2024/91

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2025

The States are asked to decide whether, after consideration of the Policy Letter entitled "States of Guernsey Budget, 2025", they are of the opinion:-

1. To set the individual standard rate in the Fifth Schedule to the Income Tax (Guernsey) Law, 1975 at 22% for Years of Charge 2025 and 2026, then at 20% for Years of Charge 2027 and onwards, making consequential amendments to other areas of the Law as set out in paragraphs 5.30-5.32.

2. 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 2025 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall, subject to the approval of proposition 1, be the allowances specified in the First Schedule to this proposition;

(b) should proposition 1 not be approved, then the allowances specified in the First Schedule to this proposition shall apply with the following modifications –

i. the personal allowance specified in paragraph 1 of the First Schedule (£15,000) shall be replaced with £14,600, and
ii. the dependent relative's income specified in paragraph 2 of the First Schedule (£10,320) shall be replaced wherever appearing with £10,070;

(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 2025

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 £82,500 (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 £15,000.
2. **Dependent Relative Allowance***	In respect of each dependent relative - tax at the individual standard rate on £4,530 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £10,320 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,530 the sum of £1 for every pound by which the dependent relative's income exceeds £10,320.
3. **Infirm Person's Allowance***	Tax at the individual standard rate on £4,530
4. **Housekeeper Allowance**	Tax at the individual standard rate on £4,530
5. **Charge of Children Allowance***	Tax at the individual standard rate on £9,490
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.

3. To direct the Policy & Resources Committee to make recommendations in the 2026 Budget Report for the individual personal income tax allowance to increase by a minimum of the rate of inflation forecast for 2026.

4. To set the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic residential dwelling, situated in the Bailiwick of Guernsey, allowable against letting income under section 2(2)(d) of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as follows:

	Proportion of Interest Paid eligible for tax relief
For 2025 and subsequent years of charge	50%

5. To introduce with effect from 1 January 2025 a limit of tax payable by an individual ("A") principally resident (for tax purposes) in Alderney of £60,000 (or such other amount as the States may by resolution prescribe) in respect of a year of charge (the "Alderney Property Tax Cap"), where A-

   (a) has paid £50,000 or more in (i) document duty, (ii) transfer duty or (iii) long leasehold duty in respect of (as the case may be) the purchase by A of a property in Alderney, or the transfer to A of the legal or beneficial ownership of all of the shares of a company which owns (or which owns a company which owns) a property in Alderney, or the grant or assignment to A of a long lease of land comprising a property in Alderney, in each case on or after 1 January 2025 ("the relevant acquisition"), and
   (b) has made the relevant acquisition on a date either on, or up to twelve months prior to, or up to twelve months after, the date on which A takes up permanent residence in Alderney ("the permitted period"), and
   (c) has not been resident in Alderney or Guernsey at any time in the previous three years prior to the relevant acquisition save for the permitted period.

   This Alderney Property Tax Cap shall only be available for the year of charge in which A takes up permanent residence and for each of the three consecutive years of charge immediately thereafter. The qualifying and non-qualifying income for the Alderney Property Tax Cap shall apply in in the same manner as specified for the Open Market Tax Cap.

6. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2025.

7. To exempt from income tax rental payments made to private householders by lodgers up to a maximum of £10,000 per room, and two rooms per property, subject to the conditions set out in paragraph 5.29.

8. To increase the maximum aggregate amount of donations that may be made to Guernsey Registered Charities and be exempt from income tax in any year of charge, specified in

section 64B(1)(d) of the Income Tax (Guernsey) Law, 1975, as amended from £7,500 to £10,000.

9. To specify the OECD Crypto-Asset Reporting Framework, together with associated commentary and guidance, as an international tax measure under section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, to enable the Policy & Resources Committee to make Regulations implementing the Framework, commentary and guidance in domestic law.

10. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.

11. To agree that the duty-free relief for biodiesel and Hydrotreated Vegetable Oil (HVO) is removed, and to direct the Committee *for* Home Affairs to exercise its statutory powers in order to bring an end to any duty-free relief on 31st December 2024.

12. To agree that Resolution 11 from the 2023 Budget Report is rescinded.

13. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.

14. To approve the draft Ordinance entitled "The Document Duty (Rates) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.

15. To approve the draft Ordinance entitled "The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.

16. To agree that the rates of Vehicle First Registration Duty are set by the States of Deliberation by Ordinance and any proposed amendments are included as propositions in the Annual Budget.

17. To approve the draft Ordinance entitled "The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024" and to direct that the same shall have effect as an Ordinance of the States.

18. To approve that for 2025 costs of up to £6.0m for funding drugs and treatments in receipt of a Technology Appraisal from the National Institute of Clinical Excellence (NICE TAs) will be funded from the Guernsey Health Reserve.

19. To approve Routine Capital allocations for 2025-2028 as follows and to delegate authority to the Policy & Resources Committee to allocate the "unallocated" funding to categories based on demand:

- Information Technology – £18m;
- Medical Equipment – £4m;
- Vehicles & Other Equipment – £13m;
- Property Maintenance and Minor Works – £10m;
- Roads resurfacing programme – £10m;
- States' Housing – £13m; and
- Unallocated - £25m.

20. To agree that the delegated authority for the Policy & Resources Committee to approve funding for urgent projects, Routine Capital expenditure and strategic property purchases is increased to £3m.

21. To agree to fund the proposed Victor Hugo Centre through matched funding of £1 for every £2 raised by the Victor Hugo Centre Guernsey LBG, up to a maximum of £2.5m and direct the Policy & Resources Committee to make appropriate provision within the 2026 Budget.

22. To approve that projects to build a construction village and temporary key worker housing are added to the Major Projects Portfolio.

23. To approve provision within the 2025 Budget for a transfer from the General Reserve to Guernsey Ports to fund its 2025 cash requirements estimated at £2.6m.

24. To endorse the recommendation that a study be undertaken, led by the Policy & Resources Committee and working with the States' Trading Supervisory Board and the Committee *for* Economic Development, on a potential subsidy for Guernsey Airport, to be presented in the 2026 Budget Report.

25. To approve provision within the 2025 Budget for a transfer of £0.5m from the General Reserve to Guernsey Waste to fund its 2025 operating losses.

26. To approve provision within the 2025 Budget for a transfer of £1.3m from the General Reserve to Guernsey Dairy to fund its 2025 cash requirements.

27. To approve the provision within the 2025 Budget for a return of funding from States Works to the General Revenue Reserve estimated at £0.75m.

28. To agree the Tier 1 initiatives identified by the Reducing the Cost of Public Services Sub Committee as detailed in paragraph 7.83 and to direct that Principal Committees investigate these initiatives further or, where possible, implement the changes needed to deliver savings.

29. To approve ordinary revenue expenditure for 2025 totalling £650.0m as set out in the table in paragraph 6.17 and the revenue expenditure budgets as set out on pages 126 to 146;

30. To approve the following Budgets for the year 2025:

    (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.

31. 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 £26.1m 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.

L S Trott
President

H J R Soulsby MBE
Vice-President

J A B Gollop
J P Le Tocq
R C Murray

The Document Duty (Rates)
(Amendment) Ordinance, 2024

THE STATES, in pursuance of their Resolution of the ** November 2024[a] and in exercise of the powers conferred on them by sections 6(1) of the Document Duty (Guernsey) Law, 2017[b], and all other powers enabling them in that behalf, hereby order:-

Amendment of the Ordinance.

1. In section 1(2) of the Document Duty (Rates) Ordinance, 2017 ("**the Ordinance**"), for paragraphs (a) to (f) substitute the following -

"(a) 2.25% of any part of the value of the transaction not exceeding £300,000, and

(b) 3.50% of any part of the value of the transaction exceeding £300,000 but not exceeding £500,000, and

(c) 4.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

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a Article *** of Billet d'État No. *** of 2024.

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

(d) 4.25% of any part of the value of the transaction exceeding £950,000 but not exceeding £1,250,000, and

(e) 4.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(f) 5.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(g) 7.00% of any part of the value of the transaction exceeding £5,000,000.".

2. In section 1A(1) of the Ordinance, for paragraphs (a) to (f) substitute the following -

"(a) 4.25% of any part of the value of the transaction not exceeding £300,000, and

(b) 5.50% of any part of the value of the transaction exceeding £300,000 but not exceeding £500,000, and

(c) 6.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

(d) 6.25% of any part of the value of the transaction exceeding £950,000 but not exceeding £1,250,000, and

(e) 6.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(f) 7.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(g) 9.00% of any part of the value of the transaction exceeding £5,000,000.".

3. (1) In section 1B(1) of the Ordinance, for paragraphs (a) to (f) substitute the following –

"(a) 0.00% of any part of the value of the transaction not exceeding £500,000, and

(b) 4.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

(c) 4.25% of any part of the value of the transaction exceeding £950,000 but not exceeding £1,250,000, and

(d) 4.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(e) 5.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(f) 7.00% of any part of the value of the transaction exceeding £5,000,000.".

(2) In section 1B(6) of the Ordinance, for "2025" substitute "2027".

Transitional relief.

4. (1) Relief in accordance with the following provisions of this section is available on document duty paid in connection with a qualifying registration.

(2) Relief shall consist of a payment to be made by the States Policy & Resources Committee, out of the general revenue of the States, of an amount equal to any difference between the document duty paid and -

(a) for the purposes of sections 1 and 2 of this Ordinance, that which would have been payable if that section had not been enacted, and

(b) for the purposes of section 3 of this Ordinance, that which would have been payable if that section had been in force at that time.

(3) For the purposes of subsection (1) where subsection (2)(a) applies -

(a) "**a qualifying registration**" means -

(i) registration, within the transitional period, of a chargeable transaction which has been executed further to a qualifying agreement, or

(ii) registration, after the expiration of the transitional period, of a chargeable transaction -

(A) which has been executed further to a qualifying agreement, and

(B) where written notice of the existence of that agreement has, within the transitional period, been given to the Greffier,

(b) "**a qualifying agreement**" means an agreement -

(i) entered into prior to 7th October, 2024, and

(ii) the terms and conditions of which, in the opinion of the Greffier, are or were legally binding on any party to the agreement, and

(c) "**the transitional period**" means the period commencing on the day on which this Ordinance comes into force and ending on 31st December, 2024.

(4) For the purposes of subsection (1) where subsection (2)(b) applies -

(a) "**a qualifying registration**" means registration, within the transitional period, of a chargeable transaction, and

(b) "**the transitional period**" means the period commencing on 7th October 2024 and ending on the day on which this Ordinance comes into force.

Extent.

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

Repeal.

6. The Document Duty (Rates) (Amendment) Ordinance, 2018[c] is hereby repealed.

Citation.

7. This Ordinance may be cited as the Document Duty (Rates) (Amendment) Ordinance, 2024.

Commencement.

8. This Ordinance shall come into force on the 1st January, 2025.

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c Ordinance No. XXXII of 2018.

The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2024

THE STATES, in pursuance of their Resolution of the ** November 2024[a] and in exercise of the powers conferred on them by sections 4(1) of the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017[b], and all other powers enabling them in that behalf, hereby order:-

Amendment of the Ordinance.

1. In section 1(2) of the Document Duty (Anti-Avoidance) (Rates) Ordinance, 2017 ("**the Ordinance**"), for paragraphs (a) to (f) substitute the following -

"(a) 2.25% of any part of the value of the transaction not exceeding £300,000, and

(b) 3.50% of any part of the value of the transaction exceeding £300,000 but not exceeding £500,000, and

(c) 4.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

(d) 4.25% of any part of the value of the transaction

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a Article *** of Billet d'État No. *** of 2024.

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

exceeding £950,000 but not exceeding £1,250,000, and

(e) 4.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(f) 5.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(g) 7.00% of any part of the value of the transaction exceeding £5,000,000.".

2. In section 1A(1) of the Ordinance, for paragraphs (a) to (f) substitute the following -

"(a) 4.25% of any part of the value of the transaction not exceeding £300,000, and

(b) 5.50% of any part of the value of the transaction exceeding £300,000 but not exceeding £500,000, and

(c) 6.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

(d) 6.25% of any part of the value of the transaction exceeding £950,000 but not exceeding £1,250,000, and

(e) 6.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(f) 7.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(g) 9.00% of any part of the value of the transaction exceeding £5,000,000.".

