings and cost reductions of £5.4m in total. However, Committees have also identified inflationary increases in excess of the initial 5.5% inflation allowance (6.1% expenditure inflation now included overall) and other cost pressures and service developments requiring funding. While the target of no real-terms growth to expenditure has not been achieved, this approach to budget setting has undoubtedly helped to offset some of the significant inflationary and demand challenges being experienced.

3.6 Each Committee presented its budget proposals to the Policy & Resources Committee and was able to highlight its particular budgetary challenges. The proposals presented below represent a £7.2m reduction compared to those original budget proposals. This undoubtedly presents a challenging budget for many Committees, although as can be seen from the small operating surplus, this level of expenditure control has been necessary.

3.7 The 2024 individual Committee cash limits take account of adjustments for budget transfers between Committees.

3.8 The recommended cash limits for 2024, which have been adjusted for cyclical/one-off/phasing-down items in both 2023 and 2024, incorporate the following additional allocations compared to the 2023 cash limits:

- £34.3m for the effect of settled pay awards in respect of 2022, 2023 and 2024[1];

- £16.8m for cost pressures in relation to non-pay inflation, with £4.5m of this relating to the uprating of non-contributory social security benefits (Income Support, Family Allowances and Severe Disability Benefit and Carers' Allowances). A further £9.4m relates to standard inflationary increases at 5.5%, and £2.9m is the cost of higher inflationary rises highlighted by Committees;

- £7.7m for cost pressures owing to increased demand for delivery of services. £4.0m of this relates to health and social care services, £2.0m is owing to the demand on contributory benefits including income support and £0.6m relates to IT resilience costs;

- £4.2m of cost savings (or above inflation increases to committee revenues) have been included in the Budget. All Committees other than the Committee *for* Health & Social Care were asked to make an overall 2.5% saving. While the budget savings are some £2m below the target, this is still a significant contribution to offsetting some of the inflationary and demand pressures being experienced;

- £0.6m for approved service developments that were prioritised in previous Budget Reports, or which follow specific States' direction, including £0.4m for progressing towards the target agreed by the States for the giving of overseas aid to equate to 0.2% of GDP by 2030;

- A net increase in funding of £2.1m for initiatives or programmes which were approved as part of the GWP, including the Revenue Impact of Capital Expenditure (RICE); and

- A decrease of £825k in the cash limit of the States' Trading Supervisory Board, representing the movement of the funding to cover the forecast trading deficit of Guernsey Waste, which is now to follow a similar accounting treatment as the provisions for other trading assets. This is purely a change in accounting treatment and has no impact on the overall States' financial position.

3.9 Therefore, it is recommended that funding of £593.1m is allocated to Committees in 2024 comprising Non-Formula Led cash limits of £516.6m and Formula Led estimates of £76.5m.

3.10 In addition, there is a Budget Reserve of £6.5m, allocations for service developments and delivery of Government Work Plan initiatives which have not been incorporated into Committee cash limits of £11.4m, and planned delivery of a further £1.0m of corporate savings.

[1] The Policy & Resources Committee offered all pay groups a three-year deal covering 2022-2024. Allowance has been made in the recommended Cash Limits for the 2022 element (5% plus £500) and the 2023 element (which is in line with the June 2022 RPIX of 7%) for those pay groups that settled after the 2023 Budget. The 2024 element is in line with June 2023 RPIX less 1% (5.8%)

3.11 The recommended cash limits for 2024 are set out in Table 10 alongside further explanation of the funding allocated to individual Committees (Full line by line details of the 2024 budgets are included as Appendix V).

	Note	2024 Revenue Cash Limit £'000s	2023 Authorised Budget £'000s	Year on Year Increase/ (Decrease) %	2023 Original Cash Limit £'000s
Corporate Services	1	79,208	71,370	11.0%	68,925
Economic Development	2	10,122	10,398	(2.7%)	10,400
Education, Sport & Culture	3	92,740	88,883	4.3%	82,855
Employment & Social Security		12,753	12,648	0.8%	12,500
Environment & Infrastructure	4	13,850	13,553	2.2%	13,175
Health & Social Care	5	234,823	222,776	5.4%	212,000
Home Affairs	6	40,285	38,494	4.7%	37,990
Policy & Resources		13,204	14,300	(7.7%)	13,100
Scrutiny Management		620	600	3.3%	600
Development & Planning	7	1,563	1,615	(3.2%)	1,615
Overseas Aid & Development	8	4,397	3,981	10.4%	3,855
States' Trading Supervisory	9	1,781	2,500	(28.8%)	2,500
Royal Court		2,846	2,767	2.9%	2,635
Law Officers	10	7,828	6,707	16.7%	6,675
Pooled Budgets		569	550	3.5%	550
TOTAL NON-FORMULA LED		**516,589**	**491,142**	**5.2%**	**469,375**
Policy & Resources		2,136	2,025	5.5%	2,025
Employment & Social Security	11	74,398	67,900	9.6%	67,900
TOTAL FORMULA LED		**76,534**	**69,925**	**9.5%**	**69,925**
TOTAL CASH LIMITS		**593,123**	**561,067**	**5.7%**	**539,300**
Budget Reserve - General		6,497	4,450	46.0%	22,000
GWP Initiatives/Service Developments		11,383	7,987	42.5%	12,400
Corporate Savings to Be Delivered		(956)	(404)	136.6%	(600)
REVENUE EXPENDITURE BUDGET		**610,047**	**573,100**	**6.4%**	**573,100**

Table 10

3.12 **Corporate Services (Note 1)** – Corporate Services are those provided to and on behalf of the entire organisation and comprise: Assurance and Risk; Communications; Finance; Human Resources; Information Systems & Services; Insurance; Procurement; Property Services; Shared Services Centre; and Tribunal Services.

3.13 In June 2019 the States approved the recommendations within the *"Future Digital Services"* policy letter[1], including entering into a ten-year Strategic Partnership contract with Agilisys Guernsey Limited for the delivery of States' IT services. The contract includes the provision and maintenance of the States' IT infrastructure and support services, support for Public Service Reform transformation programmes and delivering a programme of approved economic development initiatives.

3.14 The profile of the contract value with Agilisys Guernsey Limited is for higher costs in the early years which will gradually reduce over the term of the contract as Agilisys delivers contractually guaranteed savings. The States agreed to *"direct the Policy & Resources Committee to take account of the ongoing costs when recommending Cash Limits for subsequent years."* Therefore, the recommended 2024 cash limit for Corporate Services includes a £600k year-on-year reduction in the base contract value and £3.1m to fund additional costs as a result of the digitalisation of services, which fall outside the scope of the contract.

3.15 In addition, a further £0.6m has been included to improve IT resilience in line with recent advice from PWC following its review of IT outages at the end of 2023.

3.16 The recommended cash limit for Corporate Services incorporates an inflation allowance of £3m, which includes £1.3m in respect of the contract with Agilisys Guernsey Limited and an additional £1.7m for other non-pay inflation including utility costs and soft facilities management.

3.17 Funding of £580k has been included for HR transformation with the aim of ensuring that an adequately resourced HR function can fully discharge the Employer's responsibilities.

3.18 In line with the GWP, £350k of funding related to the delivery of IPSAS has been included, of which £150k is ongoing, recurring funding.

3.19 In January 2023 the States of Guernsey took over the operation of St John's Residential Home and this has increased costs for Property Services by £381k compared to the original budget.

3.20 **Committee *for* Economic Development (Note 2) –** In accordance with the recovery action of *"Invest in the Finance Sector"* incorporated within the 2022 Government Work Plan, there is a reduction in the cash limit to decrease the funding for Guernsey Finance (a total additional investment of £3m over three years from mid-2021 to mid-2024). The ongoing funding of Guernsey Finance is the subject of the 2023 Government Work Plan and £500k is held centrally in the GWP budget provision. In addition to this reduction the Committee exceeded its savings target.

3.21 **Committee *for* Education, Sport & Culture (Note 3)** – The recommended cash limit includes an inflation allowance of £987k, as well as a £370k allowance for demand pressures. The Committee highlighted a risk of £280k relating to accommodation costs for agency staff and rent allowances for staff moving to Guernsey.

[1] Billet d'État X, 2019

3.22 £178k of savings have been identified by the Committee *for* Education Sport & Culture compared to the target of £2m. The Committee highlighted that it is challenging to realise immediate savings from Education owing to the inability to make service area cuts in the short term because schools operate on an academic year cycle as opposed to a calendar year cycle. In addition, pay accounts for 76% of the budget (a 2.5% reduction would equate to between 30-48 FTE teachers) and 43% of the non-pay costs are grants or third-party funding, resulting in very few 'immediate' savings that can be found.

3.23 The cash limit has been reduced by £308k representing the agreed reduction in funding to the Grant Aid Colleges[1].

3.24 The cash limit has also been adjusted for specific funding as per the below:

- No additional funding has been included in the 2024 Budget for Active 8, in line with the States approved policy letter 'Active 8: A Plan for Sport - 2021-2030'[2] (2023: £198k).

- Following the National Association for Special Educational Needs (nasen) report on Special Educational Needs and/or Disabilities provision in Guernsey, the recommended cash limit includes non-recurring funding of £70k (2023: £170k) to enable the implementation of specific recommendations. This funding is in addition to the ongoing funding of £634k to employ non-teaching Special Educational Need co-ordinators in each school, which was included within the 2022 and 2023 cash limit. There is therefore a year-on-year reduction of £100k.

- In 2023 the Committee *for* Education, Sport & Culture identified several areas where there is a need for targeted activity to support those children and young people most affected by the pandemic and periods of lockdown. This programme of focused one-off measures is expected to cost £1.3m over 2022-2024 and the recommended 2024 cash limit includes specific funding of £296k (2023: £625k), which is a year-on-year reduction of £329k.

3.25 **Committee *for the* Environment & Infrastructure (Note 4)** – Savings of £329k (2.5%) have been included in the budget, however, these have been off-set by an additional allowance of £300k to address expenditure pressures the Committee is facing in relation to the scheduled bus service. A general inflation allowance of £537k has been included.

3.26 **Committee *for* Health & Social Care (Note 5)** - The projections within the latest F&I Plan included an allowance of £4m per annum for underlying health cost pressures because of increased demand on services.

3.27 The Committee *for* Health & Social Care has advised that it is facing significant budgetary pressures with some services experiencing demand pressures in excess of

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[1] Billet D'État XVIll 2017

[2] Billet d'État XVI, 2020

that covered by the additional £4m allowed in the F&I Plan. The budget submission from the Committee requested an additional £10.4m budget over and above the general £5m inflation allowance because of high service demand and the cost of agency staffing and their accommodation. Of this £10.4m additional budget request, £2m was considered discretionary in nature as did not specifically relate to existing cost pressures but was more focused on service development. The £4m additional budget proposed by the Policy & Resources Committee is circa 50% of that requested by the Committee for Health & Social Care (excluding the discretionary portion of the budget request) and is in line with recent detailed financial modelling that sought to illustrate the demand-led cost pressures on health and care services in Guernsey.

3.28 Mindful of the current financial position of the States, the Policy & Resources Committee is therefore recommending a 2024 cash limit in line with the F&I Plan that includes an allowance of £4m for addressing these budgetary pressures, in addition to an inflation allowance of £5m.

3.29 Specific, non-recurring funding had been added to the cash limit in 2023 to recognise the pressures that were being experienced on the staff accommodation budget, arising from both the number of positions requiring accommodation because of recruitment challenges and the difficulties presented by current market forces with demand exceeding supply leading to an increase in rental prices. This has not been included for 2024. This and other cost pressures highlighted by the Committee *for* Health & Social Care will need to be prioritised from within the £4m allowance.

3.30 In January 2020, the States considered a policy letter[1] entitled *"Review of the Funding of Drugs, Treatments and Devices"* and agreed, inter alia, a policy of funding drugs and treatments in receipt of a Technology Appraisal from the National Institute for Health and Care Excellence. The costs were estimated to be £5.6m in Year 1 and £8.3m from Year 2 (to which £500k needs to be added as the expected consequential fall in private patient income). The States agreed that the costs of this service development will be met from the Guernsey Health Reserve (which is ring-fenced within the General Revenue Reserve).

3.31 Owing to the COVID-19 pandemic, the phased implementation of this policy was delayed, and the net additional costs were budgeted to be £4.8m in 2023. This is now included in the 2024 cash limit at £5.1m.

3.32 The Committee *for* Health & Social Care is expected to report back to the States with a review of the practical operation of the first two years of the policy and its recommendations for future drug funding policy. For budgeting purposes, until such recommendations are made, no real-terms growth has been assumed for the budget for NICE drugs, treatment, and devices.