3. (1) In section 1B(1) of the Ordinance, for paragraphs (a) to (f) substitute the following –

"(a) 0.00% of any part of the value of the transaction not exceeding £500,000, and

(b) 4.00% of any part of the value of the transaction exceeding £500,000 but not exceeding £950,000, and

(c) 4.25% of any part of the value of the transaction exceeding £950,000 but not exceeding £1,250,000, and

(d) 4.50% of any part of the value of the transaction exceeding £1,250,000 but not exceeding £2,500,000, and

(e) 5.50% of any part of the value of the transaction exceeding £2,500,000 but not exceeding £5,000,000, and

(f) 7.00% of any part of the value of the transaction exceeding £5,000,000.".

(2) In section 1B(6) of the Ordinance, for "2025" substitute "2027".

Transitional relief.

4. (1) Relief in accordance with the following provisions of this section is available on document duty paid in connection with a qualifying registration.

(2) Relief shall consist of a payment to be made by the States Policy & Resources Committee, out of the general revenue of the States, of an amount equal to any difference between the document duty paid and -

(a) for the purposes of sections 1 and 2 of this Ordinance, that which would have been payable if that section had not been enacted, and

(b) for the purposes of section 3 of this Ordinance, that which would have been payable if that section had been in force at that time.

(3) For the purposes of subsection (1) where subsection (2)(a) applies -

(a) "**a qualifying registration**" means -

(i) registration, within the transitional period, of a chargeable transaction which has been executed further to a qualifying agreement, or

(ii) registration, after the expiration of the transitional period, of a chargeable transaction -

(A) which has been executed further to a qualifying agreement, and

(B) where written notice of the existence of that agreement has, within the transitional period, been given to the Greffier,

(b) "**a qualifying agreement**" means an agreement -

(i) entered into prior to 7th October, 2024, and

(ii) the terms and conditions of which, in the opinion of the Greffier, are or were legally binding on any party to the agreement, and

(c) "**the transitional period**" means the period commencing on the day on which this Ordinance comes into force and ending on 31st December, 2024.

(4) For the purposes of subsection (1) where subsection (2)(b) applies -

(a) "**a qualifying registration**" means registration, within the transitional period, of a chargeable transaction, and

(b) "**the transitional period**" means the period commencing on 7th October 2024 and ending on the day on which this Ordinance comes into force.

Extent.

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

Repeal.

6. The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2018[c] is hereby repealed.

Citation.

7. This Ordinance may be cited as the Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2024.

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c Ordinance No. XXXIII of 2018.

Commencement.

8. This Ordinance shall come into force on the 1st January, 2025.

The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2024

THE STATES, in pursuance of their resolution of the **th November, 2024[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:-

Rates of property tax.

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

Deletion.

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, 2023[d] are deleted.

Extent.

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

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a Article *** of Billet d'État No. *** of 2024.

b Order in Council No. X of 2006.

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

d Ordinance No. XXXIII of 2023.

Citation.

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2024.

Commencement.

5. This Ordinance shall come into force on 1st January 2025.

SCHEDULE

Section 1

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1 Property Reference	2 Property Description/Usage	3 2025 Tariff
B1.0	Domestic (whole unit) Local Market with a plan area of less than 100 assessable units	£2.08
B1.02	Domestic (whole unit) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.14
B1.1	Domestic (whole unit) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.20
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.89
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.64
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.48
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£5.52
B1.03	Domestic (flat) Local Market with a plan area of less than 100 assessable units	£2.08
B1.04	Domestic (flat) Local Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.14
B1.2	Domestic (flat) Local Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.20
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.89
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.64
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.48
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£5.52
B1.3	Domestic (glasshouse) Local Market	7p

GUERNSEY RESIDENTIAL BUILDINGS (continued)

B1.4	Domestic (outbuildings) Local Market	£1.05
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£2.08
B2.0	Domestic (whole unit) Open Market with a plan area of less than 100 assessable units	£2.08
B2.02	Domestic (whole unit) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.14
B2.1	Domestic (whole unit) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.20
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.89
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.64
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.48
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£5.52
B2.03	Domestic (flat) Open Market with a plan area of less than 100 assessable units	£2.08
B2.04	Domestic (flat) Open Market with a plan area of 100 or over up to (and including) 149 assessable units	£2.14
B2.2	Domestic (flat) Open Market with a plan area of 150 or over up to (and including) 199 assessable units	£2.20
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.89
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£3.64
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£4.48
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£5.52
B2.3	Domestic (glasshouse) Open Market	7p
B2.4	Domestic (outbuildings) Open Market	£1.05
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£2.08
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)	£1.05

TABLE A2

GUERNSEY COMMERCIAL BUILDINGS

1	2	3
Property Reference	**Property Description/Usage**	**2025 Tariff**
B4.1	Hostelry and food outlets	£8.26
B4.2	Self-catering accommodation	£5.21
B4.3	Motor and marine trade	£7.17
B4.4	Retail	£14.50
B4.5	Warehousing	£7.69
B4.6	Industrial and workshop	£6.14
B4.7	Recreational and sporting premises	£3.51
B4.8	Garaging and parking (non-domestic)	£9.73
B5.1	Utilities providers	£60.22
B6.1	Office and ancillary accommodation (regulated finance industries)	£56.19
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£56.19
B6.3	Office and ancillary accommodation (legal services)	£56.19
B6.4	Office and ancillary accommodation (accountancy services)	£56.19
B6.5	Office and ancillary accommodation (NRFSB)	£56.19
B7.1	Horticulture (building other than a glasshouse)	7p
B8.1	Horticulture (glasshouse)	7p
B9.1	Agriculture	5p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.2	Development buildings (non-domestic)	£8.05

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property	**Property**	**2025**
Reference	**Description/Usage**	**Tariff**
L1.1	Communal (flat) Local Market	29p
L1.2	Communal (flat) Open Market	29p
L3.1	Domestic Local Market	29p
L3.2	Domestic Open Market	29p
L3.5	Domestic Social Housing	Zero

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	**Property Description/Usage**	**2025 Tariff**
L1.3	Hostelry and Food Outlets	61p
L1.4	Self-catering accommodation	61p
L1.5	Motor and marine trade	61p
L1.6	Retail	61p
L1.7	Warehousing	61p
L1.8	Industrial	61p
L1.9	Recreational and sporting premises	61p
L1.10	Office and ancillary accommodation (regulated finance industries)	£2.01
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£2.01
L1.11.2	Office and ancillary accommodation (legal services)	£2.01
L1.11.3	Office and ancillary accommodation (accountancy services)	£2.01
L1.11.4	Office and ancillary accommodation (NRFSB)	£2.01
L1.12	Utilities providers	61p
L2.1	Approved development site	£2.01
L3.3	Horticulture	30p
L3.4	Agriculture	30p
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)	£5.50

The Excise Duties (Budget) Ordinance, 2024

THE STATES, in pursuance of their Resolution of the ***th November 2024[a] and in exercise of the powers conferred on them by sections 23B(3), 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 ("the Fourth Schedule") –

(a) after the definition of "hydrocarbon oil", insert the following definition -

""**HVO**" or hydrotreated vegetable oil, means gas oil that is paraffinic diesel fuel synthetically derived from the hydrotreatment of all or any of the following -

(a) vegetable oils,

(b) non-food grade vegetable oil fractions,

(c) renewable feedstocks, or

(d) any waste feedstocks,",

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a Article *** of Billet d'État No. *** of 2024.

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

(b) in the definition of "**independent small brewery**", in paragraph (a) for "200,000" substitute "5,000", and

(c) in the definition of "**independent small cider-maker**", in paragraph (a) for "50,000" substitute "5,000".

2. In the Fourth Schedule for the table in paragraph 1 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following -

"1. Tobacco and tobacco products -

(a)	Cigarettes	£582.52 per kilo
(b)	Cigars	£582.52 per kilo
(c)	Hand rolling tobacco	£565.50 per kilo
(d)	Other manufactured tobacco	£490.51 per kilo
(e)	Tobacco leaf – unstemmed	£544.53 per kilo
(f)	Tobacco leaf – stemmed	£549.98 per kilo".

3. In the Fourth Schedule for the tables in paragraphs 2 to 7 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following -

"2. Petrol and gas oil -

(a)	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	86.8p per litre

(b)	Petrol used for the purpose of marine navigation	58.9p per litre where supplied by an approved trader except where supplied to an approved trader in which case 86.8p per litre[c]
(c)	Gas oil which does not fall within the definition of HVO	86.8p per litre
(d)	Gas oil which falls within the definition of HVO	56.8p per litre

3. Other fuels –

Biodiesel	56.8p 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

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

characteristics of biodiesel as a fuel is added to biodiesel prior to its delivery, then the volume of that biodiesel shall be determined by reference to the total volume including such additives.

4. Beer -

	(a)	Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	26p 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	42p 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	52p 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	26p per litre
	(b)	Cider, other than cider produced by an independent small cider-maker, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	65p per litre
	(c)	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	42p 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	52p per litre

		cent volume but not exceeding 7.5 per cent volume	
	(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.

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

Repeals.

5. The Excise Duties (Budget) Ordinance, 2023[d] is repealed.

Citation.

6. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2024.

Commencement.

7. (1) This Ordinance, other than section 2, shall come into force on the 1st January, 2025.

(2) Section 2 of this Ordinance shall come into force on the conclusion of the meeting of the States for the consideration of the Annual Budget of the States for 2025.

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d Ordinance No. XXXIV of 2023.

The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024

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

Amendment of the 1987 Law.

1. In the Motor Taxation and Licensing (Guernsey) Law, 1987 -

(a) after paragraph (10), insert the following paragraph -

"(10A) without prejudice to the generality of section 2A(n), the rates of motor tax chargeable upon the first registration of a motor vehicle ("**first registration duty**"),", and

(b) in section 2A, in paragraph (n) after the words "under this Law", insert "(excluding first registration duty)".

Amendment of the 2016 Ordinance, etc.

2. (1) The Motor Taxation (First Registration Duty) (Guernsey)

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

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

Ordinance, 2016 ("**the 2016 Ordinance**") is amended as follows -

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

"TABLE 1

MOTOR VEHICLES

Band	(1) DIESEL CLASS VEHICLE'S ESTABLISHED CARBON DIOXIDE EMISSIONS FIGURE (g/km)	(2) NON-DIESEL CLASS VEHICLE'S ESTABLISHED CARBON DIOXIDE EMISSIONS FIGURE (g/km)	(3) DIESEL CLASS VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	(4) NON-DIESEL CLASS VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	[(5) CARBON DIOXIDE EMISSIONS DUTY (£)
1	0 to 100	0 to 110	0 to 1000	0 to 1000	57
2	101 to 110	111 to 130	1001 to 1150	1001 to 1350	206
3	111 to 120	131 to 140	1151 to 1300	1351 to 1500	630
4	121 to 130	141 to 150	1301 to 1450	1501 to 1650	929
5	131 to 140	151 to 165	1451 to 1600	1651 to 1800	1228
6	141 to 150	166 to 180	1601 to 2000	1801 to 2200	1651
7	151 to 200	181 to 230	2001 to 2500	2201 to 2700	2064
8	200 and over	231 and over	2501 and over	2701 and over	2580

"

, and

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

"TABLE 2

MOTORCYCLES

Band	VEHICLE'S ESTABLISHED ENGINE SIZE FIGURE (cc)	CARBON DIOXIDE EMISSIONS DUTY (£)
1	0	26
2	1 to 500	57
3	501 and over	114

"

(2) This subsection applies where a contract to purchase a motor vehicle that has not been previously registered in another jurisdiction is entered into since the coming into force of the Motor Taxation (First Registration Duty) Ordinance (Amendment) Regulations, 2023[c] ("**the 2023 Regulations**") and before the commencement of this Ordinance, and –

(a) a deposit of at least 10% of the purchase price is paid before the commencement of this Ordinance, or

(b) the contract to purchase includes a part exchange agreement.

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

(4) The 2023 Regulations are revoked, without prejudice to the operation of the transitional provisions set out in those Regulations.

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c G.S.I. No. 137 of 2023.

Extent.

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

Citation.

4. This Ordinance may be cited as the Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024.

Commencement.

5. (1) This Ordinance, other than section 2, shall come into force on the day it is enacted.

(2) Section 2 of this Ordinance shall come into force on 1st January 2025.