3.33 In line with the GWP, the budget also includes provision of £1.5m for funding initiatives to tackle the waiting list for orthopaedic procedures, which has increased as a result of the delays that arose through COVID-19. Funding has been approved for four years (mid-2022 to mid-2026), which indicatively comprises £1m in 2022; £1.5m per annum

[1] Billet d'État I, 2020

in 2023-2025 and £0.5m in 2026. This budget (plus any inflation increases in costs) will be provided by transfers from the Guernsey Health Reserve to match the profile of actual expenditure.

3.34 A funding provision of £2m in 2023 in respect of 'Off-Island Treatments' has been removed in 2024. This was non-recurring funding to cover the costs of an increased number of episodes of care and complexity of cases because of COVID-19 pandemic treatment delays. However, owing to capacity pressures being experienced by the UK NHS, the £2m allocation will not be fully spent in 2023. The residual unspent balance is estimated at £1m and has been included in the 2024 Budget Reserve to cover a potential requirement to further fund this in 2024. If required, this will also be funded from the Guernsey Health Reserve.

3.35 The recommended 2024 cash limit of £234.8m is an increase of £12.8m (5.4%) compared to the authorised 2023 cash limit of £212.0m. Given that the budget for the Committee *for* Health & Social Care represents 40% of all General Revenue expenditure, such an increase has a significant impact on the overall position.

3.36 Health and care services are facing significant budgetary challenges, which in turn puts increasing pressure on the overall financial position of the States. Although an additional allowance of £4m has been awarded to the Committee *for* Health & Social Care in the 2024 Budget to help deal with increasing demand on its services, considerable effort will need to be made by the Committee to keep expenditure within the approved cash limit.

3.37 **Committee *for* Home Affairs (Note 6)** – In addition to an inflation allowance of £139k, the recommended cash limit includes specific additional funding of £611k in respect of cost pressures, including for the Financial Intelligence Unit and Bailiwick Law Enforcement. An additional £254k has been included in respect of costs to prepare for the election, with 60% of the cost expected in 2024 and 40% in 2025. However, savings of £1.2m have been identified and included within the proposed 2024 cash limit.

3.38 **Development & Planning Authority (Note 7)** – The cash limit is a reduction from 2023 because of the removal of £250k specific funding for the Statutory Review of the Island Plan. There is £150k provided for in the GWP Budget Reserve for 2024.

3.39 In May 2019 the States of Deliberation resolved to direct the Development & Planning Authority to prepare a local planning brief for the St Peter Port Harbour Action Area and agreed a maximum budget of £300k[1].

3.40 At their March 2022 meeting the States of Deliberation further resolved to include a local planning brief for St Sampson Harbour, directing the Development & Planning Authority to complete both briefs within 18 months. Specific non-recurring funding of £400k has now been agreed to discharge the States Resolutions to develop local planning briefs for both island harbours. The funding requirement is estimated to span several years (2023 – 2025) and the 2024 cost is included in the cash limit at £156k.

[1] Billet d'État VIII, 2019

3.41 **Overseas Aid & Development Commission (Note 8)** – The Overseas Aid & Development Commission's proposed 2024 cash limit of £4.4m includes an inflation allowance of £247k together with a real-terms increase of £400k. 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"*[1]. 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. In addition, the savings target of £106k has been applied to this budget.

3.42 **States' Trading Supervisory Board (Note 9)** – As well as an inflationary allowance of £60k the budget contains provision for reduced income of £121k relating to Alderney Airport owing to the required closure of the runway for repairs. This has been offset by the 2.5% savings target of £32k as well as the reduction of £825k relating to the change in accounting treatment for the cash limit that had previously been given to cover the operating loss of Guernsey Waste.

3.43 **Law Officers' Chambers (Note 10)** –funding of £689k has been included in the cash limit relating to the staffing for the creation of a specialist Economic Crime Unit for which funding had been identified in the 2023 Budget Report.

3.44 **Formula Led Social Security (Note 11)** – The 2024 estimate includes provision for inflation increases in rates of benefit for claimants of Family Allowance, Severe Disability & Carers' Allowance and Income Support at a total cost of £4.5m. It also includes increased demand for Income Support costing £2.1m and an increase in Severe Disability & Carer's Allowance of £175k, which have been partially offset by a reduction in Family Allowance of £305k.

Savings

3.45 As part of the 2024 Budget setting process, Committees were asked to find cost savings of 2.5% from their current cash limits, other than the Committee *for* Health & Social Care. This was a target saving of £6.4m across all committees. While results have been mixed, most Committees have at least partially met the target with a total cost reduction of £4.2m now included in the cash limits.

3.46 Some areas have met or exceeded the target including:

- The Committee *for* Economic Development (savings of £744k, 7.5%)
- The Committee *for* Home Affairs (savings of £1.2m, 3.1%)
- The Committee *for the* Environment & Infrastructure (savings of £329k, 2.5%)
- The Royal Court (savings of £70k, 2.5%)
- States' Trading Supervisory Board (saving of £32k, 2.5%)

[1] Billet d'État XIII, 2019

3.47 The target savings were partially met by:

- The Committee *for* Education Sport and Culture (savings of £178k, 0.2%)
- The Committee *for* Employment & Social Security (savings of £225k, 1.8%)
- Policy & Resources - Corporate Services (savings of £1.0m, 1.4%)
- Policy & Resources - Core (savings of £235k, 2.2%)

3.48 In addition, the 2024 Budget reflects a reduction of £252k in respect of the full year effect of savings initiatives in 2023, as well as Public Service Reform savings totalling £956k.

Budget Reserve – General

3.49 The Budget Reserve holds an allocation which is expected to be transferred to individual Committees during the year. It is held centrally instead of being included within recommended cash limits as it is not known, with a sufficient level of detail or certainty, the amount which will be required by each Committee. Therefore, each Committee's 'Authorised Budget' will increase during the year as this funding is released.

3.50 The Budget Reserve is also used to manage overall budget contingencies and deal with any one-off, unexpected or in-year cost pressures. Individual Committees do not routinely hold significant budget contingencies as this is considered inefficient since they would invariably not be fully utilised every year. However, funding is available to Committees from the Budget Reserve, if required.

3.51 The 2024 Budget Reserve of £6.5m includes:

- an allowance for 2024 pay awards in respect of Crown Officers for which a settlement has not yet been reached;

- provision for increasing Established Staff budgets in case the assumed 5% level of underspend arising from staff turnover does not occur;

- a general provision to cover items such as variations in formula-led expenditure, increase in cost or demand for services in excess of that included in the cash limits or other unanticipated/contingency/emergency expenditure where there is a clear business case; and

- provision for possible in-year requirements including a provision for carry forward of previous funding agreed for the Committee *for* Health and Social Care (Off-Island funding agreed as part of the 2023 budget) and the Committee *for* Employment & Social Security (Discrimination Ordinance funding agreed by the States of Deliberation) and further IT resilience costs that may be required.

3.52 It is the expectation that Committees should first comprehensively review their existing budgets in order to reprioritise and accommodate any additional expenditure before seeking additional funding from the Budget Reserve.

Service Developments and Government Work Plan Initiatives

3.53 The 2023 update to the GWP approved by the States of Deliberation in July 2023[1], included schedules of costings for delivery of the plan priorities. A total of £6.2m of funding for initiatives prioritised as part of the GWP has been included in 2024 cash limits.

3.54 The resolutions of the GWP also included *"To note the continued priority resourcing applied by the States of Guernsey in preparation for the MONEYVAL 2024 inspection as set out in the 'ensure compliance with agreed international agreements/standards' workstream under Priority 2 of the Government Work Plan 2022 framework."* While much of the agreed funding is now in Committee cash limits, a specific service development provision of £100k is included in the 2024 Budget in order to fund the following additional requirement:

- Committee *for* Economic Development: £100k for three years (2023-2025) for a contract post of Head of Compliance, Risk and Governance in Guernsey Registry.

3.55 In addition, a service development prioritised in 2020 related to the Computer Emergency Response Team is believed to be required in 2024 and is held as a provision. It should be noted that owing to the age of this initiative if the funding is not requested in 2024 it will not be included in future budgets.

3.56 A total of £11.4m has been provided to cover service developments and initiatives prioritised in the GWP, including an allowance for those for which Committees have not yet requested funding:

	£'000	£'000
Service Developments (prioritised in 2020 Budget Report)		
Computer Emergency Response Team	725	
		725
Service Developments (MoneyVal)		
Committee *for* Economic Development	100	
		100
Government Work Plan Initiatives		
Strategic Actions	5,512	
Managing the effects of Brexit and meeting international standards	644	
Revenue impact of capital expenditure	550	
Reshaping government initiatives (transformation)	3,852	
		10,558
Total Service Developments/GWP		**11,383**

Table 11

[1] Billet d'État XI, 2023

3.57 The funding will be transferred into Committee budgets and allowance made within recommended 2024 cash limits following the Policy & Resources Committee's approval of a request once more detailed costings are available and, where applicable, it can be demonstrated that the initiative can be fully funded within the allocation on an ongoing basis.

The Excise Duties (Budget) Ordinance, 2023

THE STATES, in pursuance of their Resolution of the ***th November 2023[a] and in exercise of the powers conferred on them by sections 23C(3) 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 Fourth Schedule to the Law.

1. In the Fourth Schedule to the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, for the tables in paragraphs 1 to 7 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following -

"1. Tobacco and tobacco products -

(a)	Cigarettes	£514.59 per kilo
(b)	Cigars	£514.59 per kilo
(c)	Hand rolling tobacco	£499.56 per kilo
(d)	Other manufactured tobacco	£433.31 per kilo
(e)	Tobacco leaf – unstemmed	£481.03 per kilo
(f)	Tobacco leaf – stemmed	£485.85 per kilo

a Article *** of Billet d'État No. *** of 2023.

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

2. Petrol and gas oil -

(a)	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	84.1p per litre
(b)	Petrol used for the purpose of marine navigation	57.1p per litre where supplied by an approved trader except where supplied to an approved trader in which case 84.1p per litre[c]
(c)	Gas oil	84.1p per litre

3. Other fuels –

Biodiesel	74.1p per litre

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

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

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	31p per litre
(b)	Beer, other than beer brewed by an independent small brewery, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	65p per litre
(c)	Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	53p per litre
(d)	Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	£1.05 per litre

(e)	Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	66p per litre
(f)	Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.31 per litre
(g)	Beer exceeding 7.5 per cent volume	£1.51 per litre

5. Spirits -

Spirits	£47.24 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	31p per litre
(b)	Cider, other than cider produced by an independent small cider-maker,	65p per litre

	exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	
(c)	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	53p per litre
(d)	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	£1.05 per litre
(e)	Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	66p per litre
(f)	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	£1.31 per litre
(g)	Cider exceeding 7.5 per cent volume	£1.51 per litre

7. Wines -

(a)	Light wines not exceeding 5.5 per cent volume	82p per litre
(b)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£3.33 per litre
(c)	Other wines	£5.32 per litre".

Extent.

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

Repeals.

3. The Excise Duties (Budget) Ordinance, 2022[d] is repealed.

Citation.

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2023.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2024.

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d Ordinance No. XXI of 2022.

The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2023

THE STATES, in pursuance of their resolution of the ***th November, 2023[a], 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:-

<u>Rates of property tax.</u>

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.

<u>Deletion.</u>

2. Tables A1 (Guernsey Residential Buildings) to A4 (Guernsey Commercial Land) set out in the Schedule to The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022[d] are deleted.

<u>Amendments.</u>

3. The 2007 Ordinance is amended as follows -

(a) after section 3(6), insert the following subsection -

"(6) For the avoidance of doubt, where a building is determined to fall into a property reference on the basis that it is

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[a] Article *** of Billet d'État No. *** of 2023.
[b] Order in Council No. X of 2006.
[c] Ordinance No. XXXIII of 2007; this enactment has been amended.
[d] Ordinance No. XXII of 2022.

unoccupied, any land which falls into the corresponding property reference for land as a result of the original determination for that building will remain in the same property reference for land, notwithstanding that the building now falls into the relevant property reference for unoccupied buildings of that type.",

(b) in section 15(1)(b) -

(i) in paragraph (i), delete "or",

(ii) in paragraph (ii), insert "or", and

(iii) after paragraph (ii), insert the following paragraph -

"(iii) its condition, fitness for usage or occupancy for the purposes of determining the property reference into which the property falls (including, but not limited to, whether a property is a derelict glasshouse or is unoccupied).", and

(c) in paragraph 1 of Part III of Schedule 1 to the 2007 Ordinance, insert the following definitions at the appropriate place -

(i) ""**derelict**" means -

(a) in relation to a glasshouse, means a glasshouse that is (in whole or in part) neglected, poorly maintained, or unsuitable for occupancy, and

(b) in relation to glasshouse land, means a land parcel upon which a derelict glasshouse stands, or an area of land within a land parcel associated with a derelict glasshouse,

in accordance with guidance made under section 45,",

(ii) ""**uncompleted**", in relation to a development building or an approved development site, means -

(a) where the whole or part of a building or land was categorised in property reference B.13.1, B.13.2 or L2.1 for the year 2023, is determined to be in that category for the purposes of 2026 and any successive year, and

(b) in any other case, where the whole or part of a building or land has been determined to be in property reference B.13.1, B.13.2 or L.2.1 for 3 successive years, until the Committee considers that the works have been completed in accordance with guidance made under section 45, ", and

(iii) ""**unoccupied**" means -

(a) in relation to a residential building, where it has not been occupied as a person's personal private residence for a period of at least 6 months (whether on aggregate or otherwise) in any calendar year, except where the building is unoccupied for a reason set out in guidance made under section 45, and

(b) in relation to a commercial building, where it has not been occupied as a place of business for a period of at least 6 months (whether on aggregate or otherwise) in any calendar year in accordance with guidance made under section 45, and for these purposes a "**place of business**" means a place from which a business, employment or trade is carried out,".

Extent.

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

Citation.

5. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2023.

Commencement.

6. (1) This Ordinance, except for section 3, shall come into force on 1st January 2024.

(2) Section 3 of this Ordinance shall come into force on the 31st December, 2023.

SCHEDULE

Section 1

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1 Property Reference	2 Property Description/Usage	3 2024 Tariff
B1.0	Domestic (whole unit) Local Market with a plan area of less than 100 assessable units	£2.02
B1.0U	Unoccupied Domestic (whole unit) Local Market with a plan area of less than 100 assessable units	£10.10
B1.02	Domestic (whole unit) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.07
B1.02U	Unoccupied Domestic (whole unit) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£10.35
B1.1	Domestic (whole unit) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.13
B1.1U	Unoccupied Domestic (whole unit) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£10.65
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.80
B1.1.2U	Unoccupied Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£14.00
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.53
B1.1.3U	Unoccupied Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£17.65
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.34
B1.1.4U	Unoccupied Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£21.70
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£5.35
B1.1.5U	Unoccupied Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£26.75
B1.03	Domestic (flat) Local Market with a plan area of less than 100 assessable units	£2.02
B1.03U	Unoccupied Domestic (flat) Local Market with a plan area of less than 100 assessable units	£10.10

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1	2	3
Property Reference	**Property Description/Usage**	**2024 Tariff**
B1.04	Domestic (flat) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.07
B1.04U	Unoccupied Domestic (flat) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£10.35
B1.2	Domestic (flat) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.13
B1.2U	Unoccupied Domestic (flat) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£10.65
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.80
B1.2.2U	Unoccupied Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£14.00
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.53
B1.2.3U	Unoccupied Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£17.65
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.34
B1.2.4U	Unoccupied Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£21.70
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£5.35
B1.2.5U	Unoccupied Domestic (flat) Local Market with a plan area of 500 and over assessable units	£26.75
B1.3	Domestic (glasshouse) Local Market	7p
B1.4	Domestic (outbuildings) Local Market	£1.02
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£2.02
B1.05	Domestic (whole unit) Open Market with a plan area of less than 100 assessable units	£2.02
B1.05U	Unoccupied Domestic (whole unit) Open Market with a plan area of less than 100 assessable units	£10.10
B1.06	Domestic (whole unit) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.07
B1.06U	Unoccupied Domestic (whole unit) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£10.35
B2.1	Domestic (whole unit) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.13

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1 Property Reference	2 Property Description/Usage	3 2024 Tariff
B2.1U	Unoccupied Domestic (whole unit) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£10.65
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.80
B2.1.2U	Unoccupied Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£14.00
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.53
B2.1.3U	Unoccupied Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£17.65
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.34
B2.1.4U	Unoccupied Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£21.70
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£5.35
B2.1.5U	Unoccupied Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£26.75
B1.07	Domestic (flat) Open Market with a plan area of less than 100 assessable units	£2.02
B1.07U	Unoccupied Domestic (flat) Open Market with a plan area of less than 100 assessable units	£10.10
B1.08	Domestic (flat) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.07
B1.08U	Unoccupied Domestic (flat) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£10.35
B2.2	Domestic (flat) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.13
B2.2U	Unoccupied Domestic (flat) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£10.65
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.80
B2.2.2U	Unoccupied Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£14.00
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.53
B2.2.3U	Unoccupied Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£17.65

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1 **Property Reference**	2 **Property Description/Usage**	3 **2024 Tariff**
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.34
B2.2.4U	Unoccupied Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£21.70
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£5.35
B2.2.5U	Unoccupied Domestic (flat) Open Market with a plan area of 500 and over assessable units	£26.75
B2.3	Domestic (glasshouse) Open Market	7p
B2.4	Domestic (outbuildings) Open Market	£1.02
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£2.02
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)	£1.02
B13.1E	Development buildings (domestic) (uncompleted)	£5.10

TABLE A2

GUERNSEY COMMERCIAL BUILDINGS

1 Property Reference	2 Property Description/Usage	3 2024 Tariff
B4.1	Hostelry and food outlets	£8.00
B4.1U	Unoccupied Hostelry and food outlets	£40.00
B4.2	Self-catering accommodation	£5.05
B4.2U	Unoccupied Self-catering accommodation	£25.25
B4.3	Motor and marine trade	£6.95
B4.3U	Unoccupied Motor and marine trade	£34.75
B4.4	Retail	£14.05
B4.4U	Unoccupied Retail	£70.25
B4.5	Warehousing	£7.45
B4.5U	Unoccupied Warehousing	£37.25
B4.6	Industrial and workshop	£5.95
B4.6U	Unoccupied Industrial and workshop	£29.75
B4.7	Recreational and sporting premises	£3.40
B4.7U	Unoccupied Recreational and sporting premises	£17.00
B4.8	Garaging and parking (non-domestic)	£8.34
B5.1	Utilities providers	£58.35
B5.1U	Unoccupied Utilities providers	£291.75
B6.1	Office and ancillary accommodation (regulated finance industries)	£54.45
B6.1U	Unoccupied Office and ancillary accommodation (regulated finance industries)	£272.25
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£54.45
B6.2U	Unoccupied Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£272.25
B6.3	Office and ancillary accommodation (legal services)	£54.45
B6.3U	Unoccupied Office and ancillary accommodation (legal services)	£272.25
B6.4	Office and ancillary accommodation (accountancy services)	£54.45
B6.4U	Unoccupied Office and ancillary accommodation (accountancy services)	£272.25
B6.5	Office and ancillary accommodation (NRFSB)	£54.45
B6.5U	Unoccupied Office and ancillary accommodation (NRFSB)	£272.25
B7.1	Horticulture (building other than a glasshouse)	7p
B8.1	Horticulture (glasshouse)	7p
B8.1D	Horticulture (derelict glasshouse)	35p
B9.1	Agriculture	5p

GUERNSEY COMMERCIAL BUILDINGS (continued)

1	2	3
Property Reference	**Property Description/Usage**	**2024 Tariff**
B9.1U	Unoccupied Agriculture	25p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.2	Development buildings (non-domestic)	£7.80
B13.2E	Development buildings (non-domestic) (uncompleted)	£39.00

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property Reference	**Property Description/Usage**	**2024 Tariff**
L1.1	Communal (flat) Local Market	28p
L1.2	Communal (flat) Open Market	28p
L3.1	Domestic Local Market	28p
L3.2	Domestic Open Market	28p
L3.5	Domestic Social Housing	Zero

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	**Property Description/Usage**	**2024 Tariff**
L1.3	Hostelry and Food Outlets	59p
L1.4	Self-catering accommodation	59p
L1.5	Motor and marine trade	59p
L1.6	Retail	59p
L1.7	Warehousing	59p
L1.8	Industrial	59p
L1.9	Recreational and sporting premises	59p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.95
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£1.95
L1.11.2	Office and ancillary accommodation (legal services)	£1.95
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.95
L1.11.4	Office and ancillary accommodation (NRFSB)	£1.95
L1.12	Utilities providers	59p
L2.1	Approved development site	£1.95
L2.1E	Approved development site (uncompleted)	£9.75
L3.3	Horticulture	29p
L3.3D	Horticulture (derelict glasshouse land)	£1.45
L3.4	Agriculture	29p
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)	£2.75

FISCAL POLICY FRAMEWORK

In January 2020 (Billet d'État I, 2020), the States agreed to adopt a revised Fiscal Policy Framework. The Policy & Resources Committee reports on compliance with the Framework as part of the annual Budget and a detailed external review is commissioned periodically.

Principle 1: Guernsey's fiscal policy should operate on a principle of long-term permanent balance

This has been the governing principle of the Framework since its introduction and all subsequent principles stem from this one. It means that, over the long-term, the amount that Guernsey spends on public services should be in balance with the revenues received leading to fiscal sustainability.

In some years it may be necessary to run a deficit and utilise reserves to meet the cost of providing services, but this should be balanced by surpluses in other years. The deficits may be funded from reserves, but this principle implies reserves will need to be replenished by surpluses in future years.

While the 2023 outrun is better than anticipated (in part due to a cyclical boost to corporate tax receipts), it is still not sufficient to cover the anticipated capital spend for the year, and as a result reserves are likely to decline in real terms. Capital spend is forecast at £65m for 2023, less is less than originally planned and under the 2% of GDP principle. However, £65m is still not afforded by the modest surplus that is forecast for the year.

Should the capital programme follow the path outlined in the F&I Plan, even at its lowest level, the same circumstances will occur in 2024, continuing an erosion of the real value of the States' reserves without the prospect of an opportunity to restore their value at a later date.

At present the States are therefore not meeting this principle.

Principle 2: The annual net deficit reported on the General Revenue accounts for any given year should not exceed 15% of revenue income

The forecast revenue surplus for 2023, after provision for funding losses from the unincorporated trading assets, is £56m or 9% of revenue income. This reduces to a surplus of £26m or 4% if a level of depreciation equal to that reported in the 2022 accounts is included.

The 2024 Budget revenue surplus is £24m before depreciation, however, after the inclusion of depreciation, non-capitalised project costs and contributions to third parties the surplus swings to a **deficit** of £13m (2% of revenue income).

Principle 3: Annual net deficits reported in the General Revenue accounts should not be allowed to persist for more than five consecutive years

A deficit is forecast in Budget 2024 following a small projected revenue surplus in 2023. However, in neither year is the surplus sufficient to cover anticipated capital expenditure requirements. Currently the annual depreciation charge is less than it would be if investment in States' infrastructure had occurred at a long-term average rate equivalent to 2% of GDP.

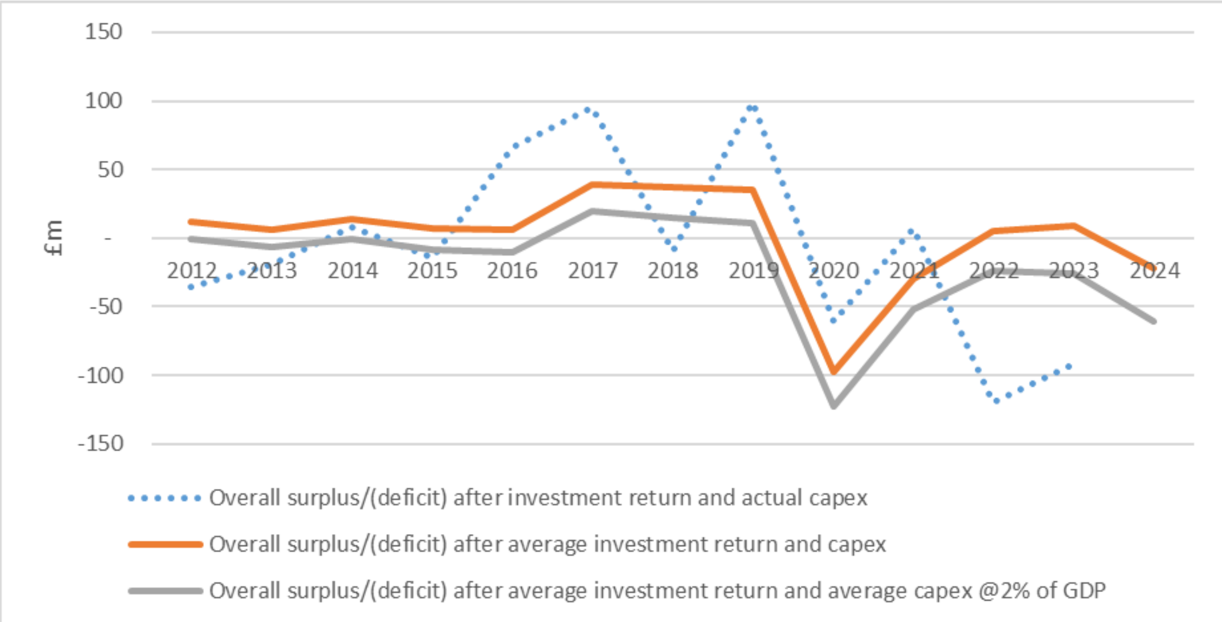
When including capital expenditure (or depreciation) at 2% of GDP the States would be in a deficit position for both 2023 and 2024, in addition to the deficit reported in 2022.