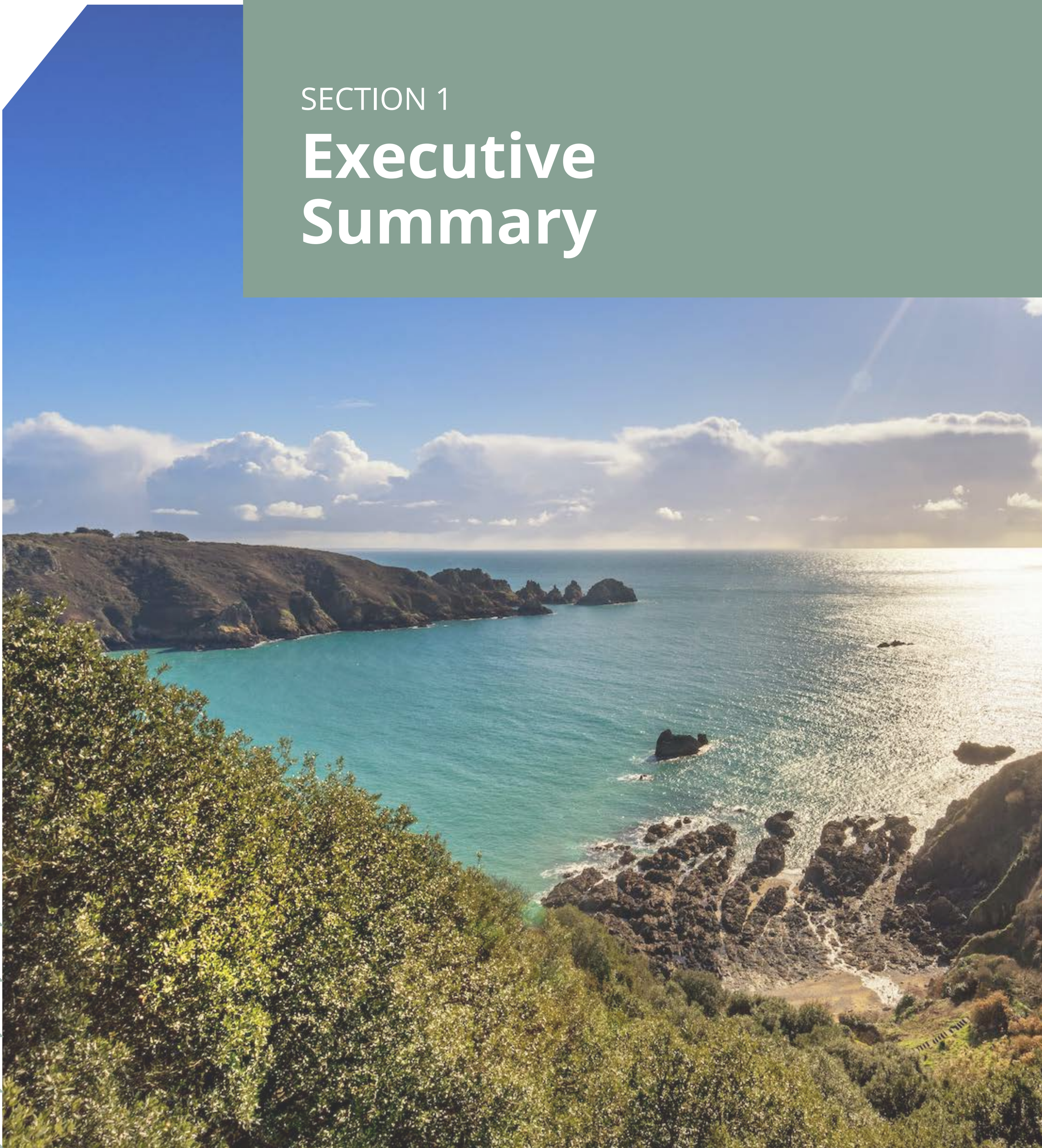
STATES OF GUERNSEY BUDGET
2025

States of Guernsey

Contents

SECTION 1

Executive Summary



1. Executive Summary

Budget at a glance

Having listened to Committees of the States and our community a 2% increase in the rate of personal income tax for a limited period of two years is being proposed. This is a temporary solution that can be implemented quickly to improve the immediate financial position before the States decide on the medium to long term solution in 2026.

Lower- and middle-income households are being protected by **an increase in the personal income tax allowance of £1,100 to £15,000**, meaning that 80% of lower income households will be better, or no worse off, than they are today.

Our public services are delivered from a substantially lower cost base than similar jurisdictions and it is therefore not surprising that many significant cost pressures face our public services with Committees asking for a combined c£32m above the Policy & Resources Committee's initial Committee expenditure proposals.

Although recognising overall pressures on demand, the Policy & Resources Committee is recommending funding just under half of these requests, leaving unmet need but supporting investment into economic growth through air and sea route support; delivering the jurisdiction's international standards obligations to underpin and enhance its position as an international finance sector; and the creation of an Innovation & Delivery Unit to accelerate delivery of other initiatives.

The proposed package will go a long way towards **stabilising the financial position and secure continued investment into key infrastructure projects prioritised for delivery this term** and approved in the Funding & Investment Plan with a particular focus on the hospital modernisation, schools and post-16 education.

The Committee wants to accelerate progress on easing housing pressures so is proposing: increasing capacity in the construction industry by developing a construction village; temporary key worker housing to ease immediate pressures; rent a room allowance to encourage use of under-occupied properties; and support for the rental market by halting withdrawal of interest relief for let properties.

The Committee recognises the importance of the third sector to the community, whether in partnership with the States or more generally, so is proposing an above real terms increase in the tax rebate threshold on charitable donations.

We have consciously avoided changes to multiple taxes – with no real terms increases to most other taxes or duties and a freeze on alcohol duty proposed. Again, we have listened.

In the short term the proposed increase in income tax will be economically challenging, but longer-term this should be balanced by the positive impact of re-investing this money in our economy through public services and infrastructure.

Should these proposals not be supported we will need to reassess the affordability of the major projects portfolio and return to the States with proposals in early 2025.

Introduction from the Policy & Resources Committee

This Budget is not simply looking at balancing the books in 2025, it is a budget for tomorrow - to support renewal and growth, enable critical investment in our ageing infrastructure and to stabilise the financial position of the States.

We have been operating a structural imbalance in our finances for a number of years – since the introduction of Zero-10 - where we are living off historic surpluses. The States have already resolved that this is unsustainable and should be addressed by the Assembly in the next term. However, we do not wish to handover a precarious financial position at the end of this term and are therefore proposing measures in this Budget that stabilise the position - it would be irresponsible not to. This is why we are taking steps now to protect the States' financial resilience.

During the course of this year and the work to prepare this Budget, we have concluded that tackling the fiscal challenges cannot be put-off any longer and that we cannot continue to deplete our finite reserves any further. Incremental income and cost saving measures will not address the current, and very real, financial challenges the Island is facing. It is in this context that the Policy & Resources Committee has made the tough decision to propose an increase in the rate of personal income tax of 2%, to 22%, for the next two years.

This action, taken now, will buy us time to focus on the long-term strategic fiscal policy without risking the strength of our economy and our financial robustness in the short term. It is an immediate solution that will ensure the continuation of vital investment in States' infrastructure and allow for sustained focus on government's top priorities.

In making this important proposal, careful consideration has been given to the additional fiscal pressure for households and the economy at a time when things are still difficult. But it must also be recognised that the predicted cost pressures are now manifesting in real and current demand for funding. The community's need for essential health and care services grows ever upwards as an increasing proportion of our population progress to an age where medical and social care is a normal part of their daily experience. The need for investment in our health, education and economic infrastructure remains as pressing as ever.

To mitigate the impact of the proposals on lower- and middle-income households the budget includes a substantial increase to the personal income tax allowance, increasing it from £13,900 to £15,000. **This will mean that an estimated 80% of the lowest income households will see no change in their financial position or will be marginally better off.**

Critically, this Budget proposes that most other taxes, which would in recent years have been used to raise revenue in real terms, are not increased. TRP and fuel duty will not increase in real terms, and we are proposing that the rate of duty on alcohol is frozen. We are also recommending increases to the Document Duty thresholds which will lower the cost of moving house and bring them back in line with the rates in 2019 when they were last reviewed.

We should not forget that we are a low-cost jurisdiction and operate at a lower cost per capita for public services than Jersey, the Isle of Man and the UK, and this will remain the case even after these proposals are agreed by the Assembly. However, the pressure on public services and expenditure has been clear during this year's budget process. The requests from all Committees exceeded proposed cash limits by approximately £32m, the majority of which had absolute merit. Every effort has been made to contain public sector spending without negatively impacting services or the economy. The 2025 Budget proposals do not allow for all the requested expenditure to be met and there have been some very difficult decisions resulting in our proposals which would see just under 50% of Committees' requested budget increases being agreed.

For the first time in recent years, this Budget does not include a central savings target. However, the Reducing the Cost of the Public Services Sub-Committee has presented a series of recommendations, which are summarised in paragraphs 7.79 to 7.88, including the recommendation that the States direct Principal Committees to investigate the opportunities identified and implement changes to deliver savings where possible.

In addition to the business-as-usual cost and demand pressures there are a number of strategically important investments that this Budget is able to support which will encourage growth and protection of existing markets, as well as growth into new markets. This includes investment into air and sea links, maintaining international standards and being able to support new initiatives such as the Victor Hugo Centre, all of which will underpin economic growth.

The rigorous and challenging process of building the recommended cash limits has satisfied us that we are proposing the right level of spend, regardless of whether additional revenues through higher personal income tax are supported.

But we are not pretending that the measures in this Budget solve our financial problems. The proposed 2025 Budget surplus is estimated at £26m, although once necessary capital expenditure is considered, the positive results turn into a deficit of £16m - highlighting that the need to address the underlying structural deficit remains. However, our proposals will stabilise the position for the next two years and generate valuable, and essential, additional revenues. Achieving long-term structural balance will still need to be the primary focus of the new Assembly.

For too long, the States have scraped by on short-term solutions, unsustainable restrictions on infrastructure investment and stretching minor taxes and charges. There will always be a temptation to sustain this for just one more year, but at some point decisive steps are needed to secure our public finances.

This States have tried several times to find a solution to address the longer-term financial challenges but have not succeeded in finding consensus on the right way forward. Putting forward these proposals now means valuable revenues will be received from 1st January 2025 – not years hence as would be the case for a measure such as GST. Implementing a time limited solution provides the breathing space for the next Assembly to consider a further Tax Review in 2026 without the financial position having materially worsened in the meantime. This Committee is determined to do the right thing in the short term and to protect the States' financial position from deteriorating further, thereby enabling an immediate focus on investment and growth.

Budget Measures

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

Income

I. Recognition of additional revenue from corporate entities, in line with Pillar 2 of the Organisation for Economic Co-operation and Development (OECD)'s reforms to the international tax framework. 2025 is the year in which they are effectively earned, although they will not be fully realised until 2027.

II. A 2% increase in the individual standard rate of income tax from 20% to 22% for a limited period of two years raising additional revenues of £34m per annum.

III. An increase of £1,100 in the Personal Income Tax Allowance to £15,000 which reduces revenues by £6.2m per annum.

IV. An increase in all other allowances in line with the central inflation forecast (RPIX) for the next four quarters, which is 3.2%.

V. An increase in the threshold at which the withdrawal of these allowances begins to £82,500, in line with inflation.

VI. A continuation in the phased removal of mortgage interest relief for principal private residences.

VII. Halting the withdrawal of mortgage interest relief on residential let property to support the rental market.

VIII. Domestic and commercial TRP tariffs maintained in line with inflation.

IX. An increase in the thresholds at which document duty rates are applied, in line with inflation since they were last reviewed, meaning a reduction in document duty on an average house purchase of more than £1,000.

X. The introduction of a higher rate of Document Duty for properties with a value of over £5m.

XI. A freeze on alcohol duty.

XII. A change in the definition of a small brewer and cider maker and a larger discount on the standard rates of duty offered for such producers.

XIII. An increase in line with inflation for motor fuel duty.

XIV. An increase to the discount for biodiesel/HVO compared to regular diesel from 10 pence per litre to 30 pence per litre alongside removal of the duty-free limit. An increase of 200% to the discount rate.

XV. Above inflationary increase in tobacco (RPIX + 10%) duty rates effective from the publication of this Budget.

XVI. Introduction of rent-a-room tax relief for personal taxpayers who let up to two rooms in their property.

XVII. An increase in the maximum aggregate donation for which Guernsey registered charities can claim a 25% tax rebate to £10,000 (from £7,500), which increases the maximum benefit by £945 to £2,820.

Expenditure

I. Non-pay inflation allowance included at 3.2% with £5.8m of additional inflationary cost pressures built into the budget.

II. £9.6m included for demand-led cost increases to the delivery of existing services. £5.7m of this relates to health and social care services, £1.0m to contributory benefits including Income Support and £0.7m relates to education services.