The volatility of investment returns and cashflow requirements of the capital portfolio means the States frequently swing from a surplus to deficit. If investment returns and capital spend are averaged, the analysis suggests the States have carried an underlying deficit since 2020. If the assumption on capital spending is increased to the 2% of GDP minimum outlined by the fiscal rules, then the States achieved a surplus in only four years between 2012 and 2023.

In the absence of clarity regarding the States' plans for the capital portfolio, which are contingent on the outcome of the F&I Plan, the in-year position for 2024 is unclear. However, the forecast based on both historic averages and the assumption of a 2% capital spend suggest a continuing underlying deficit.

In order to fulfil the spirit of this criteria, the position will need to be addressed by 2025.

Overall General Revenue Surplus/(deficit) position



Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States' Medium Term Financial Plan

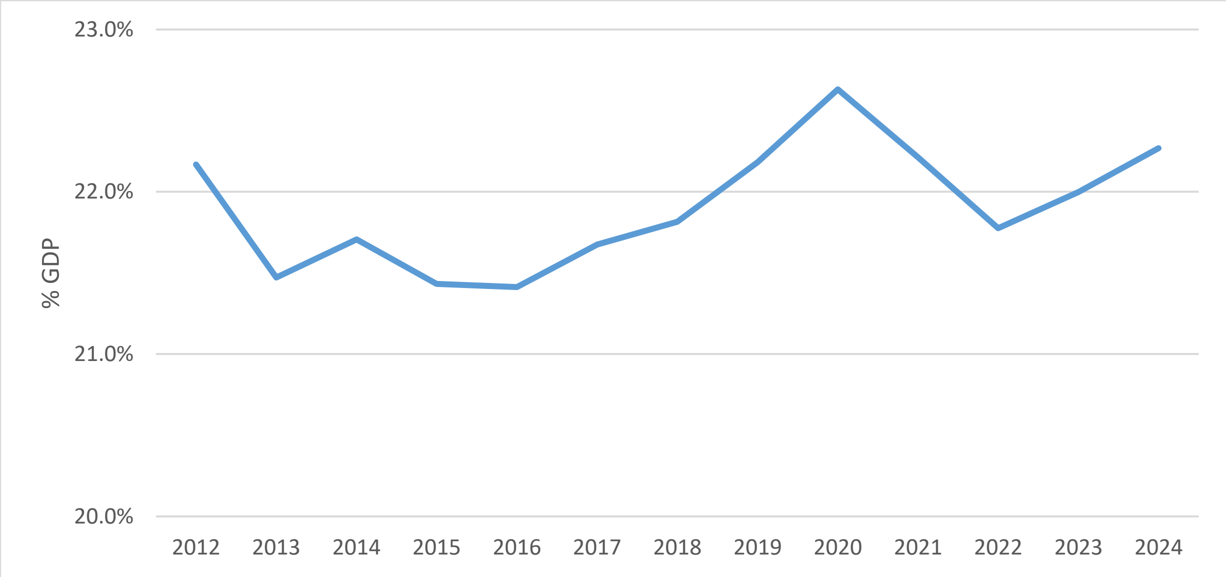
The F&I Plan includes proposals for resolving the described deficit position.

Principle 5: The aggregate amount of States' revenue should not exceed 24% of GDP

This principle governs the aggregate size of the public sector. Its intention is to provide a limit on the maximum amount of money that government can take out of the general economy to provide public services. This includes all forms of taxation raised through General Revenue, Social Security contributions and the operating income of Committees, but does not include return on investments.

Aggregate revenues in 2023 and 2024 are estimated at around 22% of GDP.

Aggregate government revenues (excluding investment returns)



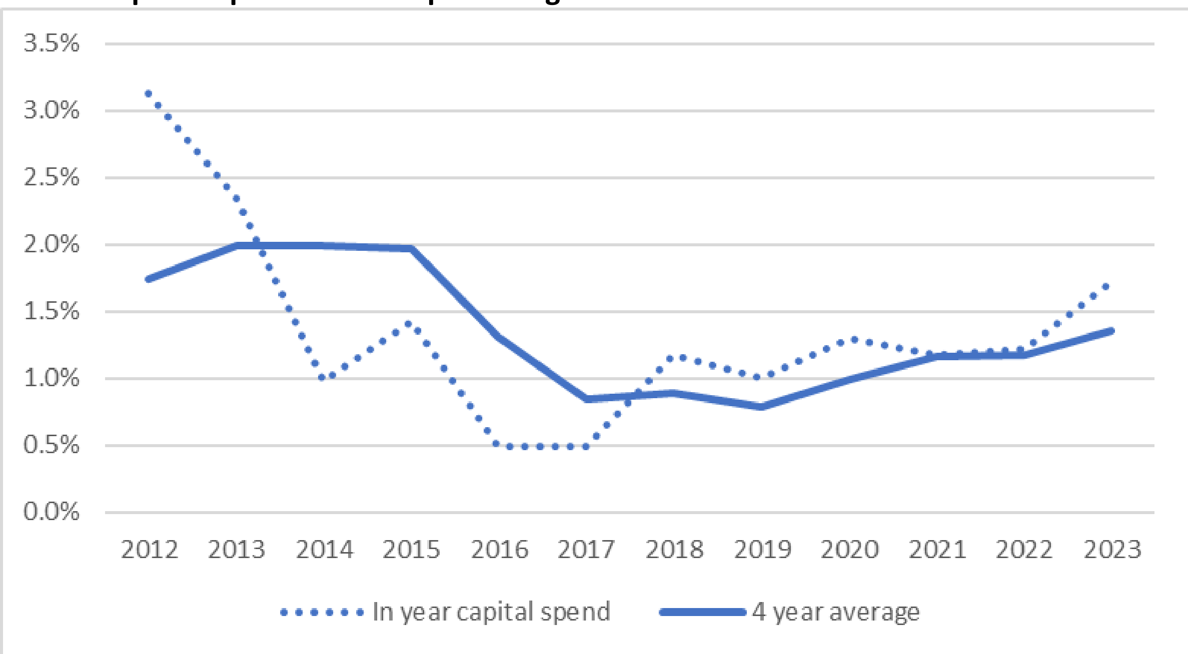
Principle 6: Total capital expenditure over any States term should be maintained at a level which reflects the need for long- and medium-term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four-year period and 2% per year averaged over any eight-year period

The States have historically struggled to meet spending commitments on capital and historic rates fall well below the 2% minimum implied by this principle.

Although the current capital spend estimate for 2023 is higher than preceding years, it is still below 1.5% of GDP and is still significantly less than the 2% of GDP over any eight-year period implied by this principle.

Levels of capital spend for 2024 are contingent on the outcome of the debate on the F&I Plan.

Annual capital expenditure as a percentage of GDP



Principle 7: The States' total debt should not exceed 15% of GDP

The definition of debt includes any direct borrowing and guarantees provided to States' trading entities, States owned enterprises and non-government organisations on any commercial borrowing. Guarantees or assurances offered on the operational cash flow arrangements of the States' trading entities and States owned enterprises (for example the guarantee of overdraft facilities) are excluded.

The following table details the forecast States' total debt, which is within the 15% of GDP limit:

	2023		2024	
	£m	% of Forecast GDP	£m	% of Forecast GDP
Direct Liabilities				
States of Guernsey Bond	330	8.4%	330	8.1%
Revolving Credit Facility (maximum £100m)	-	-	-	-
Indirect and contingent liabilities				
Cabernet Ltd (loan for aircraft purchase, maximum £51m)	36	0.9%	34	0.8%
Total	**366**	**9.3%**	**364**	**8.9%**

The States have authorised the Policy & Resources Committee to continue with the Revolving Credit Facility, but this has been paid down in full from reserves and there is no intention to use this facility in the immediate future. This, combined with high inflation which has eroded the real value of debt, means that the estimated level of debt for 2023 is lower than anticipated.

Assuming that no new debt is incurred in 2024 (which is contingent on the outcome of the debate on the F&IP) GDP growth will erode this further.

2023 EXPENDITURE

The following table details the anticipated 2023 Forecast for each Committee[a] compared with Budget:

2023	Original Budget £'000s	Authorised Budget £'000s	Forecast £'000s	Anticipated (Over) / Underspend £'000s
Corporate Services	68,925	71,300	71,574	(204)
Economic Development	10,400	10,398	11,066	(668)
Education, Sport & Culture	80,965	86,377	86,827	(450)
Education, Sport & Culture - Transformation	1,890	2,506	2,506	-
Employment & Social Security	12,500	12,648	12,131	517
Environment & Infrastructure	13,175	13,553	14,275	(722)
Health & Social Care	211,785	222,561	226,220	(3,659)
Health & Social Care - Transformation	215	215	295	(80)
Home Affairs	37,990	38,494	37,652	842
Policy & Resources	13,100	14,300	13,454	(154)
Scrutiny Management	600	600	600	-
Development & Planning	1,615	1,615	1,548	67
Overseas Aid & Development	3,855	3,981	3,855	126
States' Trading Supervisory	2,500	2,500	2,179	321
Royal Court	2,635	2,767	2,895	(128)
Law Officers	6,675	6,707	6,864	(157)
Pooled Budgets	550	550	483	67
TOTAL NON-FORMULA LED	469,375	491,142	495,424	(4,282)
Payments to States Members	2,025	2,025	2,026	(1)
Employment & Social Security	67,900	67,900	69,270	(1,370)
TOTAL FORMULA LED	69,925	69,925	71,296	(1,371)
CASH LIMITS	**539,300**	**561,067**	**566,720**	**(5,653)**
Budget Reserve	22,000	4,450	4,450	0
GWP / Service Developments	12,400	7,987	4,989	2,998
Savings	(600)	(404)	(404)	0
TOTAL COMMITTEE EXPENDITURE	**573,100**	**573,100**	**575,755**	**(2,655)**

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

During 2023, the following amounts have been transferred into individual Committee Authorised Budgets from provisions made within the Original 2023 Budget:

- £3.4m of Government Work Plan funding and service developments for which the States approved provision in the 2023 Budget;

- £16.2m of funding that has been transferred between the Budget Reserve and Committees in respect of pay awards which have been settled since preparation of the 2023 Budget, including:

    - Agenda for Change (primarily Nurses) 2022 and 2023 award - £10.4m
    - Teachers & Lecturers 2022 and 2023 award - £5.1m
    - Border Agency Officers 2022 and 2023 award - £534k
    - Crown Officers 2022 and 2023 award - £76k

- £543k transferred to Corporate Services for the revenue impact of capital expenditure associated with the Transforming Education Programme to be managed under the SMART Guernsey contract.

- £1.4m of other transfers from the Budget Reserve to Committees.

During 2023, £196k has been removed from Committee budgets to reflect cost savings made. These include £170k for the Committee *for* Health & Social Care for a successfully reduced contract cost for medical flights, £19k for the Committee *for* Health & Social Care for orthopaedic savings and £7k for reduced cost of telephone calls across the Policy & Resources Committee and the Committee *for* Education, Sport & Culture.

During 2023, there have been a number of adjustments to Authorised Budgets following budget transfers between Committees including:

- £300k to Corporate Services from Policy & Resources for centralisation of services following the implementation of the Finance Transformation Project; and,

- £275k to Corporate Services from the Committee *for* Health & Social Care in respect of IT services now being provided through the Agilisys Contract.

<u>Non-Formula Led Expenditure</u>

Non-Formula Led expenditure is expected to be £4.3m over Authorised Budget with forecast underspends across multiple Committees totalling £1.9m being more than offset by expected budget overspends of £6.2m. The major variances are forecast in the following Committees:

- Committee *for* Economic Development – overspend of £668k owing to lower advertising income and an increase in costs as a result of additional resources required by the Guernsey Registry related to the Moneyval review.

- Committee *for the* Environment & Infrastructure – expected overspend of £722k primarily related to the bus service.

- Committee *for* Home Affairs – forecast underspend of £842k owing to a combination of staff vacancies in a number of service areas and higher income generated from work permits and immigration because of Brexit.

- Committee *for* Health & Social Care – forecast overspend of £3.7m primarily because of recruitment and staff retention challenges, leading to higher than budgeted agency staff and staff accommodation costs.

Formula Led Expenditure

The forecast overspend of £1.4m in Formula Led expenditure is due to a combination of higher than budgeted spend on Income Support because of an increase in the number of claims as a result of cost of living pressures, as well as higher Specialist Medical Benefit costs owing to increased demand. Additionally, the States agreed[b] to an interim uprating of Income Support Rates with effect from 11th August with an anticipated financial impact of £515k in 2023.