III. Expenditure of £2.5m is included for maintaining and promoting the economy including to deliver the jurisdiction's international standards obligations to support and enhance its position as an international finance sector, tourism and air route development.

IV. New, recurring expenditure of £5.1m is included primarily to support IT resilience, cyber security, delivery of housing priorities, public health initiatives and delivery of the States' agreed health strategy - the Partnership of Purpose.

V. £0.7m included for election and electoral roll preparation (£1.0m in total over 2024 and 2025).

VI. An increase in the budgeting adjustment to allow for vacant positions from 5% to 7% for established staff, reducing budgeted expenditure by £2.6m.

VII. A provision for pay awards which have not yet been settled included within the Budget Reserve.

VIII. Subject to a decision by the States in November, a reduction in the employer's pension contribution rate from 10.3% to 7.5% allowed for in the Budget Reserve.

IX. A £4.0m general provision within the Budget Reserve plus £5.0m for specific items including £1.6m provision for the Guernsey Development Agency to undertake feasibility studies, the use of which will be dependent on the States approval of the policy letter detailing the GDA's vision for the East Coast.

X. An £8.4m provision included for service developments and delivery of agreed GWP initiatives.

1.2 The 2025 Budget does not include a central savings target, although Committees were requested to include any achievable savings initiatives in their budget submissions.

1.3 The Reducing the Cost of Public Services Sub-Committee was set up following a resolution of the Tax Review debate and its findings and recommendations, which the Sub-Committee believes will help the States to deliver savings and reduce its cost base, are summarised in paragraphs 7.79 to 7.88.

1.4 As part of the 2021 Budget Report[1] routine capital (formerly minor capital) allocations were approved for the four-year period 2021-2024. The Policy & Resources Committee has considered the appropriate level of funding for 2025-2028, seeking to balance demand and affordability (paragraphs 7.1 to 7.17).

1.5 In addition to the budget measures detailed above, the Policy & Resources Committee is progressing key initiatives to tackle housing shortages including increasing construction capacity through the development of a temporary construction village and looking to more immediately address housing shortages through the provision of temporary housing units (paragraphs 7.26 to 7.28).

[1] Billet d'État XXVI, 2020

General Revenue Financial Position

1.6 Table 1 summarises the General Revenue position for 2024 and 2025:

	2025 Budget Estimate £m	2024 Forecast Outturn £m	2024 Budget Estimate £m
Revenue Income			
Income Tax	504.5	412.3	442.9
Other Taxes	106.2	103.7	105.5
Social Security Contributions	35.1	33.0	33.0
Miscellaneous Income	41.3	40.3	40.3
Revenue Income	**687.1**	**589.3**	**621.7**
Revenue Expenditure			
Cash Limit incl. Formula Led	(621.9)	(605.7)	(593.4)
Budget Reserve	(19.7)	(1.1)	(6.5)
Service / GWP Developments	(8.4)	(7.4)	(11.4)
Savings to be delivered	0.0	0.5	1.0
Committee Expenditure	**(650.0)**	**(613.7)**	**(610.3)**
Operating Surplus /(Deficit)	**37.1**	**(24.4)**	**11.4**
Impairment for Trading Entity Losses	(4.4)	(6.3)	(5.0)
Finance Charges	(6.3)	(5.8)	(6.6)
General Revenue Surplus/(Deficit) before Depreciation and Investment Returns	**26.4**	**(36.5)**	**(0.2)**
Investment Returns	23.1	37.4	24.7
Depreciation	(30.2)	(29.6)	(32.2)
Write off non-capitalised project costs	(35.1)	(34.0)	(5.6)
General Revenue Net (Deficit)	**(15.8)**	**(62.7)**	**(13.3)**

Table 1

1.7 The 2024 forecast operating position is a deficit of £24m, compared to a small budgeted surplus of £11m. A significant reduction to income tax revenue is the primary driver for the worsening position, which is forecast to be £31m below budget. In addition, overall expenditure is expected to be £3m higher than the 2024 Budget owing to high demand on health and care services. Details are provided in paragraphs 3.1 to 3.8.

1.8 The budgeted operating surplus for 2025 increases to £37m as a result of the proposed budget measures, after allowing for the inflation and demand led cost pressures and cost of delivering GWP and service development initiatives.

1.9 Included in the 2025 revenue expenditure proposal is budget for an additional 80 FTE, of which 53 FTE (66%) are to support health and social care services. There are a further 27 established staff posts, which includes additional resource for Digital & Technology, the Innovation & Delivery Unit, Revenue Service, Housing & Infrastructure and resource to deliver the jurisdiction's international standards obligations.

1.10 The impairment for trading entity losses is budgeted to reduce in 2025 to £4.4m. This is made up of losses in relation to Guernsey Ports, Guernsey Waste and Guernsey Dairy. More detail is set out in paragraphs 7.37 to 7.70, which also outlines that the States' Trading Supervisory Board has agreed to pay a 'dividend' to General Revenue in relation to States Works given its year-on-year surpluses. This 'dividend' is budgeted at £0.75m but the Policy & Resources Committee is hopeful that a higher amount, closer to £1m, might be realisable.

1.11 When the unincorporated trading entities, investment returns and depreciation are considered, the budgeted surplus reduces to a deficit of £16m, demonstrating that while these proposals improve the financial position of the States, they are still insufficient to cover the cost of historic capital investment.

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

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

1.14 As illustrated in paragraph 4.26 the States continue to operate with a structural deficit when adjustments are made to include an appropriate level of capital expenditure and for one-off or cyclical impacts.

SECTION 2

ECONOMIC OVERVIEW

2. Economic Overview

Economic Context

2.1 This Budget is presented in the context of economic conditions that paint a mixed and challenging picture. A period of uncomfortably high inflation has suppressed real terms economic growth, with the latest published data reporting a real terms contraction in GDP of around 2% in 2023. Secondary indicators, such as tax and earnings data, suggest that overall economic conditions have not been strong through the first half of 2024.

2.2 The rate at which prices are rising has slowed and RPIX fell to 4.5% in June 2024 (from 6.8% in June 2023, having peaked at 8.5% in December 2022) and the expectation is that it will fall further in the next three or four quarters. On that basis this Budget is compiled on the assumption of a forecast RPIX averaging 3.2% over the next four quarters.

2.3 While this is welcomed, a falling inflation rate does present some short-term issues. Various expenditure lines including the States Pension, Income Support benefits and pay awards are based to historic inflation (in most cases the 4.5% RPIX reported for June 2024), which is driving expected overall expenditure inflation in this Budget to 5.0%. 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.

2.4 Over time such effects average out, and in periods of rising inflation the reverse effect can be seen (such as in 2022 and 2023 when income was 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 2025.

2.5 In addition, the return to more typical levels of inflation has not come without a cost. The Bank of England's action to control UK inflation has included a very significant increase in the base rate of interest over the past two and a half years, and higher interest rates typically slow economic growth. This has had a substantial impact on borrowers and mortgage holders in particular who are either on variable rates, exiting fixed rate agreements or seeking new loans. However, now that UK inflation has returned closer to the Bank of England's target, it has started to temper interest rates and some further minor reductions are anticipated in the coming months.

2.6 The pressure this shift in interest rates has placed on the cost of borrowing has pulled the housing market out of the rapid escalation of prices seen between 2020 and 2022, with both prices and transaction numbers falling in 2023 and 2024. This has suppressed document duty receipts in 2024, but it has also brought the house price to earnings ratio off its extreme peak reducing from 16.0 times in Q1 2023 to 14.8 times in Q1 2024.

2.7 The picture in the private rental market is somewhat different with little sign that the increase in prices is coming to a turning point. High levels of demand and constrained supply are placing extraordinary pressure on the private rental market with the average advertised price of rentals now exceeding £1,900 a month. This only serves further to underline the urgency of supporting the development of more housing and has triggered the halting of the withdrawal of mortgage interest relief on residential let property to ease pressure in this sector.

2.8 Within the labour market, there are further mixed conditions. Total employment continued to rise steadily into the first quarter of 2024, supported by exceptionally high levels of net migration through 2023 (net migration averaged more than 700 for the three quarters of 2023 reported to date compared to a long-term average of between 150 and 200). However, the ageing of the workforce and the numbers reaching retirement are serving to keep increases more modest than might be expected given the levels of inward migration.

2.9 The demand for labour and the expansion of the workforce is not manifesting in real increases in earnings. Earnings at the median, upper and lower quartiles have been lagging behind inflation since mid-2022. While the situation has improved as inflation has receded, statistics had yet to show a return to real earnings growth by the first quarter of 2024 (latest available data). This means that for many households their money does not go as far as it did two years ago.

2.10 This combination of factors presents a challenging backdrop for the 2025 Budget. Overall, the growth prospects for 2024 are constrained with current estimates suggesting no real growth in GDP[2] and forecast at 0.5% for 2025. The period of rising interest rates which boosted both banking sector profits and GDP in 2022 has come to an end; a slower housing market and more costly borrowing are likely to have a negative effect on private construction activity, and the persisting financial challenges faced by households are likely to limit consumption and retail sector growth.

[2] Gross Domestic Product is the measure of the value of goods and services produced in an economy.

2.11 Conditions should improve through 2025 if inflation and interest rates continue to fall which should support a resumption of real earnings growth. However, factors like increased borrowing costs, the implementation of the secondary pensions policy, increases in employer social security contributions, and other cost pressures on employers may be suppressing wage growth to some extent in the short term (although in the long term secondary pensions will improve the financial resilience of many islanders).

2.12 In the short term the increase in taxation will also present challenges for the economy. An increase in income tax will reduce households' disposable income and supress domestic consumption. This is likely to impact the retail sector in particular. In the longer term this will be balanced by the economic benefit of investing in public infrastructure and public services and the overall impact on GDP is expected to be minimal.

Household Impact Analysis

2.13 This section examines the overall 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).

2.14 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. It further assumes that income support mechanisms automatically adjust for changes in direct tax liability (both positive and negative).

2.15 The proposed increase in the tax rate to 22% is by far the largest factor influencing households' financial position, however for many low-income households this will be offset by a combination of the increase in the personal income tax allowance to £15,000 and the automatic adjustment of income support claims to changes in net income.

Impact on Household Income

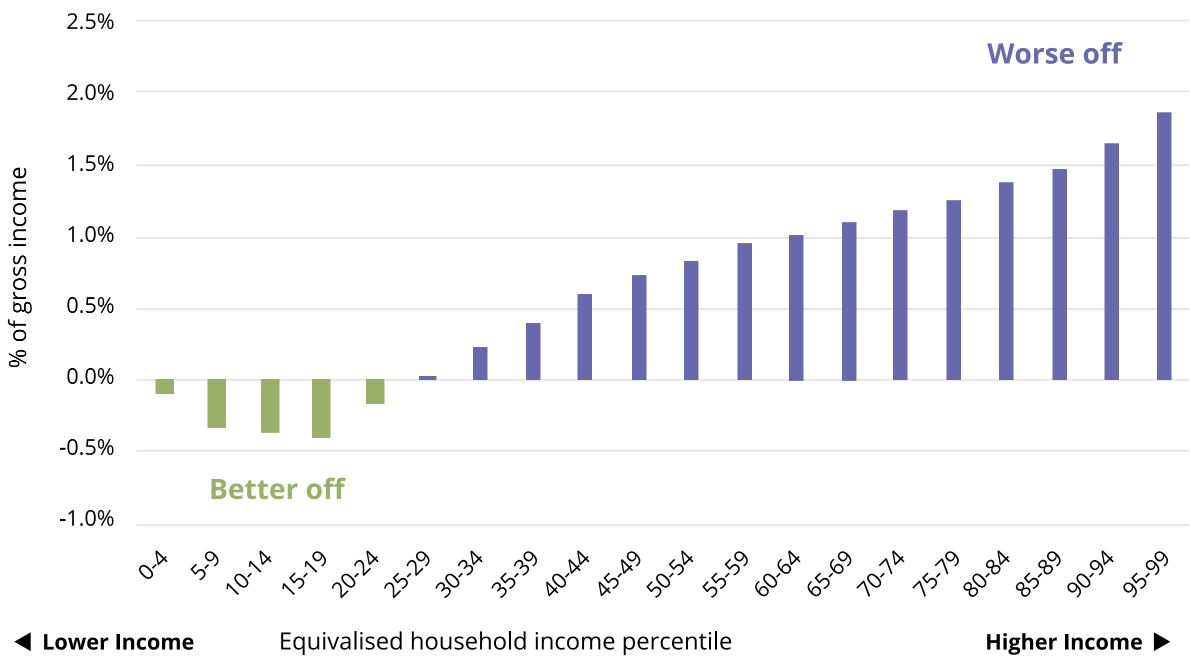


Chart 1

Note:

The equivalised household income percentile places a household on the income distribution in a way that reflects how many people are supported on that income. Some examples are:

25th Percentile
- Couple with no children with a household income of £40k
- Couple with 2 children with a household income of £57k

50th Percentile
- Couple with no children with a household income of £68k
- Couple with 2 children with a household income of £95k

75th Percentile
- Couple with no children with a household income of £100k
- Couple with 2 children with a household income of £145k

90th Percentile
- Couple with no children with a household income of £150k
- Couple with 2 children with a household income of £210k

2.16 Chart 1 shows that, on average, households in the lowest income quartile will be marginally better off and that for households at the 25th percentile or higher, the percentage impact on a household's financial position increases as income increases.