Budget Reserve

The original Budget Reserve was set at £22m, with the following components:

- Pay Awards - £16.8m;

- General Provision - £4.2m, and

- Turnover Factor - £1m

Pay awards have now been settled for the majority of staff groups, totalling £16.2m, including Agenda for Change (primarily Nurses) which was paid in May 2023, and Teachers and Lecturers which was paid in June 2023. In addition, a number of in-year transfers from the Budget Reserve have taken place, including:

- £243k to the Committee *for the* Environment & Infrastructure for emergency support for the Island's Dairy Farmers;

- £200k to Policy & Resources Committee for legal costs associated with a pension case;

- £198k for resources to support the minor capital programme, allocated to the Policy & Resources Committee (£131k) and to the Committee *for* Health & Social Care (£67k);

- £126k of funding carried forward in the Overseas Aid Commission budget from 2022 for Emergency Aid, and

- £100k to the Policy & Resources Committee for a judicial review of Revenue Service.

The current forecast assumption is that the Budget Reserve will be fully utilised.

GWP / Service Developments

[b] Billet d'État IX, 2023

The 2023 Budget included provision of £12.4m for funding Government Work Plan and other approved service developments.

£4.4m of this has been released into Committee budgets to date and it is expected that a further £3.0m will be released into Committee budgets in 2023, with the balance of £3.0m being unspent in-year due to capacity constraints and additional restrictions placed on releasing funding before the conclusion of the F&I Plan debate.

Savings Target

The 2023 Budget included an in-year savings target of £600k, in addition to the £307k agreed reduction in the funding to the grant-aided Colleges incorporated within the Committee for Education, Sport & Culture's 2022 Cash Limit. £196k of the £600k target has been achieved to date with the remainder of the target forecast to be achieved by the end of the year.

SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION

Duty on Tobacco

2024	8.9% increase	(RPIX plus 5%)
2023	11% increase	(RPIX plus 5%)
2022	7.5% increase	(RPIX plus 5%)
2021	1.5% increase	
2020	6.9% increase	Cigarettes and cigars (RPIX plus 5%)
	9.4% increase	All other tobacco products (RPIX plus 7.5%)
2019	7.4% increase	Cigarettes (RPIX plus 5%)
	7.9% increase	Cigars (RPIX plus 5.5%)
	9.9% increase	All other tobacco products (RPIX plus 7.5%)
2018	7.8% increase	Cigarettes (RPIX plus 5%)
	10.3% increase	All other tobacco products (RPIX plus 7.5%)
2017	5.6% increase	Cigarettes (RPIX plus 5%)
	8.1% increase	All other tobacco products (RPIX plus 7.5%)
2016	6.5% increase	Cigarettes (RPIX plus 5%)
	9% increase	All other tobacco products (RPIX plus 7.5%)
2015	5.5% increase	(RPI plus 3%)
2014	5.7% increase	(RPI plus 3%)
2013	6% increase	(RPI plus 3%)
2012	6.5% increase	(RPI plus 3%)

Duty on Alcohol

2024	5.9% increase	2017	5% increase
2023	7.5% increase	2016	5% increase
2022	4% increase	2015	5% increase
2021	1.5% increase	2014	5% increase
2020	5% increase	2013	3% increase
2019	5% increase	2012	3% increase
2018	5% increase		

Duty on Fuel

2024	3.9% increase (to maintain the real value of income received)
2023	6% increase (to maintain the real value of income received)
2022	4% increase
2021	1.5% increase (to maintain the real value of income received)
2020	3.1% increase (to maintain the real value of income received)
2019	4.6% increase (to maintain the real value of income received)
2018	5.5% increase (to maintain the real value of income received)
2017	8.5% increase
2016	12.9% increase (to restore the real value of the motor tax element)
2015	6.1% increase
2014	5% increase
2013	3.3% increase
2012	9.8% increase

Document Duty

2024	No change
2023	Temporary reduction to encourage down-sizing. 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 £2million
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

2024	7.5% increase	Commercial
	0%-40% increase plus RPIX	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
	40% increase	Glasshouses (Commercial and domestic)
	40% increase (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
	New rate	Unoccupied properties, derelict land and derelict glasshouses – new tariff of five times the Standard rate
	New rate	Development properties – new tariff of five times the development building rate to be applied from three years after the "commencement date" of the permit
2023	0%-20% increase	Domestic – average of 8% increase but no increase on lower-rated properties
	7.5% increase	Commercial
2022	4% increase	
2021	1.5% increase	
2020	10.2% increase	Domestic
	10% increase	Commercial
2019	10% increase	Domestic
	5% increase	Commercial
2018	10.2% increase	Domestic
	5% increase	Commercial
2017	10.5% increase	Domestic
	5% increase	Commercial
2016	10% increase	Domestic
	2.5% increase	Retail

	5% increase	Commercial (other than retail)
2015	15% increase	Domestic
	5% increase	Retail
	10% increase	Commercial (other than retail)
2014	5% increase	
2013	3% increase	
2012	20% increase	Domestic
	3% increase	Commercial

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 XV, 2023) in respect of capital votes not yet opened under Resolution 14 (Billet d'État XV, 2021);
- Approve opening capital votes for other capital projects including urgent projects, minor capital expenditure and strategic property purchases of up to £2m 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);
- 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 Capital Reserve [General Revenue Reserve] (Budget 2018, 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);
- Approve uses of the Participatory Budgeting Fund (2019 Budget, Billet d'État XXIV, 2018); and
- 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).

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 assets (Guernsey Water, Guernsey Waste, States Works, Guernsey Dairy, Ports) (Ports - Policy & Resource Plan Phase 2, Billet d'État No XII, 2017).

INCOME AND EXPENDITURE ACCOUNT

2022 Actual £'000s	2023 Original Budget £'000s	Income and Expenditure by Category	Note	2024 Budget £'000s
		Income		
389,195	407,250	*Income Taxes*	1	442,900
104,566	107,000	*Other Taxes*	2	105,130
31,377	32,000	*Social Security Contributions*		33,000
37,858	35,950	*Miscellaneous Income*	3	40,275
562,996	582,200	General Revenue Income		621,305
52,027	53,561	Committee Operating Income (including transfers)		59,096
615,023	635,761	**Total Income**		680,401
		Less Expenditure		
282,145	290,210	*Pay*	4	333,662
234,297	232,726	*Non-Pay*	5	242,023
64,138	69,925	*Formula-Led*	6	76,534
-	(600)	*Savings Target*		(956)
580,579	592,261	Revenue Expenditure		651,263
-	12,400	Government Work Plan / Service Developments		11,383
-	22,000	Budget Reserve		6,497
384	-	COVID-19 Business and Personal Support		-
34,059	9,100	**Revenue Surplus**		11,258
4,230	3,000	Capital Income - Sale of Property		-
(81,263)	26,600	Investment Return net of Finance Costs		18,100
(42,974)	**38,700**	**Operating Surplus/(deficit)**		**29,358**
(5,978)	-	Provision for Aurigny Loss		-
-		Provision for Guernsey Dairy Loss		537
3,465	6,200	Provision for Guernsey Ports Loss		4,000
-	-	Provision for Guernsey Waste Loss		508
(40,461)	**32,500**	**General Revenue Surplus/(deficit) before depreciation**		**24,313**

Notes:

There have been the following pay award transfers from the Budget Reserve to Committees in 2023:

- £5.1m to the Committee for Education, Sport & Culture for the 2022 and 2023 Teacher and Lecturer pay award;
- £0.1m to the Committee for Education, Sport & Culture for the 2022 and 2023 Agenda for Change pay award;
- £0.5m to the Home Affairs Committee for the 2022 and 2023 Guernsey Border Agency pay awards; and,
- £10.3m to the Committee for Health & Social Care for the 2022 and 2023 Agenda for Change pay award

INCOME AND EXPENDITURE ACCOUNT

2022 Actual £'000s	2023 Original Budget £'000s	Income and Expenditure by Service Area	2024 Budget £'000s
562,996	582,200	Revenue Income	621,305
4,230	3,000	Capital Income - Sale of Property	-
(81,263)	26,600	Investment Return	18,100
485,963	611,800	**Total Income**	639,405
		Net Revenue Expenditure	
66,381	68,925	*Corporate Services*	79,208
9,469	10,400	*Committee for Economic Development*	10,122
82,044	82,855	*Committee for Education, Sport & Culture*	92,740
81,545	80,400	*Committee for Employment & Social Security*	87,151
13,365	13,175	*Committee for the Environment & Infrastructure*	13,850
210,860	212,000	*Committee for Health & Social Care*	234,823
34,850	37,990	*Committee for Home Affairs*	40,285
15,272	15,125	*Policy & Resources Committee - Core Services*	15,340
517	600	*Scrutiny Management Committee*	620
801	1,615	*Development & Planning Authority*	1,563
2,645	3,855	*Overseas Aid & Development Commission*	4,397
1,590	2,500	*States' Trading Supervisory Board*	1,781
2,436	2,635	*Royal Court*	2,846
6,235	6,675	*Law Officers*	7,828
543	550	*Pooled Budgets*	569
-	-	*States of Alderney*	-
-	12,400	*Government Work Plan / Service Developments*	11,383
-	22,000	*Budget Reserve*	6,497
-	(600)	*Savings Target*	(956)
528,553	573,100	**Total Cash Limits**	610,047
384	-	*COVID-19 Business and Personal Support*	-
(42,974)	**38,700**	**Net Surplus**	**29,358**
(5,978)	-	Provision for Aurigny Loss	-
		Provision for Guernsey Dairy Loss	537
3,465	6,200	Provision for Guernsey Ports Loss	4,000
		Provision for Guernsey Waste Loss	508
(40,461)	**32,500**	**Transfer to General Revenue Reserve**	**24,313**

Notes:
There have been the following transfers between Committees in 2023:

- Transfers of £1m have been made to Corporate Services from the Policy & Resources Committee in respect of functions linked to Finance Transformation; and
- £0.3m was transferred from the Committee for Health & Social Care to Corporate Services in respect of the IT contract for COVID-19 Response.

NOTES

1. Income Taxes

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
308,173	329,250	Individuals	356,700
65,731	63,000	Companies (including Banks)	71,200
15,291	15,000	Distributed Profits	15,000
389,195	**407,250**	**Income Taxes**	**442,900**

2. Other Taxes

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Customs - Excise and Import Duties	
4,211	4,500	*Beer*	4,765
934	1,000	*Cider*	1,058
19,897	20,400	*Motor Fuel*	20,800
4,208	4,675	*Spirits*	4,950
7,498	7,700	*Tobacco*	8,000
6,365	7,250	*Wine*	7,677
526	475	*Import duties*	500
43,639	46,000		47,750
31,025	34,100	Tax on Real Property	38,750
28,946	25,000	Document Duty	16,600
956	1,900	Vehicle First Registration Duty	2,030
104,566	**107,000**	**Other Taxes**	**105,130**

NOTES

3. Miscellaneous Income

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
21,828	21,150	Housing Rental Income	23,750
11,700	11,075	Company Fees	11,800
2,840	3,125	Property Rental Income	3,325
500	-	States' Trading Companies' Dividends	-
-	450	Royalties	450
990	150	Other Income	950
37,858	**35,950**	**Miscellaneous Income**	**40,275**

4. Pay Costs by Pay Group

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
95,271	107,994	Established Staff	119,226
90,765	84,193	Nurses and Medical Consultants	103,248
49,501	48,813	Teachers, Lecturers and Learning Support Assistants	57,572
17,613	20,381	Public Service Employees	22,080
9,257	9,961	Police Officers	10,714
4,228	3,941	Border Agency Officers	4,139
3,762	4,146	Prison Officers	4,215
3,696	3,905	Fire Officers	4,135
3,074	2,980	Home Support Staff	3,289
1,886	1,826	Crown Officers and Judges	2,193
3,092	2,070	Other Pay Groups	2,851
282,145	**290,210**	**Pay Costs by Pay Group**	**333,662**

NOTES

5. Non-Pay Costs by Expenditure Category

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Staff Non Pay Costs	
3,520	5,083	*Recruitment*	4,335
2,189	2,777	*Training*	3,065
653	575	*Other Staff Costs*	616
6,362	8,435		8,016
		Support Services	
2,083	2,518	*Advertising Marketing and PR*	2,197
389	303	*Audit Fees*	383
584	418	*Bank Charges*	413
3,934	2,027	*Communications and IT*	2,593
5,525	3,133	*Consultants Fees*	2,401
59,636	63,620	*Contracted Out Work*	65,760
97	-	*Incidental and Other costs*	-
1,428	1,181	*Postage, Stationery and Printing*	1,103
3,508	3,773	*Risk Management and Insurance*	3,970
77,184	76,973		78,820
		Premises	
1,106	827	*Equipment, Fixtures and Fittings*	759
5,053	4,144	*Rents and Leasing*	5,382
16,058	16,197	*Repairs, Maintenance and Servicing*	17,201
5,871	6,980	*Utilities*	7,518
28,088	28,148		30,860
		Third Party Payments	
149	160	*Benefit Payments*	226
44,831	37,430	*Grants and Subsidies*	40,047
44,980	37,590		40,273
		Transport	
1,716	1,664	*Vehicles and Vessels*	1,654
		Supplies and Services	
33,327	34,257	*Services*	34,117
42,640	45,659	*Supplies*	48,283
75,967	79,916		82,400
234,297	**232,726**	**Non-Pay Costs by Expenditure Category**	**242,023**