- An estimated 80% of households in the lowest income quartile (income percentiles 0-24) will see no change in their net financial position or be marginally better off.
- In the second quartile (income percentiles 25-49) around 80% of people will be negatively impacted by the changes. For most in this group, the impact will be less than 1% of their gross income but around 10% of households in this group could be impacted by more than 1% of their income.
- In the third quartile (income percentiles 50-74) around 98% of households will pay more, and more than half will be negatively impacted by at least 1% of their gross income.
- In the top quartile (income percentiles 75-99) all households will pay more and 96% will pay at least 1% of their gross income. Among the highest income households, who have their tax allowances withdrawn in full, the impact of the changes may exceed 2% of their gross income.

2.17 This analysis demonstrates that the combination of measures contained in this Budget and the significant increase in the personal income tax allowance make the proposed changes progressive.

2.18 The expected impact of the 2025 Budget on a family with two children and average equivalised household income levels (in the 50th to 54th percentile) is that they would pay approximately £1,140 more in taxes across the year or about £22 a week. This equates to an increase of around 1.1% of their gross income.

Comparison to Other Jurisdictions

2.19 Guernsey is not the only jurisdiction to face fiscal challenges, with the UK, Jersey and the Isle of Man all facing similar issues.

- The Labour government in the UK is continuing the policy of raising taxes through a freeze on income tax thresholds, which raised significant additional revenues under the previous government. They are also seeking to align capital gains tax rates with income tax rates, reducing relief on capital gains tax and inheritance tax, as well as introducing VAT on public school fees.

- The Isle of Man has also introduced a temporary increase in the higher rate of income tax from 20% to 22% from April 2024 as a short-term measure, which is ring-fenced for the Island's healthcare services.

2.20 An examination of Guernsey's core government expenditure shows that overall spend per capita in Guernsey is low at around £12,900 per capita (excluding depreciation and finance charges).

2.21 While it is difficult to compare this between jurisdictions, since they offer different services and present their accounting data differently, it is possible to make some broad comparisons. Drawing from published data it is estimated that Jersey spends around £14,700 per capita on core government services, and the UK around £15,000. Guernsey's cost per capita is nearly 14% less than Jersey. If this were to increase in line with Jersey's, expenditure would increase by over £100m per annum. This highlights the challenges of delivering any significant savings without a corresponding reduction in public services.

Cost per Capita	Guernsey (incl. Alderney) 2023	Jersey 2023	UK 2023-24
Population	**66,970**	**103,200**	**69,138,000**
Total cost per Capita*	**£12,900**	**£14,700**	**£15,000**

Table 2[3]
**excluding depreciation, financing charges, defence cost, and non-cash costs.*

[3] Data computed from: States of Jersey Group 2023 Annual Reports and Accounts (core entities only), and What does the government spend money on? | Institute for Fiscal Studies (ifs.org.uk)

SECTION 3

2024 FINANCIAL PERFORMANCE UPDATE

3. 2024 Financial Performance Update

3.1 The following table (Table 3) shows the 2024 forecast General Revenue position before depreciation and investment returns.

	2024 Forecast Outturn £m	**2024 Budget Estimate** £m	**2024 Variance to Budget** £m
Revenue Income	589.3	621.7	(32.4)
Committee Expenditure	(613.7)	(610.3)	(3.4)
Operating Surplus / (Deficit)	**(24.4)**	**11.4**	**(35.8)**
Impairment for Trading Entity Losses	(6.3)	(5.0)	(1.3)
Finance Charges	(5.8)	(6.6)	0.8
General Revenue (Deficit) before Depreciation and Investment Returns	**(36.5)**	**(0.2)**	**(36.3)**

Table 3

3.2 The expected 2024 General Revenue financial position is a deficit of £37m before the inclusion of depreciation and investment returns, which is £36m adverse to both the 2024 Budget and the 2023 Funding & Investment Plan (F&I Plan) position.

3.3 Income taxes are forecast to be £31m adverse to budget and while individual taxes (both ETI and other) make up £9m of the variance owing to weak earnings growth relative to inflation, the most significant variance is from companies (including banks), with revenues forecast £22m below budget. This is primarily because of the need to adjust the 2024 position following an adjustment in relation to current and prior year banking profits and tax.

3.4 Customs duties are also forecast to be £1.5m adverse to budget with volumes of spirits and wine lower than expected, although this is partially offset by fuel volumes being higher than expected. All other taxes and duties are performing in line with budget expectations.

3.5 Expenditure is forecast to be £3.4m higher than budget. £1.5m of this variance is because of grants paid to the Guernsey Housing Association (GHA) for affordable housing. The budget for the grants is held in the major projects portfolio; however, under IPSAS reporting requirements they are accounted for within General Revenue expenditure. Excluding this, expenditure is £1.9m higher than budget.

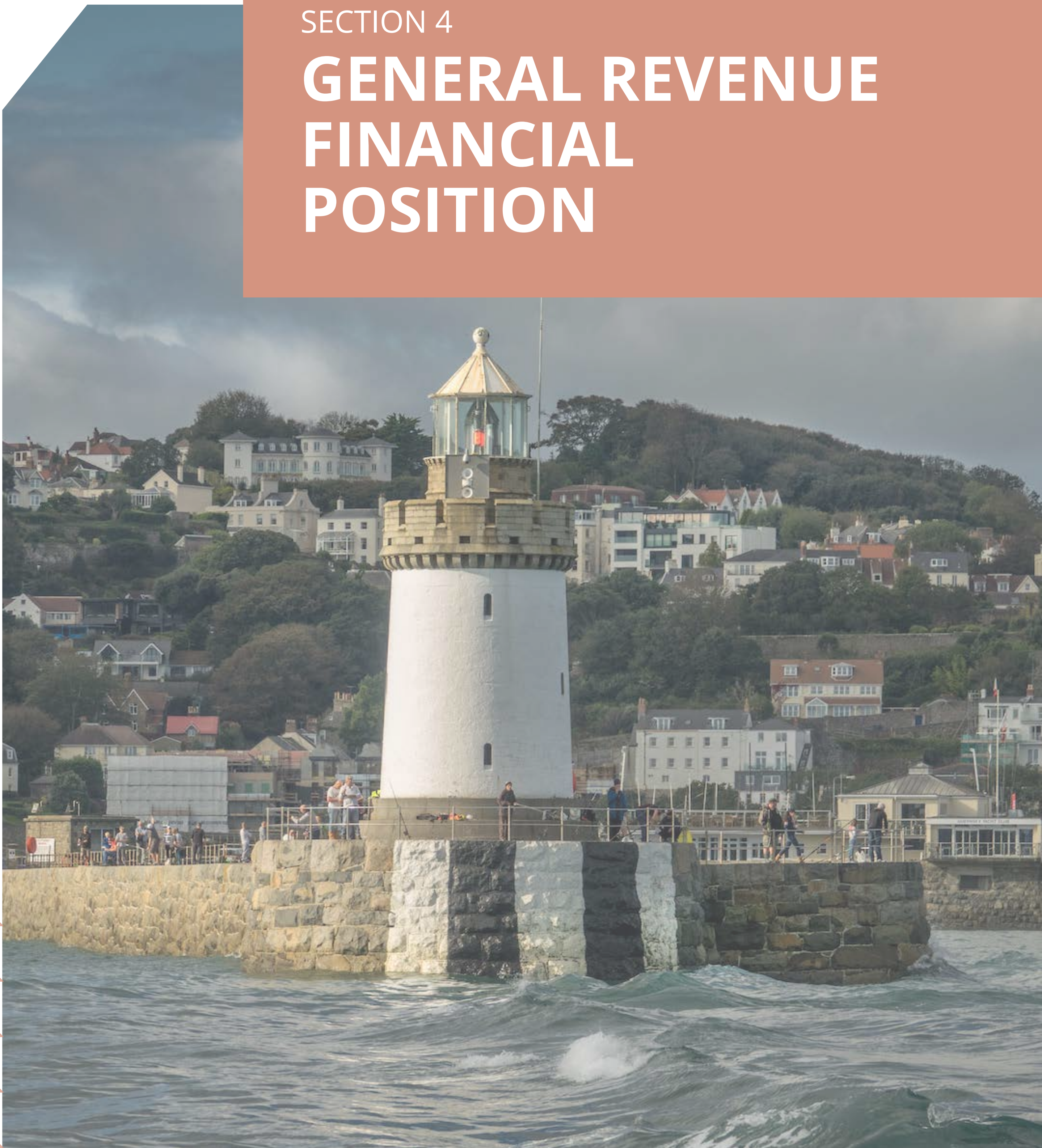
3.6 Both the Committee *for* Health & Social Care and the Committee *for* Education, Sport & Culture are forecasting overspends of £4.5m and £1.1m respectively, which are partially offset by forecast underspends in several areas including Corporate Services (£1.3m) and the Committee *for* Employment & Social Security (£1.6m). Appendix II provides further details.

3.7 The unincorporated trading entities' losses are forecast at £1.3m adverse to budget. The 2024 Budget included a provision of £5m for the estimated funding requirements for Guernsey Ports, Guernsey Dairy and Guernsey Waste. However, in line with recent IPSAS led accounting changes (paragraphs 7.71 to 7.78) the 2024 forecast now reflects the combined estimated net deficit for those trading entities which are forecast to make a loss.

3.8 Guernsey Ports is forecasting a loss of £4.5m in 2024, which is £1.9m adverse to budget primarily owing to higher than planned expenditure at Guernsey Airport. Guernsey Waste is forecasting a £0.7m favourable variance and an operating surplus of £0.5m owing to the delay in the requirement to provide for the cost of moving of inert waste from the Longue Hougue site. Guernsey Water is forecast to be £0.5m favourable to budget and Guernsey Dairy is forecast to be £0.2m favourable to budget.

SECTION 4

GENERAL REVENUE FINANCIAL POSITION



4. 2025 General Revenue Financial Position

4.1 Table 4 summarises the General Revenue position for 2025. The overall financial position for States of Guernsey 'Core Services' as a whole, including the Social Security contributory income and expenditure, is illustrated in the Overall Position Table (Table 5, paragraph 4.19).

	2025 Budget Estimate £m	2024 Forecast Outturn £m	2024 Budget Estimate £m
Revenue Income			
Income Tax	504.5	412.3	442.9
Other Taxes	106.2	103.7	105.5
Social Security Contributions	35.1	33.0	33.0
Miscellaneous Income	41.3	40.3	40.3
Revenue Income	**687.1**	**589.3**	**621.7**
Revenue Expenditure			
Cash Limit incl. Formula Led	(621.9)	(605.7)	(593.4)
Budget Reserve	(19.7)	(1.1)	(6.5)
Service / GWP Developments	(8.4)	(7.4)	(11.4)
Savings to be delivered	0.0	0.5	1.0
Committee Expenditure	**(650.0)**	**(613.7)**	**(610.3)**
Operating Surplus /(Deficit)	**37.1**	**(24.4)**	**11.4**
Impairment for Trading Entity Losses	(4.4)	(6.3)	(5.0)
Finance Charges	(6.3)	(5.8)	(6.6)
General Revenue Surplus/(Deficit) before Depreciation and Investment Returns	**26.4**	**(36.5)**	**(0.2)**
Investment Returns	23.1	37.4	24.7
Depreciation	(30.2)	(29.6)	(32.2)
Write off non-capitalised project costs	(35.1)	(34.0)	(5.6)
General Revenue Net (Deficit)	**(15.8)**	**(62.7)**	**(13.3)**

Table 4

4.2 The 2025 Budget revenue income is estimated at £687m. This substantial improvement from the 2024 Budget (11%) is primarily a result of the proposed budget measures and the inclusion of income in relation to the OECD Pillar 2 initiative.

4.3 In relation to expenditure, the inflation and demand led cost pressures, and the cost of delivering GWP and service development initiatives result in total Committee expenditure in the 2025 Budget rising by 6.5% to £650m.

4.4 The net result of this is an operating surplus of £37m for the 2025 Budget.

4.5 The impairment for trading entity losses is budgeted to reduce to £4.4m in 2025. This is made up of losses from Guernsey Ports, Guernsey Waste and Guernsey Dairy. More detail is set out in paragraphs 7.37 to 7.70, which also outlines that the States' Trading Supervisory Board has agreed to pay a 'dividend' to General Revenue in relation to States Works given its year-on-year surpluses. This 'dividend' is budgeted at £0.75m but the Policy & Resources Committee is hopeful that a higher amount, closer to £1m might be realisable.

4.6 Finance charges relate to the cost of borrowing and will cover coupon payments on the Bond and any expected interest costs from the use of the Revolving Credit Facility. After allowing for impairment and financing costs, the surplus falls to £26m.

4.7 Investment returns are budgeted at a prudent rate of UK CPI +3.5% resulting in an estimate of £23m. It is important to note that this is not realised investment income but a change in the value of the assets over the period, which can only be realised if investments are sold at that level. It should also be noted that investment returns are volatile and can vary markedly from the long-term expected rate of return as budgeted.

4.8 The depreciation charge relates to the annual charge against the States' existing fixed assets and is accompanied by a charge for project costs incurred during the year which are expensed in year. These costs will be recognised in the operating surplus or deficit in the statutory annual financial statements.

4.9 When all of these items are taken into account, a deficit of £16m is budgeted for 2025.

4.10 While the 2025 Budget measures will significantly improve the financial position of the States and budgeted revenues are at a sufficient level to generate a small operating surplus, that surplus is still insufficient to meet current capital expenditure requirements.

4.11 The guiding principle of the States' Fiscal Policy Framework is a policy of long term permanent balance. This means generating an ongoing operating surplus that is sufficient to afford day to day public services, necessary capital and transformation projects, as well as covering the expenditure of the agreed strategic policies of government and ensuring reserves are maintained/rebuilt to an appropriate level.

4.12 Principle 6 of the existing framework directs the States to maintain capital expenditure at a level which reflects the need for medium- and long-term investment in infrastructure; and directs 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 level of expenditure in the current capital portfolio agreed by the States is above this metric as the States are addressing historic underinvestment.

4.13 As illustrated in Table 6 paragraph 4.26, the States continue to operate a structural deficit.

4.14 After adjusting the operating surplus for non-cash items such as Pillar 2 revenues and deprecation and including estimated cash requirements for capital expenditure and the unincorporated trading entities, the cash impact of the 2025 Budget is an estimated net cash outflow of c£100m. The States resolved in the F&I Plan[4] that the unallocated bond proceeds and new debt of up to £200m could be used to fund the prioritised major portfolio this term. The States also resolved[5] that the unallocated General Revenue Reserve should not be depleted further. The balance of the unallocated General Revenue cash and investment reserves will be monitored throughout the year and appropriate action will be taken in accordance with States Resolutions.

4.15 In previous years an appendix has been provided as part of the Annual Budget Report that compares the proposed budget to the agreed principles of the Fiscal Policy Framework. The recent changes to the way in which GDP is calculated, as well as the impact of the ongoing changes to the presentation of the statutory annual accounts as a result of the adoption of IPSAS, have resulted in a Framework that is no longer fit for purpose. A comparison against the Fiscal Framework is therefore not included as an appendix this year. The Policy & Resources Committee is currently reviewing and updating the Framework before making recommendations to the States on an updated Framework in 2025.

[4] Billet d'État XV, 2021 Resolution 16
[5] Billet d'État XVII, 2023 Resolution V 1

Overall States of Guernsey 'Core Government'[6] 2025 Position

4.16 The overall States of Guernsey 'Core Government' 2025 Budget position is illustrated in Table 5 (paragraph 4.19) and, in addition to General Revenue, includes estimates for movements on:

- Social Security income and expenditure on contributory schemes.
- 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.

4.17 In line with the approach taken in the 2023 annual accounts, the unincorporated trading entities have not been fully consolidated, but the net deficits of the loss-making trading entities are included as an impairment, effectively charging the Statement of Financial Performance with the reduction in the overall value of those assets.

4.18 The General Revenue position presented in Table 5 (paragraph 4.19) shows the same £16m deficit as Table 4 (paragraph 4.1), but income and expenditure have been adjusted so that Committee operating income is shown as income (rather than being netted off cash limits). 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.

4.19 Overall, subject to the Budget measures being approved by the Assembly, the budgeted General Revenue deficit of £16m switches to a surplus of £35m when incorporating these other elements of the States. However, notional investment return accounts for £82m of this, which reflects capital growth rather than income. When this is stripped out the surplus swings to a **deficit** of £47m, reinforcing that the States' underlying revenues are insufficient to meet expenditure requirements.

[6] Core Government activities of the States of Guernsey include:

1. General Revenue funded areas including Revenue Income, Expenditure for Committees, Authorities and Commissions and the cost of the States of Deliberation and Members
2. The Long-Term Care Insurance Scheme
3. Guernsey Insurance Scheme
4. Other Reserves such as the Bond Reserve and Core Investment Reserve

Overall Position	2023 Conso-lidated £m	2024 Budget Conso-lidated £m	2025 Budget General Revenue £m	2025 Budget Other Funds / Reserves £m	2025 Budget Social Security Funds £m	2025 Budget Conso-lidated £m
Income	874	906	769	0	226	995
Pay Expenditure	(312)	(336)	(351)	0	(2)	(353)
Non-Pay Expenditure	(552)	(579)	(416)	0	(232)	(648)
Operating (Deficit) / Surplus	**10**	**(9)**	**2**	**0**	**(8)**	**(6)**
Investment Returns	103	89	23	12	47	82
Interest Receivable on Loans	7	6	(5)	11	0	6
Fixed Asset Depreciation	(31)	(32)	(30)	0	0	(30)
Finance Charges and Other Costs	(25)	(18)	(6)	(11)	0	(17)
Net (Deficit) / Surplus	**64**	**36**	**(16)**	**12**	**39**	**35**
Net (Deficit) before Investment Return	**(39)**	**(53)**	**(39)**	**0**	**(8)**	**(47)**

Table 5

Structural Deficit

4.20 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.

4.21 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

4.22 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 negative return in 2022 and back to a £103m positive return in 2023.

4.23 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

4.24 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.

4.25 The cyclical adjustments made in the structural deficit analysis include:

- ***Tax Revenues***

  In 2023 strong employment growth resulted in higher-than-average growth in personal income tax in real terms. In 2024 and 2025 wages are lagging inflationary increases and employment growth is slowing. The 2025 cyclical adjustment is therefore a £2.6m upwards adjustment.

  Banking and company profits in 2023 were unusually high, largely driven by rapidly rising interest rates. In 2024 a one-off repayment relating to previous years has been taken into account. The 2025 Budgeted income includes an expectation of weak employment growth, and the cyclical adjustment is therefore a £2.5m upwards adjustment.

  Document Duty is difficult to predict, and levels of income depend on the buoyancy of the housing market in determining price and the volume of conveyances. The market has been suppressed during 2023 and 2024 and while property activity is expected to increase slightly in 2025 this is still lower than longer-term trends. The 2025 cyclical adjustment is therefore a £4.7m upwards adjustment.

- ***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 health of the States' finances the structural deficit calculation includes an adjustment to supplement the expected depreciation charge to take account of expected levels of investment at 2% of GDP.

- ***Inflation Impact***

  As inflation rates are falling, as described in paragraphs 2.3 and 2.4, there is a mismatch between the budget income inflation rate (3.2%) and the expenditure inflation rate (5.0%). This is largely owing to contracts being based on earlier rates of inflation (for example June 2024 RPIX was 4.5%). The net impact of this on the 2025 Budget is £7.8m, with each 0.25% difference between the rates on income and expenditure having a £1.5m impact.

- *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. One-off costs of £1m have been adjusted out for 2025.

- *Interest Rates*

  Cyclical changes in interest rates can impact the cost of servicing government debt. While the interest rates in 2022 and 2023 increased significantly compared to previous long-term trends, it is felt that these are unlikely to reduce in the near future. No adjustment is required 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.

4.26 The following table (Table 6) illustrates the budgeted deficit, adjusted for the above changes. This results in the proposed 2025 Budget reflecting a structural deficit of £38m, a £26m improvement on the 2024 structural deficit estimate.

Structural Deficit Calculation All in £m	2023 Actuals Consolidated	2024 Budget Consolidated	2025 Budget	
			General Revenue	Consolidated
Net (Deficit) before Investment Return	**(39)**	**(53)**	**(39)**	**(47)**
Cyclical Adjustments				
(High)/Low Personal Income Taxes	(2)	0	3	3
(High)/Low banking & company profits	(9)	(2)	2	2
(High)/Low property activity	4	8	5	5
High Income Support	0	2	0	0
Capital and Project Spend (increase)	(16)	(31)	(10)	(10)
Inflationary Cost/(Benefit)	0	12	8	8
One off Expenses	1	0	1	1
Structural (Deficit)	**(61)**	**(64)**	**(30)**	**(38)**

Table 6

Opportunities and Risks to the 2025 Financial Position

4.27 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.

4.28 In respect of the 2025 Budget there are a number of risks which could result in a materially different outcome:

- There is a risk that the States do not agree the proposed two-year increase in the rate of Personal Income Tax and the linked increase to the Personal Income Tax Allowance. If this were to occur net revenues after costs would reduce by £27m and the small, budgeted surplus before depreciation and investment returns would switch to a deficit position.

- An assumption has been made that income tax and other income sources will be influenced by an inflation rate of 3.2% in 2025, but if actual revenues were to change by +/- 1% the financial position would be impacted by £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 3.2% in 2025, but the inflation on expenditure is expected to be higher at 5.0%. 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 further 0.25% mismatch between income and expenditure inflation rates would have a £1.5m impact on the overall surplus.

- There is a risk that escalation in the Middle East could lead to a rise in oil prices resulting in higher inflation than assumed in this Budget.

- The housing market has slowed in recent years from the high prices and volumes seen in 2021 and 2022. The 2025 Budget assumes some recovery in property transactions from the 2024 level, although this is hard to predict with any certainty. There is risk that this recovery does not materialise, and the actual position could be lower by c£1m.

- The amount of fuel duty collected is determined by both the rate of duty (which is proposed to increase to 86.8p per litre in 2025) and the volume 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 1% has been included in the 2025 Budget, but each further 1% decrease would result in a loss of revenue of approximately £200k.

- Health and care services continue to experience strong growth in demand as well 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 2024 the Committee *for* Health & Social Care is forecasting an overspend of £4.5m. Although efforts have been made to address some of these pressures through the 2025 Budget, each 1% overspend on the Committee *for* Health & Social Care's budget would cost circa £2.5m.

- Pay awards for States' employees for 2025 are currently in negotiation and have not been agreed. As a result, Committee cash limits have been prepared on the basis of pay at 2024 rates. The Policy & Resources Committee has included a provision for pay awards which can be released to Committee budgets when the negotiations are concluded and pay awards agreed. There is a risk that pay awards cannot be agreed at the level that informed the provision with each additional 0.5% costing approximately £1.6m.

4.29 A reasonable allowance has been made for risk contingency and the centrally held Budget Reserve is intended to mitigate some of these risks; however, if one or more of the above risks materialise it may not be possible to manage the overall position in line with this Budget. The following table (Table 7) illustrates the budget estimates against a reasonable worst case alternative scenario based on the above variables:

2025	£m
Budgeted Surplus before Depreciation and Investment Returns	**26**
Income Tax proposals not agreed (incl. Income Support impact)	(27)
Income Tax revenues growing 1% below inflation	(4)
No recovery in property transaction volumes	(1)
Overspend of 1% on Committee *for* Health & Social Care budget	(3)
Additional 0.5% on pay awards	(2)
Illustrative (Deficit) before Depreciation and Investment Returns	**(11)**

Table 7

4.30 There may also be opportunities for the financial position to improve in 2025. A small change to ETI can have a significant impact on revenues, with 1% of growth equating to approximately £2.8m of additional income.