NOTES

6. Formula-Led Costs by Expenditure Category

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Policy & Resources Committee	
1,871	2,025	*Payments to States Members*	2,136
		Committee *for* Employment & Social Security	
46,342	49,700	*Income Support Scheme*	55,230
		Guernsey Insurance Fund Grant	
6,314	6,950	*Family Allowance*	7,095
7,727	8,750	*Severe Disability Benefit & Carers' Allowances*	9,535
1,884	2,500	*Legal Aid*	2,538
64,138	**69,925**	**Formula-Led Costs**	**76,534**

CORPORATE SERVICES

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
8,273	8,291	**Operating Income**	10,050
		Non Formula-Led Expenditure	
31,930	34,848	Pay costs	40,387
		Non Pay costs	
984	1,102	*Staff Non Pay costs*	1,366
28,644	25,668	*Support Services*	30,734
11,288	13,097	*Premises*	14,073
-	-	*Third Party Payments*	-
68	77	*Transport*	78
1,740	2,424	*Supplies & Services*	2,620
42,724	42,368		48,871
66,381	**68,925**	**Total Net Expenditure by Category**	**79,208**

CORPORATE SERVICES

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
		Non Formula-Led Expenditure	
		Corporate Functions	
563	574	*Assurance & Risk*	628
1,572	1,857	*Chief Executive's Office*	2,015
676	811	*Communications & Media*	806
345	663	*Data & Analysis Services*	603
727	791	*Data Protection*	815
2,873	3,134	*Finance*	4,839
3,908	4,779	*Human Resources*	6,696
19,278	19,009	*Information Systems & Services*	24,109
3,174	3,400	*Insurance*	3,587
961	1,081	*Procurement*	1,377
25,060	28,162	*Property Services*	30,727
3,630	4,475	*Shared Services Centre / Customer Hub*	2,874
152	189	*Tribunals & Reviews*	132
62,919	68,925		79,208
3,462		Transformation	-
66,381	**68,925**	**Net Expenditure by Service Area**	**79,208**

Notes:

In 2023, transfers of £1m have been made from the Shared Services Centre/ Customer Hub to Human Resources and Procurement in respect of services no longer being provided through the Customer Hub.

In 2023, transfers of £1m have been made to Corporate Services from the Policy & Resources Committee in respect of functions linked to Finance Transformation.

In 2023, a transfer of £0.3m was made to Corporate Services from the Committee *for* Health & Social Care in respect of the IT contract for COVID-19 Response.

COMMITTEE *for* ECONOMIC DEVELOPMENT

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
1,250	1,316	**Operating Income**	974
		Non Formula-Led Expenditure	
3,366	4,323	Pay costs	4,875
		Non Pay costs	
6	88	*Staff Non Pay costs*	81
3,087	3,671	*Support Services*	3,025
160	315	*Premises*	318
3,878	2,943	*Third Party Payments*	2,329
41	70	*Transport*	69
181	306	*Supplies & Services*	399
7,353	7,393		6,221
9,469	**10,400**	**Net Non Formula-Led Expenditure by Category**	**10,122**

COMMITTEE *for* ECONOMIC DEVELOPMENT

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
377	422	Central Services	555
324	353	Civil Aviation Office	320
		Finance & Economic Development	
467	645	*Finance Sector Development*	769
1,479	1,711	*Business Innovation & Skills*	1,725
1,946	2,356		2,494
3,793	2,793	Grant & Support Schemes	2,329
-	1,280	Guernsey Registry	1,554
		Marketing & Tourism	
1,172	1,164	*Consumer & Communications*	969
15	30	*Guernsey Information Centre*	72
5	80	*Quality Development*	27
604	318	*Strategic Marketing*	341
396	770	*Trade & Media Relations*	755
2,192	2,362		2,164
175	47	Office of the Public Trustee	47
291	340	Sea Fisheries	360
371	447	Strategic Projects	299
5,676	7,607		7,793
9,469	**10,400**	**Net Expenditure by Service Area**	**10,122**

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
5,808	6,235	**Operating Income**	6,357
		Non Formula-Led Expenditure	
63,660	64,645	Pay costs	74,675
		Non Pay costs	
1,372	1,346	*Staff Non Pay costs*	1,494
3,108	2,750	*Support Services*	2,385
1,762	1,713	*Premises*	1,857
14,392	14,559	*Third Party Payments*	14,411
252	248	*Transport*	226
3,306	3,829	*Supplies & Services*	4,049
24,192	24,445		24,422
82,044	**82,855**	**Net Non Formula-Led Expenditure by Category**	**92,740**

Notes:

The Teachers and Lecturers and Agenda for Change 2022 and 2023 pay awards were settled in 2023 at a budgeted cost of £5.1m and £0.1m respectively. Budget was transferred from the Budget Reserve in-year.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
		Beau Sejour	
803	1,029	*Net expenditure*	1,085
(700)	(700)	*Less transfer from Channel Islands Lottery (Guernsey) Fund*	(700)
103	329		385
4,267	4,422	Central Services	5,131
478	532	Cultural Activities & Events	560
		The Guernsey Institute	
9,234	8,983	*College of Further Education*	9,932
628	628	*Guernsey Training Agency*	534
1,256	1,252	*Institute of Health & Social Care Studies*	1,435
11,118	10,863		11,901
3,975	4,235	Higher Education	4,272
		Museums & Libraries	
1,664	1,755	*Grants to Libraries*	1,846
212	295	*Island Archive Service*	304
576	717	*Museums Service*	753
2,452	2,767		2,903
5,670	6,065	School & Pupil Support Services	6,661
		Schools	
3,569	3,372	*Grants to Colleges*	3,323
2,126	2,402	*Pre-School*	2,512
16,731	16,962	*Primary Schools*	19,369
824	777	*School Music Service*	917
18,636	18,007	*Secondary Schools*	21,004
7,479	7,714	*Special Schools*	8,946
2,106	1,984	*Voluntary Schools*	2,514
51,471	51,218		58,585
675	534	Sports	363
1,835	1,890	Transformation	1,979
82,044	**82,855**	**Net Expenditure by Service Area**	**92,740**

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
34	28	**Operating Income**	28
		Non Formula-Led Expenditure	
3,558	4,396	Pay costs	4,650
		Non Pay costs	
9	49	*Staff Non Pay costs*	43
548	917	*Support Services*	455
5,245	5,464	*Premises*	5,763
9,860	1,300	*Third Party Payments*	1,402
34	55	*Transport*	57
58	347	*Supplies & Services*	411
15,754	8,132		8,131
19,278	12,500	**Non Formula-Led Expenditure by Category**	12,753
		Formula-Led Expenditure	
60,383	65,400	*Third Party Payments*	71,860
1,884	2,500	*Supplies & Services*	2,538
62,267	67,900	**Formula-Led Expenditure by Category**	74,398
81,545	**80,400**	**Total Net Expenditure by Category**	**87,151**

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Service Area	2024 Budget £'000s
		Non Formula-Led Expenditure by Service Area	
1,250	1,620	Administration of Social Security & Legal Aid	1,731
1,632	1,665	Benefits & Grants	1,785
472	1,027	Central Services	552
85	96	Disability & Inclusion	96
392	611	Employment Relations Service	720
324	424	Health & Safety Executive	426
318	306	Housing Strategy & Planning	331
5,777	6,080	Social Housing Buildings Maintenance	6,409
628	671	Social Housing Tenancy Management	703
8,400	-	Grants to Guernsey Housing Association	-
19,278	12,500	**Net Non Formula-Led Expenditure by Service Area**	12,753
		Formula-Led Expenditure	
		Legal Aid	
1,135	1,640	*Civil Legal Aid*	1,668
749	860	*Criminal Legal Aid*	870
1,884	2,500		2,538
-	-	Concessionary TV Licences for the Elderly	
6,314	6,950	Family Allowance	7,095
7,727	8,750	Severe Disability Benefit & Carers' Allowances	9,535
46,342	49,700	Income Support Scheme	55,230
62,267	67,900	**Formula-Led Expenditure by Service Area**	74,398
81,545	**80,400**	**Total Net Expenditure by Service Area**	**87,151**

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
3,216	3,463	**Operating Income**	3,646
		Non Formula-Led Expenditure	
2,897	3,009	Pay costs	3,358
		Non Pay costs	
38	41	*Staff Non Pay costs*	44
8,928	9,555	*Support Services*	9,879
2,319	2,143	*Premises*	2,218
1,571	1,128	*Third Party Payments*	1,130
162	161	*Transport*	136
666	601	*Supplies & Services*	731
13,684	13,629		14,138
13,365	**13,175**	**Net Non Formula-Led Expenditure by Category**	**13,850**

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Service Area	2024 Budget £'000s
370	402	Central Services	436
92	90	Alderney Breakwater	106
		Agriculture, Countryside & Land Management	
2,252	1,809	*Agriculture & Veterinary Services*	1,905
833	953	*Coastal Services*	971
891	934	*Parks, Gardens & Nature Trails*	953
832	575	*Other Environmental Services*	571
4,808	4,271		4,400
684	285	Energy & Infrastructure	408
		Traffic & Highway Services	
2,899	3,476	*Highway Services*	3,515
486	920	*Integrated Transport Strategy*	876
(882)	(1,013)	*Licensing & Traffic Services*	(1,108)
4,908	4,744	*Passenger Transport*	5,217
7,411	8,127		8,500
13,365	**13,175**	**Net Expenditure by Service Area**	**13,850**

COMMITTEE *for* HEALTH & SOCIAL CARE

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
23,624	23,959	**Operating Income**	26,922
		Non Formula-Led Expenditure	
120,826	117,296	Pay costs	138,984
		Non Pay costs	
2,842	4,253	*Staff Non Pay costs*	3,399
28,318	29,928	*Support Services*	28,173
5,763	4,299	*Premises*	5,595
9,033	9,837	*Third Party Payments*	13,388
827	750	*Transport*	798
66,875	69,596	*Supplies & Services*	71,407
113,658	118,663		122,761
210,860	**212,000**	**Net Non Formula-Led Expenditure by Category**	**234,823**

Notes:

The Agenda for Change 2022 and 2023 pay awards were settled in 2023 at a budgeted cost of £10.3m funded from the Budget Reserve.

For 2024, there has been a reclassification of £3.5m of budgeted costs moving from Supplies & Services to Third Party Payments, resulting in a change of budget allocation across these published headings.

COMMITTEE *for* HEALTH & SOCIAL CARE

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
		Central Services	
1,016	323	*Accommodation Management*	1,255
1,093	1,286	*Clinical Governance*	1,514
1,787	2,046	*Contract Management & Procurement*	2,200
4,581	6,576	*Corporate & Strategy*	5,933
4,522	4,335	*Estates & Facilities*	4,841
387	394	*Systems & Performance Management*	464
13,386	14,960		16,207
		Community Services	
44,076	41,496	*Adult Services*	49,141
14,527	15,168	*Children's Services*	17,028
5,414	6,090	*Complex Placements*	6,741
2,588	2,775	*Extra Care Housing*	2,849
-	-	*Specialist Services*	-
66,605	65,529		75,759
		Primary Care Services	
4,591	4,544	*Consultation Grants*	4,528
21,290	21,803	*Prescription Subsidies*	23,003
25,881	26,347		27,531
		Public Health & Strategy	
3,794	4,003	*Community Health & Wellbeing*	5,567
642	692	*Drug and Alcohol Strategy*	-
1,477	1,824	*Medical Public Health*	1,938
615	796	*Public Health Management*	748
3,526	2,000	*COVID-19 Response*	1,737
10,054	9,315		9,990
		Secondary Care Services	
48,597	46,180	*Acute Hospital Services*	54,835
16,600	17,063	*Acute Off Islands Treatment*	15,661
1,765	1,620	*Health Care Management*	1,906
-	-	*Institute of Health and Social Care Studies*	-
2,598	2,896	*St John Ambulance & Rescue*	3,084
24,333	27,037	*Specialist Medical Benefit*	28,741
93,893	94,796		104,227
773	838	Office of the Children's Convenor	886
268	215	Transformation	223
210,860	**212,000**	**Net Expenditure by Service Area**	**234,823**

Notes:

In 2023 £275,000 was transferred from the Committee *for* Health & Social Care to Corporate Services as it related to the IT contract for the COVID-19 Response.

During 2023 the various service area budgets that comprise a specific grant within the Committee *for* Health & Social Care were centralised within Public Health & Strategy.