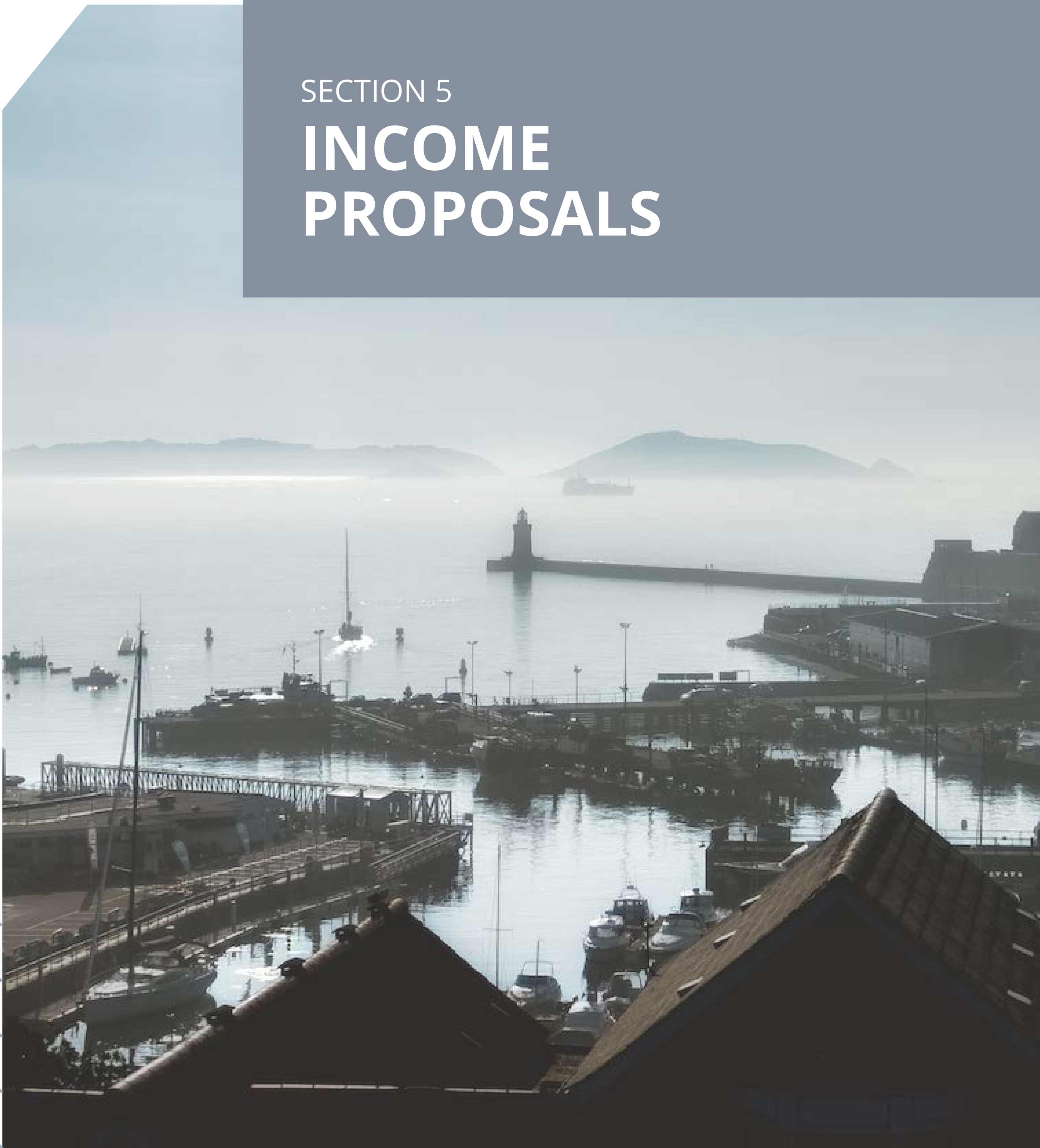
4.31 There are two further key risks that do not feature in the table above, but which represent risks to the overall States' financial position for 2025:

- The States earn investment returns on their reserves which are attributed to General Revenue. Based on an assumed return of inflation plus 3.5% and given the level of reserves, the 2025 Budget estimates an investment return of £23m 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.

- There is a risk that Guernsey Ports requires further financial support. The Ports are currently in an overdraft position, which is partly due to working capital changes that should be managed. There is a risk that this may not be possible. In addition, the 2024 forecast is worse than budget with a risk that this performance continues into 2025 (paragraphs 7.40 to 7.50).

SECTION 5

INCOME PROPOSALS



5. Income Proposals

Personal Income Tax

Personal Tax Rate

5.1 It was agreed by the States in the 2023 F&I Plan[7] debate, that the financial position of the States requires urgent attention and that the current level of the General Revenue Reserve should be maintained during this political term. It was further resolved to direct the Policy & Resources Committee to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position.

5.2 This followed the Resolution of the States in February 2023[8] as part of the Tax Review debate, that the longer-term financial position of the States of Guernsey is unsustainable and effective measures must be implemented in a staged approach to mitigate the challenges, particularly those arising from an ageing demographic with increased health and social care needs.

5.3 Since the F&I Plan update was published, there have been some significant impacts to the States' financial position. The 2024 position is expected to be £36m worse than budget, owing to a number of expenditure pressures and unforeseen impacts on revenues. The budget requests received from Committees for 2025 have highlighted increased demand on services, as well as significant inflation linked cost pressures. The Policy & Resources Committee considers that, in advance of any long-term decision making on tax reforms, action is required now to ensure the maintenance of the General Revenue Reserve at an acceptable level.

5.4 Therefore, to ensure financial stability and to protect the States' cash reserves in the short-to medium-term, an increase of 2% to the individual standard rate of income tax is proposed alongside a £1,100 (8%) increase to the personal income tax allowance to mitigate the impact on lower earners.

5.5 **It is recommended that the individual standard rate of income tax is increased from 20% to 22% for a limited period of two years** [Proposition 1]. This will result in an estimated increase of £34m in income tax revenues for each of the years 2025 and 2026.

[7] Billet d'État XVII, 2023 Resolutions V 1 and V 3

[8] Billet d'État III, 2023 Resolution V.1

5.6 This will ensure that proactive steps are being taken to address the existing structural deficit ahead of the next political term when the States will need to make longer-term decisions about the sustainability of public finances, reforming the tax system and how to fund investment in public infrastructure.

Personal Income Tax Allowance

5.7 In recent years, the Committee has sought to ensure that the level of the personal income tax allowance be set at a level which ensures that those people in retirement whose only source of income is the full-rate States Pension with bank interest of less than £50 would not be subject to income tax. This would have resulted in the recommendation of a personal allowance of £14,600 for 2025, an increase of £700 (5%) which would be 1.8% above the inflation projection. The impact on States' finances would be a real reduction of £1.8m in income tax revenues.

5.8 However, given the proposed increase in the individual standard rate of income tax, the Committee is **recommending that an individual's personal allowance is further increased to £15,000** [Proposition 2]. This will cost a further £4.4m (bringing the total real reduction to £6.2m) but is being recommended to reduce the impact of the income tax rate change for individuals in receipt of a personal allowance, which will particularly benefit those on lower incomes.

5.9 For an individual on median earnings (£42,180), their tax liability with the basic personal allowance and no increase to the tax rate would be £5,516. If the allowances were not increased but the tax rate was, their liability would rise to £6,068, an increase of £552. With the additional personal allowance and a 2% increase to the tax rate, their liability would be £5,980, a £464 increase equating to just under £9 a week.

5.10 The recommended personal allowance, 'which will only be implemented alongside the temporary 2% increase to the individual standard rate of income tax, is therefore as follows:

	2025	2024
Personal Allowance	£15,000	£13,900

Married couples, couples within a civil partnership or cohabiting couples with children may elect to transfer any unused personal allowance between spouses/co-habitees. For the avoidance of doubt, should the States not agree the increase of 2% to the rate of income tax, the Personal Allowance will only increase to £14,600.

5.11 Further, while recognising that the rate of personal allowance for 2026 is a matter for the States to consider as part of the 2026 Budget Report, the Policy & Resources Committee is strongly of the view that the personal allowance should be, as a minimum, maintained in real terms. Therefore, **it is recommended that an individual's personal allowance in 2026 should be increased by at least the rate of inflation assumption used for the preparation of that report.** [Proposition 3]

5.12 **It is recommended that the supplementary personal income tax allowances are increased by 3.2%** [Proposition 2] as follows[9,10]:

	2025	2024
Dependent relative	£4,530	£4,390
Housekeeper	£4,530	£4,390
Infirm Persons	£4,530	£4,390
Charge of Children	£9,490	£9,195

Withdrawal of Personal Allowances for Higher Earners

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

5.14 The taxable income threshold at which personal allowances, other allowances and deductions are withdrawn from individuals was reduced to £80,000 from 1 January 2024. The withdrawal ratio is a rate of £1 of allowance withdrawn for every £5 that a person's income exceeds the withdrawal threshold. Currently £2,500 of relief on pension contributions are protected from withdrawal.

5.15 The Policy & Resources Committee is **recommending that, with effect from 1 January 2025, the withdrawal threshold is increased to £82,500 in line with the inflation forecast**. This will maintain the current value of the threshold in real terms and is consistent with the agreed policy 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 [Proposition 2].

[9] 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. Any unused allowances may also be transferred between married couples or couples within a civil partnership.

[10] No new claims have been admitted for Dependent Relative allowance in respect of children in higher education from Year of Charge 2018 onwards.

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

5.16 In April 2015, following consideration of "The Personal Tax, Pensions and Benefits Review"[11], the States agreed the phased withdrawal of income tax relief provided on mortgage interest in respect of principal private residences by 2025.

5.17 The withdrawal was paused in 2023 and 2024 to provide support to islanders during a period of high inflation and rising interest rates. Given that the interest rate position has now stabilised and the increase in property prices has ceased, the Policy & Resources Committee is not recommending any further pause and therefore the limit on relief will reduce from £3,500 to £2,000 in 2025. This will impact around 6,000 individuals, increasing revenues by £1m.

5.18 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, be 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.

5.19 The private rental market is currently showing evidence of significant stress, with rising prices and very constrained supply. There are likely a number of contributing factors to the current stress, including higher interest rates, high levels of net migration and higher purchase prices. The change in the tax treatment of rental income and the extent to which mortgage interest can be deducted is also a potential contributing factor and the Policy & Resources Committee is **recommending a halt in this policy, meaning that 50% of interest payments will continue to be deductible in 2025 and subsequent years**, to prevent further upward pressure on rental prices and to allow the market to stabilise [Proposition 4].

Income Tax Cap

5.20 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 and now £160,000 from 2024);
- a cap relating to worldwide income (introduced at £200,000 and now £320,000 from 2024); and

[11] Billet d'État IV, 2015

- an Open Market tax cap available for a period of four years to 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, (or from 2024 an equivalent amount in anti-avoidance duty under the provisions of the Document Duty (Anti Avoidance) (Guernsey) Law 2017) (introduced at £50,000 in 2018, increased to £60,000 in 2024).

5.21 The level of the caps has been reviewed periodically since their introduction, with increases proposed every 4-5 years to maintain their real value. The value of the non-Guernsey and worldwide caps were increased in 2023 to maintain their real value, and then increased again in 2024, alongside real terms increases to the Open Market and Alderney tax caps.

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

5.22 Considering the increases in both 2023 and 2024 it is not recommended that these Income Tax caps are changed for 2025.

5.23 A £50,000 tax cap was introduced from 1 January 2016 for residents of Alderney and available for an initial period of ten years, i.e. up until the end of 2025. The tax cap was increased to £65,000 with effect from 1 January 2024 to retain its real value. There are currently fewer than 10 claimants of this tax cap.

5.24 Since the initial period of its application is due to expire in 2025, the Policy & Resources Committee has considered whether it should be extended in its current form, cease at the end of 2025 as originally intended, or be replaced with a tax cap more akin to one that operates in Guernsey. The Policy & Resources Committee **recommends that an equivalent to the Open Market Tax Cap is introduced from 1 January 2025 set at £60,000 for qualifying new residents to Alderney (the Alderney Property Tax Cap)**. [Proposition 5] Notwithstanding the proposed change, those individuals currently claiming the Alderney Tax Cap would continue to be able to claim this in 2025.

5.25 To qualify an individual would need to have paid document duty of at least £50,000 in Alderney on the purchase of a property within a 12-month period (on either side) of taking up permanent residence. Alternatively, in a similar manner to the Open Market Tax Cap the individual would need to have paid at least £50,000 in transfer duty or long leasehold duty in respect of a transfer of the legal or beneficial ownership of all of the shares of a company which owns a property in Alderney, or the grant or assignment of a long lease of land comprising a property in Alderney. The tax cap would only apply for the individual's year of arrival and the three years immediately following [Proposition 5].