COMMITTEE *for* HOME AFFAIRS

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
3,112	2,662	**Operating Income**	3,398
		Non Formula-Led Expenditure	
31,819	35,213	Pay costs	37,712
		Non Pay costs	
899	1,092	*Staff Non Pay costs*	1,065
1,683	1,518	*Support Services*	1,983
913	733	*Premises*	752
94	109	*Third Party Payments*	106
283	236	*Transport*	235
2,271	1,751	*Supplies & Services*	1,830
6,143	5,439		5,971
34,850	**37,990**	**Net Non Formula-Led Expenditure by Category**	**40,285**

Notes:

The Guernsey Border Agency 2022 and 2023 pay awards were settled in 2023 at a budgeted cost of £0.5m funded from the Budget Reserve.

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Service Area	2024 Budget £'000s
812.0	1,148	Administration and Central Services	1,245
538.0	811	Domestic Abuse Strategy	796
2,388.0	3,356	Economic & Financial Crime Bureau	3,843
161.0	179	Emergency Planning	184
(15.0)	(20)	Gambling Control	(21)
4,122.0	4,252	Guernsey Fire and Rescue Service	4,509
1,008.0	1,050	Joint Emergency Services Control Centre	1,132
18,388.0	19,303	Law Enforcement	20,481
(296.0)	(173)	Population Management	(265)
6,102.0	6,328	Prison Service	6,540
1,643.0	1,756	Probation Service	1,841
34,851	**37,990**	**Net Expenditure by Service Area**	**40,285**

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
1,309	1,337	**Operating Income**	1,399
		Non Formula-Led Expenditure	
8,801	9,798	Pay costs	10,533
		Non Pay costs	
63	131	*Staff Non Pay costs*	134
1,783	1,021	*Support Services*	390
196	-	*Premises*	-
3,543	3,083	*Third Party Payments*	3,161
2	1	*Transport*	1
322	403	*Supplies & Services*	384
5,909	4,639		4,070
13,401	13,100	**Net Non Formula-Led Expenditure by Category**	13,204
		Formula-Led Expenditure	
1,871	2,025	Third Party Payments	2,136
1,871	2,025	**Formula-Led Expenditure by Category**	2,136
15,272	**15,125**	**Total Net Expenditure by Category**	**15,340**

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
		Non Formula-Led Expenditure	
500	-	*Aid Donation - Ukraine*	-
2,000	2,000	*Alderney Air Routes PSO*	2,000
118	207	*Central Services*	148
-	-	*Development Agency*	100
1,511	1,533	*External Affairs*	1,630
5,246	5,404	*Revenue Service*	5,971
855	1,101	*Policy & Strategy*	1,257
2,263	1,878	*Treasury*	1,105
12,493	12,123		12,211
69	67	Commonwealth Parliamentary Association	64
839	910	HE Lieutenant Governor	929
13,401	13,100		13,204
		Formula-Led Expenditure	
1,871	2,025	Payments to States Members	2,136
15,272	**15,125**	**Net Expenditure by Service Area**	**15,340**

Notes:

In 2023, transfers of £1m have been made to the Policy & Resources Committee from Corporate Services in respect of functions linked to Finance Transformation.

SCRUTINY MANAGEMENT COMMITTEE

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
		Non Formula-Led Expenditure	
490	490	Pay costs	519
		Non Pay costs	
9	5	*Staff Non Pay costs*	5
1	76	*Support Services*	66
12	15	*Premises*	15
5	14	*Supplies & Services*	15
27	110		101
517	**600**	**Net Non Formula-Led Expenditure by Category**	**620**

DEVELOPMENT & PLANNING AUTHORITY

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
1,520	1,374	**Operating Income**	1,498
		Non Formula-Led Expenditure	
2,263	2,563	Pay costs	2,720
		Non Pay costs	
13	45	*Staff Non Pay costs*	51
11	341	*Support Services*	242
1	1	*Premises*	3
16	18	*Transport*	18
17	21	*Supplies & Services*	27
58	426		341
801	**1,615**	**Net Non Formula-Led Expenditure by Category**	**1,563**
		Net Expenditure by Service Area	
(17)	81	Building Control	34
(174)	112	Planning Control	236
426	506	Planning Support	410
566	916	Policy & Conservation	883
801	**1,615**	**Net Expenditure by Service Area**	**1,563**

OVERSEAS AID & DEVELOPMENT COMMISSION

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
		Non Formula-Led Expenditure	
34	33	Pay costs	35
		Non Pay costs	
-	-	*Staff Non Pay costs*	-
1	10	*Support Services*	11
2,609	3,806	*Third Party Payments*	4,346
1	6	*Supplies & Services*	5
2,611	3,822		4,362
2,645	**3,855**		**4,397**

STATES' TRADING SUPERVISORY BOARD

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
1,497	2,322	**Operating Income**	2,110
		Non Formula-Led Expenditure	
1,769	2,303	Pay costs	2,565
		Non Pay costs	
45	105	*Staff Non Pay costs*	94
684	1,043	*Support Services*	929
331	239	*Premises*	151
-	825	*Third Party Payments*	-
22	38	*Transport*	28
236	269	*Supplies & Services*	124
1,318	2,519		1,326
1,590	**2,500**	**Net Non Formula-Led Expenditure by Category**	**1,781**
		Net Expenditure by Service Area	
1,250	1,283	Alderney Airport	1,441
340	392	Central Services	340
-	825	Guernsey Waste	-
1,590	**2,500**	**Net Expenditure by Service Area**	**1,781**

ROYAL COURT

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Category	
2,126	2,186	**Operating Income**	2,506
		Non Formula-Led Expenditure	
4,068	4,170	Pay costs	4,659
		Non Pay costs	
4	50	*Staff Non Pay costs*	41
211	273	*Support Services*	336
91	105	*Premises*	89
-	-	*Third Party Payments*	-
7	10	*Transport*	7
181	213	*Supplies & Services*	220
494	651		693
2,436	**2,635**	**Net Non Formula-Led Expenditure by Category**	**2,846**

2022 Actual £'000s	2023 Original Budget £'000s		2024 Budget £'000s
		Net Expenditure by Service Area	
998	986	Bailiff's Office	1,057
39	230	Client Services	(23)
1,041	1,039	Court Services	1,343
358	380	Parliament	469
2,436	**2,635**	**Net Expenditure by Service Area**	**2,846**

LAW OFFICERS

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
257	188	**Operating Income**	9
		Non Formula-Led Expenditure	
6,126	6,573	Pay costs	7,421
		Non Pay costs	
79	128	*Staff Non Pay costs*	199
178	202	*Support Services*	212
2	24	*Premises*	26
0	-	*Transport*	1
107	136	*Supplies & Services*	178
366	490		616
-	(200)	*Less funding from the Seized Asset Fund*	(200)
6,235	**6,675**	**Net Non Formula-Led Expenditure by Category**	**7,828**

POOLED BUDGETS

2022 Actual £'000s	2023 Original Budget £'000s	Net Expenditure by Category	2024 Budget £'000s
		Non Formula-Led Expenditure	
537	550	Pay costs	569
		Non Pay costs	
5	-	*Premises*	-
543	**550**	**Net Non Formula-Led Expenditure by Category**	**569**

GUERNSEY AIRPORT

Net Income by Category

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Income	
326	433	437	*Advertising, picketing etc*	515
572	657	657	*Airport development charge*	714
822	739	739	*Car parking fees*	1,083
1,389	2,285	2,084	*Rents*	1,984
7,246	7,338	7,338	*Traffic receipts*	9,644
177	203	203	*Recovery from Alderney Airport*	218
10,532	11,655	11,458		14,158
			Expenditure	
(8,494)	(9,031)	(8,813)	**Pay costs**	(9,614)
			Non Pay costs	
(276)	(305)	(335)	*Staff Non Pay costs*	(314)
(1,507)	(1,799)	(1,912)	*Support Services*	(1,887)
(1,633)	(1,837)	(2,113)	*Premises*	(2,102)
(102)	(146)	(174)	*Transport*	(156)
(2,612)	(2,888)	(3,042)	*Supplies & Services*	(3,051)
(6,130)	(6,975)	(7,576)		(7,510)
(4,092)	(4,351)	(4,931)	**Operating deficit before depreciation**	(2,966)
(1,045)	(1,092)	(1,010)	Depreciation and impairment	(1,092)
65	-	-	Revaluation of investment property	-
(5,072)	**(5,443)**	**(5,941)**	**Deficit for the year**	**(4,058)**

GUERNSEY AIRPORT

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net income / (expenditure) by Service Area	
(2,454)	(2,284)	(2,448)	Administration	(2,524)
312	424	428	Advertising, picketing etc	506
(2,398)	(2,537)	(2,574)	Aerodrome Fire Service	(2,768)
(3,094)	(3,596)	(3,624)	Airport infrastructure	(3,541)
(2,517)	(3,107)	(3,219)	Airport security	(3,247)
819	739	740	Car parking fees	1,083
(4,641)	(4,651)	(4,711)	Navigational services	(5,222)
177	203	203	Recovery from Alderney Airport	218
1,880	2,463	2,278	Rents	2,172
7,824	7,995	7,997	Traffic receipts	10,357
(4,092)	(4,351)	(4,931)	**Operating deficit before depreciation**	(2,966)
(1,045)	(1,092)	(1,010)	Depreciation, loss on disposal and impairment	(1,092)
65	-	-	Revaluation of investment property	-
(5,072)	**(5,443)**	**(5,941)**	**Deficit for the year**	**(4,058)**
			Capital expenditure	
(1,078)	(350)	(2,001)	Miscellaneous capital works	(1,200)
-	(696)	-	IT projects and equipment	(243)
(91)	(997)	(571)	Equipment, machinery and vehicles	(600)
(1,169)	(2,043)	(2,572)	**Routine capital expenditure**	(2,043)
(1,225)	-	(135)	Hold Baggage Scanner	-
(2,394)	**(2,043)**	**(2,707)**	**Total capital expenditure**	(2,043)
1,225	-	135	Capital contribution from General Revenue	-
(1,169)	**(2,043)**	**(2,572)**	**Net capital expenditure**	**(2,043)**

GUERNSEY HARBOURS

Net Income by Category

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
10,698	10,313	10,263	Income	12,817
(4,768)	(4,933)	(4,950)	Pay costs	(5,446)
			Non Pay costs	
(67)	(108)	(115)	*Staff Non Pay costs*	(146)
15	(14)	(5)	*Peripheral activities*	(3)
(1,842)	(1,519)	(1,612)	*Support Services*	(1,486)
(1,601)	(2,526)	(2,628)	*Premises*	(2,616)
(65)	(104)	(85)	*Transport*	(110)
(325)	(488)	(260)	*Supplies & Services*	(190)
(3,885)	(4,759)	(4,705)		(4,551)
2,045	621	608	**Operating surplus before depreciation**	2,820
(1,077)	(1,300)	(1,300)	Depreciation	(1,372)
(152)	(50)		Net Interest	50
816	**(729)**	**(692)**	**Surplus / (deficit) for the year**	**1,498**

GUERNSEY HARBOURS

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net income / (expenditure) by Service	
3,885	3,282	3,184	Commercial Port operations	4,073
992	903	861	Property	1,012
2,057	1,633	1,654	Leisure	2,628
(4,855)	(5,159)	(5,045)	Non-Commercial Port operations	(4,853)
(34)	(38)	(46)	Ships Registry	(40)
-	-	-	Grant Aid	-
			Other	
2,045	621	608	**Operating surplus/(deficit) before depreciation**	2,820
(1,077)	(1,300)	(1,300)	Depreciation	(1,372)
(152)	(50)	-	Net Interest	50
816	**(729)**	**(692)**	**Surplus / (deficit) for the year**	**1,498**
			Capital Expenditure	
(1,589)	(1,137)	(441)	Miscellaneous capital works	(1,400)
(23)	-	(24)	IT projects and equipment	-
(570)	(820)	(264)	Equipment, machinery, vehicles and vessels	(557)
(2,182)	(1,957)	(729)	**Routine capital expenditure**	(1,957)
(478)	-	(105)	Havelet Slipway	-
(2,660)	**(1,957)**	**(834)**	**Total capital expenditure**	(1,957)
478	-	105	Capital contribution from General Revenue	-
(2,182)	**(1,957)**	**(729)**	**Net capital expenditure**	**(1,957)**

PORTS HOLDING ACCOUNT

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Operating surplus/(deficit) before depreciation	
(4,092)	(4,351)	(4,931)	Guernsey Airport	(2,966)
2,045	621	608	Guernsey Harbours	2,820
(2,047)	(3,730)	(4,323)		(146)
(152)	(50)	(50)	Investment return and interest	50
125			Proceeds on disposal of assets	
			Capital expenditure	
(2,393)	(2,043)	(2,572)	Guernsey Airport	(2,043)
(2,660)	(1,957)	(729)	Guernsey Harbours	(1,957)
(5,053)	(4,000)	(3,301)	Total capital expenditure	(4,000)
(7,127)	**(7,780)**	**(7,674)**	**Deficit for the year**	**(4,096)**
1,585	**(3,439)**	**(461)**	**Balance at 1 January**	**(8,227)**
(7,127)	(7,780)	(7,674)	Deficit for the year before depreciation	(4,096)
5,177	-	-	Contributions from General Revenue	
(96)	(162) -	(92)	Loans repaid	(92)
(461)	**(11,381)**	**(8,227)**	**Balance at 31 December**	**(12,415)**

GUERNSEY WATER

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net income by service area	
			Income	
			Water supplies	
4,042	4,271	4,193	*Measured*	4,730
1,751	1,853	1,877	*Unmeasured*	2,038
			Wastewater	
6,742	7,294	7,059	*Measured*	8,127
3,118	3,304	3,343	*Unmeasured*	3,634
1,220	1,337	1,285	*Cesspit emptying charges*	1,541
184	184	184	*Grant from General Revenue*	184
255	226	225	Surplus on other trading activities	239
17,312	18,469	18,166		20,493
			Expenditure	
			Operating expenses	
(497)	(517)	(554)	*Asset Management*	(617)
(1,202)	(1,467)	(1,359)	*Pumping Stations*	(1,386)
(4,226)	(4,333)	(4,747)	*Sewers*	(5,157)
(426)	(552)	(529)	*Tactical Support*	(595)
(655)	(639)	(607)	*Water Distribution*	(688)
(1,536)	(1,747)	(1,843)	*Water Production*	(1,992)
			Management expenses	
(974)	(877)	(1,005)	*Customer Services*	(1,128)
(1,362)	(1,596)	(1,739)	*Management and General*	(1,908)
(1,157)	(1,313)	(1,283)	*Support Services*	(1,312)
(456)	(446)	(494)	*Water Quality and Risk Management*	(490)
(12,491)	(13,487)	(14,160)		(15,273)
4,821	4,982	4,006	**Operating surplus / (deficit) before depreciation**	5,220
(4,902)	(4,800)	(4,808)	Depreciation / impairment of assets	(5,113)
(81)	182	(802)	**Operating surplus / (deficit) for the year**	107
(449)	(368)	(469)	Net interest payable	(581)
(530)	(186)	(1,271)	**Deficit for the year**	(474)

GUERNSEY WATER

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Capital expenditure	
-	-	(209)	Land	-
(4,642)	(4,386)	(4,662)	Infrastructure	(6,720)
(159)	(175)	(53)	Buildings	(100)
(50)	(189)	(124)	Motor vehicles	(345)
(456)	(306)	(207)	Office equipment	(358)
(264)	(212)	(160)	Intangibles	(215)
(5,571)	**(5,268)**	**(5,415)**	**Routine capital expenditure**	**(7,738)**

GUERNSEY WASTE

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net Income by Category	
			Income	
			Operating Income	
1,677	1,527	1,850	*Bag Charges*	1,968
2,651	2,780	2,800	*Household Fixed Charge*	2,935
1,477	1,511	1,327	*Commercial Gate Fees*	1,830
1,135	1,483	1,043	*Mont Cuet*	1,799
2,536	2,579	2,500	*Inert Waste*	454
499	616	520	*Household Waste Recycling Centre*	728
449	520	518	*Other*	922
10,424	11,016	10,558		10,636
			Expenditure	
(466)	(538)	(510)	**Pay Costs**	(624)
			Non Pay Costs	
(3)	(4)	(3)	*Staff Non Pay Costs*	(4)
(6,731)	(8,105)	(7,408)	*Support Services*	(7,316)
(337)	(358)	(335)	*Premises*	(353)
(2)	(2)	(2)	*Transport*	(2)
(2,713)	(2,834)	(2,395)	*Supplies & Services*	(2,845)
(9,786)	(11,303)	(10,143)		(10,520)
172	**(825)**	**(95)**	**Operating deficit before depreciation**	**(508)**
-	825	-	Grant from General Revenue	-
(1,944)	(1,958)	(1,943)	Depreciation	(1,953)
(1,772)	**(1,958)**	**(2,038)**	**Operating deficit for the year**	**(2,461)**
(23)	-	(19)	Net interest payable	-
(1,795)	**(1,958)**	**(2,057)**	**Deficit for the year**	**(2,461)**

GUERNSEY WASTE

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Capital expenditure	
			IT projects and equipment	-
(35)	(90)	(47)	Equipment, machinery and vehicles	(90)
(35)	**(90)**	**(47)**	**Routine capital expenditure**	**(90)**

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.

The 2024 budgeted income for Inert Waste has reduced significantly compared to 2022 and 2023. This is owing to the current inert waste facility at Longue Hougue reaching capacity at the end of 2023. Until such time as a new facility is operational, inert waste material will need to be "double handled" and a provision for the estimated future handling costs is included in the budget.

STATES WORKS

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net Income by Service Area	
			Income	
1,298	1,599	1,402	Engineering	1,722
3,144	3,815	1,710	Highways	1,699
2,095	2,067	2,020	Land Management	2,168
3,432	3,465	3,883	Sewage Collection	4,177
1,123	1,244	1,569	Stores, Fleet & Garage	1,444
4,153	4,208	4,252	Waste Management Services	4,518
2,454	2,931	2,652	Household Waste Recycling Centre and Waste	2,450
274	311	340	Other	310
17,973	19,640	17,828		18,488
			Expenditure	
			Management Expenses	
(1,236)	(980)	(774)	*Administration Expenses*	(1,035)
(2,200)	(2,415)	(2,601)	*Salaries, wages and superannuation*	(2,516)
			Operating Expenses	
(7,290)	(7,860)	(7,625)	*Labour*	(8,083)
(4,397)	(5,560)	(4,140)	*Materials*	(3,947)
(602)	(540)	(477)	*Transport and plant*	(540)
(232)	(237)	(231)	*Building maintenance*	(238)
(15,957)	(17,592)	(15,848)		(16,359)
2,016	2,048	1,980	**Operating surplus before depreciation**	2,129
(1,230)	(1,448)	(1,330)	Depreciation	(1,438)
-	25	-	Gain/(loss) on disposal of fixed assets	50
(54)	-	-	Fair value movement on investment property	-
732	625	650	**Operating surplus for the year**	741
(265)	-	-	Net interest receivable	-
467	**625**	**650**	**Surplus for the year**	**741**
			Capital expenditure	
-	(178)	(828)	Office equipment	(178)
(16)	(564)	(720)	Site developments	(564)
(584)	(3,205)	(1,471)	Vehicles, plant, tools and equipment	(3,614)
(600)	**(3,947)**	**(3,019)**	**Routine capital expenditure**	**(4,356)**

GUERNSEY DAIRY

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net Income by Service Area	
			Sales	
2,149	2,425	2,345	*Dairy products*	2,418
6,752	7,190	7,520	*Liquid milk*	7,747
14	15	18	Sundry income	15
8,915	9,630	9,883		10,180
			Expenditure	
			Cost of Sales	
(66)	(67)	(65)	*Dairy product ingredients*	(58)
(4,829)	(5,134)	(5,150)	*Milk*	(5,294)
(144)	(150)	(200)	*Milk working loss*	(150)
(84)	(84)	(95)	*Freight*	(89)
(577)	(695)	(684)	*Packaging materials*	(722)
(1,014)	(1,072)	(1,047)	*Production wages*	(1,158)
(6,714)	(7,202)	(7,241)		(7,471)
			Expenses	
(41)	(80)	(80)	*Advertising and promotion*	(84)
(82)	(72)	(120)	*Cleaning materials*	(90)
(385)	(439)	(419)	*Fuel, light, power, water and rates*	(447)
(47)	(66)	(61)	*General administration costs*	(63)
(240)	(148)	(120)	*Laboratory expenses*	(158)
(46)	(31)	(31)	*Motor vehicle expenses*	(32)
(43)	(53)	(53)	*Other expenses*	(56)
(458)	(750)	(569)	*Professional fees*	(604)
(294)	(545)	(400)	*Repairs, maintenance and insurance*	(548)
(709)	(752)	(788)	*Salaries and wages*	(828)
(2,345)	(2,936)	(2,641)		(2,910)
(144)	(508)	1	**Operating surplus / (deficit) before depreciation and interest**	(201)
(282)	(321)	(321)	Depreciation / impairment of assets	(299)
(426)	(829)	(320)	**Operating deficit for the year**	(500)
(37)	(28)	(28)	Net interest payable	(37)
(463)	**(857)**	**(348)**	**Deficit for the year**	**(537)**

GUERNSEY DAIRY

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Capital expenditure	
(85)	(590)	(237)	Equipment, Machinery and Vehicles	(684)
(73)	(264)	(215)	Miscellaneous Capital Works	(288)
(158)	**(854)**	**(452)**	**Routine capital expenditure**	**(972)**

Notes :

The Policy & Resources Committee agreed to make an overdraft facility of £1.2million available to Guernsey Dairy, to be used exclusively to fund urgent short-term capital expenditure requirements. It is proposed that a transfer equivalent to the balance of Guernsey Dairy's short-term loan facility as at 31 December 2023 is made from General Revenue to Guernsey Dairy and that the States approve provision within the 2024 Budget for a transfer to Guernsey Dairy to fund its 2024 cash requirements, which are estimated at £0.7m.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY
CONTRIBUTORY FUNDS

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net Income / (Expenditure)	
			Income	
177,204	193,640	194,020	*Contribution Income*	207,220
-	-	-	*States Grants*	-
177,204	193,640	194,020		207,220
			Benefit Expenditure	
(164,587)	(178,145)	(177,550)	*Social Insurance*	(191,632)
-	-	-	*Health Insurance*	-
(22,116)	(24,500)	(23,065)	*Long-term Care Insurance*	(24,925)
(186,703)	(202,645)	(200,615)		(216,557)
			Administration	
(1,306)	(1,815)	(1,755)	*Pay Costs*	(1,882)
(0)	-	-	*Staff Non Pay costs*	(1)
(3,141)	(3,478)	(3,478)	*Support Services*	(3,693)
(274)	(7)	(7)	*Premises*	164
(2)	(1)	(1)	*Transport*	(2)
(1,699)	(89)	(89)	*Supplies & Services*	(91)
(6,423)	(5,390)	(5,330)		(5,505)
(73)	(120)	(120)	Depreciation	(80)
(15,995)	**(14,515)**	**(12,045)**	**Operating Deficit Before Investing Activities**	**(14,922)**
			Net Income / (Expenditure)	
(26,175)	(26,021)	(25,370)	Guernsey Insurance Fund	(29,362)
10,180	11,506	13,325	Long-term Care Insurance Fund	14,440
(15,995)	**(14,515)**	**(12,045)**	**Operating Deficit Before Investing Activities**	**(14,922)**

SUPERANNUATION FUND ADMINISTRATION

2022 Actual £'000s	2023 Original Budget £'000s	2023 Forecast £'000s		2024 Budget £'000s
			Net Expenditure by Category	
			Pay costs	
403	583	458	Established Staff	498
			Non Pay costs	
281	265	374	Consultants Fees	438
89	155	186	Support Services	161
370	420	560		599
773	**1,003**	**1,018**	**Total Expenditure by Category**	**1,097**
			Routine Capital Expenditure	
83	-	-	*ICT System*	-
83	**-**	**-**	**Routine Capital Expenditure**	**-**

THE LADIES' COLLEGE (Senior School)

2021/ 2022 Actual £'000s	2022/ 2023 Budget £'000s		2023/ 2024 Budget £'000s
		Net Income by Category	
		Income	
3,718	4,019	Fees	4,460
140	123	Miscellaneous Income	136
1,445	1,251	States Grant	1,167
5,303	5,393		5,763
		Expenditure	
11	6	Art	6
9	9	Audit Fee	10
95	108	Books and Stationery	124
319	332	Depreciation	349
51	60	Examination Fees	60
103	142	Equipment and resources	169
177	110	General Administrative Expenses	107
23	25	Laboratory and Design and Technology Expenses	24
77	129	Maintenance of Buildings, Grounds and Equipment	138
31	32	Marketing and Development Expenses	33
32	32	Rates, Taxes and Insurance	41
34	40	Recruitment and Relocation	30
4,106	4,242	Salaries and Wages	4,444
27	47	Sports, conferences, field trips etc.	46
15	20	Staff training	21
101	101	Utilities	125
5,211	5,435		5,727
92	(42)	**Revenue Surplus / (Deficit) for the year**	36
16	-	Fundraising donations received	28
(48)	(40)	Bank Interest payable	(102)
4,690	4,097	Balance b/f from previous year	4,647
4,750	**4,015**	**Balance c/f to next year**	**4,609**