Tax-free element of lump sums from pension schemes

5.26 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 2020 Budget not to increase this limit, it is recommended that the 2025 limit is maintained at £203,000** [Proposition 6], representing a real terms reduction in this provision.

Rent-a-room relief

5.27 Following consideration of the 2023 Budget Report, to help alleviate the current housing crisis and better incentivise the use of under-occupied properties, the States directed[12] the Policy & Resources Committee to consider the options and issues in relation to introducing a "room-to-let" annual tax-free allowance and/or other benefits for personal taxpayers who let a room in their property, regardless of whether the property is owned by them or not.

5.28 Following an analysis of similar schemes offered in Jersey and the UK, the Policy & Resources Committee is **recommending the introduction of rent-a-room relief, with the exemption set at a maximum of £10,000 per room, for up to a maximum of two rooms, with eligibility restricted to those properties where one or two rooms only are let** [Proposition 7]. If a property is jointly owned/rented, the exemption would be halved for each individual (any unused allowance would not be transferable). It is not known what the uptake of this proposal will be and therefore the revenue impact is unknown.

5.29 To be eligible for this relief, the following conditions will apply:

- The tenant must be over 18 and not a family member;
- The room must be in the taxpayer's principal private residence;
- The room must be furnished and cannot be a self-contained unit in that property;
- The room cannot be part of a guest house or bed and breakfast business; and
- The maximum gross rental income per room does not exceed £10,000 per annum. If the rental charged exceeds this amount, all of the income would be taxable.

[12] Billet d'État XX, 2022 Resolution 22

Consequential Income Tax Amendments

5.30 The proposal in paragraph 5.5 will require several consequential amendments to other provisions of the Income Tax (Guernsey) Law, 1975 which are set out in more detail below.

5.31 To allow the ongoing offset of losses carried backwards or forwards against income of the same source both pre and post rate change, so they do not become unavailable for set off, **it is recommended that the Income Tax (Guernsey) Law, 1975 is amended to clarify that the rate change does not prevent a business from carrying forward or backwards losses available at 31 December 2024, 31 December 2025 and 31 December 2026 for offset against profits or income of the business arising in the previous or subsequent years, where that income is taxed at a different rate**. This change would confirm that, for example, a business loss that arose in 2024, in respect of a business taxed at 20%, could be offset against income from that same business in 2025 when it is taxed at 22%.

5.32 As this proposal introduces a differential between the company higher rate and the individual standard rate, the Committee is also recommending the following consequential amendments to other provisions of the Income Tax (Guernsey) Law, 1975 to protect tax revenues and ensure the timely collection of tax due:

- Distributions – currently, if a company is subject to tax at 20% on its income, then no further tax is due when that income is distributed to an individual shareholder. To ensure that tax of 22% is collected on distributions from companies to individuals, **it is recommended that the definition of undistributed income in section 62A(2) is amended so that only income of the company taxed at a rate equivalent to the individual standard rate is excluded. It is also recommended that section 81B(3) is amended to ensure the correct amount of tax is deducted on a distribution from income taxable at the company higher rate, with amendments to the rule ordering in section 81B(17), such that companies will need to deem distributions to first be paid from undistributed income subject to the lowest rate of company tax (so 0%, then 10%, then 20%).**

- Loans to Participators – anti avoidance provisions in Chapter XII apply a tax charge on a loan from a company to a shareholder (or someone connected to them), to ensure money is not extracted from companies in this method rather than by salary or dividend. Currently these provisions do not apply where income of the company is subject to tax at the company higher rate of 20%, (as the rate of tax was equal to the individual rate). Moving forward **it is recommended that section 66A(1) is amended so that a loan to a participator is not in scope only where income of the company is subject to tax at a rate equivalent to the individual standard rate.**

- Revocable settlements – this anti avoidance provision in section 65 of the Law ensures that a settlor is subject to tax on income arising in a revocable settlement, even where it arises in an underlying company. However, under section 65(3C), income arising under a settlement which has been taxed at the individual standard rate or the company higher rate is not liable to be taxed again in any person's hands. Recognising that the individual standard rate is proposed to be 2% higher than the company higher rate, **it is therefore recommended that an individual may be subject to tax on the difference between the individual standard rate and the rate applied to the income of the company**, where this is below the individual standard rate.

- Penalties – currently, some penalties prescribed in Part XVIII of the Law are set by reference to the highest rate of tax set out in the Fifth Schedule. For example, under section 192 of the Law a person who has acted fraudulently in the completion of their income tax return is liable to a penalty of three times the total amount of tax that would have been due, calculated at the highest rate of tax. This means that a company could be charged a penalty based on the individual standard rate rather than the company higher rate. **It is recommended that the penalty provisions are amended so that these penalties are instead charged at the highest rate of tax applicable to the person in default**, so for companies this would be 20% and for individuals this would be 22% during the two year period the 22% rate change applies.

Other Tax Measures

Charitable Donations

5.33 Guernsey registered charities are able to claim a 25% tax rebate on charitable donations made by individuals of between £500 and £7,500. The current maximum limit was last increased in 2021. If the individual standard rate of tax is increased to 22%, the tax rebate for charities will be at a rate of 28.2%.

5.34 The Policy & Resources Committee **recommend that the maximum aggregate donation is increased to £10,000**, an increase of 33.3%, which is 6.4% higher than the impact of inflation in the intervening period. [Proposition 8]. The combination of the change in the income tax rate and the proposed increase would mean that the maximum amount by which a charity can benefit will increase from £1,875 to £2,820.

Organisation for Economic Co-operation and Development (OECD) Pillar 2

5.35 At the September 2024 States meeting, following consideration of "OECD Pillar 2 GloBE Rules"[13], the States agreed the introduction of an income inclusion rule and domestic minimum top-up-tax for large in-scope multinational enterprises (i.e. those with global annual revenues of more than €750m) from 1st January 2025. The additional revenues raised by these proposals are recognised in the 2025 Budget Report, the year in which they are effectively earned, however are unlikely to be fully realised until 2027.

5.36 The Policy & Resources Committee recognises this evolution in the international tax landscape provides an opportunity to review Guernsey's competitive position and to identify any improvements that can be made to enable businesses to flourish. A proportion of the additional revenues has been earmarked to achieve this, recognising this in turn will benefit the wider Guernsey economy. Engagement and consultation is planned with business to determine the most effective use of these ringfenced funds to enable market growth and sustainability, with the aim of bringing proposals forward in due course.

Crypto-Asset Reporting Framework (CARF)

5.37 The OECD has published an implementation package for CARF as the latest minimum transparency standard, in response to the rapid advancement, development and growth of the crypto-asset market. In particular, the risk of investments in crypto-assets being excluded from the Common Reporting Standard and consequently circumventing global tax transparency are highlighted.

5.38 The reliance of crypto-assets on cryptography and distributed ledger technology, in particular blockchain technology, mean that they can be issued, recorded, transferred and stored in a decentralised manner without the need to rely on financial intermediaries or central administrators. In addition, the growing role of crypto-assets has given rise to new service providers that in some jurisdictions could be subject to limited legislative and regulatory oversight. The absence of control and supervision presents the risk that relevant crypto-assets are used for illicit activities to evade tax administrations' visibility on tax-related activities conducted in the crypto-asset sphere of operation.

5.39 Guernsey, together with partner jurisdictions, issued a joint statement on 10 November 2023[14] to endorse the collective engagement to implement CARF. CARF is an international standard on automatic exchange of information between tax authorities and implementation will further improve our ability to ensure tax compliance.

[13] OECD Pillar 2 GloBE Rules

[14] Collective engagement to implement the Crypto-Asset Reporting Framework - States of Guernsey (gov.gg)

5.40 The Policy & Resources Committee is now **recommending that CARF is specified as an international tax measure to adhere to that 2023 commitment**, and to enable the relevant regulations to be made implementing the rules, commentary and guidance in domestic law in time for exchanges to commence by 2027 [Proposition 9].

Excise Duties

Alcohol

5.41 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.

5.42 The "Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)"[15] 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)."

5.43 The Policy & Resources Committee has consulted with the Committee *for* Health & Social Care which has suggested a real-terms increase of 5% to alcohol duty for 2025 and has also suggested a change in how duty is calculated in the future. The Committee *for* Health & Social Care does not propose introducing MUP at this time, but instead it has suggested a move from the duty being applied by total product volume for beer, cider and wine, to being applied by litre of pure alcohol as is currently the approach for spirits.

5.44 The Policy & Resources Committee has also received representations from industry including a well-constructed letter from the Tourism Management Board, which made a clear case for why alcohol duty continuing to increase is becoming damaging for the hospitality industry.

5.45 The Policy & Resources Committee is of the view that duty is a somewhat blunt instrument for encouraging behavioural change around alcohol consumption, a view echoed in the Substance Use Strategy.

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

5.46 Having considered the different arguments, the Policy & Resources Committee is **recommending a freeze on alcohol duty for 2025** as set out in The Excise Duties (Budget) Ordinance, 2024 [Proposition 10]. This has a real-terms budget impact of £540k.

5.47 The Policy & Resources Committee has written to the Committee *for* Health & Social Care to request that further consideration is given to more targeted measures for alcohol duty which avoid the unintended consequences of continuing to increase duty.

5.48 The 2024 anticipated income from excise duty on alcohol is £16.5m, which is adverse to budget and driven by a reduction in the volume of duty-paid alcohol consumed in the Bailiwick. The reduction in volume is most prominent in the spirits category which has seen an 8% year-on-year reduction over the past five years. There have been average year-on-year reductions in beer, cider and wine of 2%, 3% and 5% respectively over the same five-year period. This volume reduction has been incorporated into the estimates in the 2025 Budget Report and income from excise duty on alcohol is budgeted at £16.4m for 2025.

5.49 The proposed freeze in alcohol duty proposed in the Budget will maintain the current duty rates. The duty rates on the most popular products are detailed below:

Description of Goods	Present Duty
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	59.6p
Spirits (37.5% ABV) – 25mls	44.3p
Spirits (37.5% ABV) – bottle (1 litre)	£17.72
Light wine (5.5% to 15% volume) – 125mls	41.5p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.49

Table 8

5.50 Resolution 16A of the 2024 Budget Report[16], directed the Policy & Resources Committee in consultation with the Committee *for* Economic Development and the Committee *for* Home Affairs to investigate a lower rate of duty for small or very small independent alcohol producers (brewers and distillers) in order to support these entities.

[16] Billet d'État XVIII, 2023 Resolution 16A

5.51 Currently, a small brewer means any brewer, wherever located, that does not produce more than 20 million litres of beer annually and is independent of any other brewer. A small cider-maker means a cider-maker, wherever located, which does not produce more than 5 million litres of cider annually and is independent of any other cider-maker. These producers currently receive a discount on excise duty of approximately 50%.

5.52 The Committee *for* Economic Development has undertaken a consultation with on-island producers and importers to understand the impact that a reduction in alcohol duty for very small alcohol producers would have on their business. It was found that although the businesses anticipated some growth, it was expected to be limited. However, consultation concluded that a change in duty rate would provide continued survival and viability for these businesses within a difficult and competitive market.

5.53 Taking this into account and in consultation with the Committee *for* Home Affairs, the Policy & Resources Committee is **recommending a change in definition for small brewers from 20,000,000 litres production per annum to 500,000 litres, a change in the definition for small cider makers from 5,000,000 litres production per annum to 500,000 litres and an increase in discount for small brewers and small cider-makers to 60%** [Proposition 10]. It is anticipated that this will not cause a significant impact on overall revenue income.

5.54 In line with the 2024 Resolution, the Policy & Resources Committee has also considered the introduction of a small distillers' rate of duty. However, further work is required to set out the definition of a distiller that would be eligible for such a discount, and the appropriate volume at which to define a "small" distiller. As the rate would apply to both local products and any imported products, this will need to be set at the appropriate level to ensure the desired economic impact.

5.55 In addition, owing to spirits having a higher alcohol content when compared to beer or cider there are more potential adverse health impacts that could be caused by the implementation of a lower rate of duty for small distillers. The Policy & Resources Committee has requested that further work is carried out to understand the impact of a small distiller's rate, which will be undertaken so that any changes can be considered for inclusion in a future budget.

5.56 For draught alcohol products, the UK currently offers a discount on alcohol duty of 9.2%, which is designed to stimulate the hospitality sector. The Policy & Resources Committee has considered a potential discount rate on the duty for draught products with the aim of providing support to the local hospitality industry but further investigation is required before proposals can be brought forward.

5.57 The Policy & Resources Committee is also of the opinion that Fair Trade products should be similarly incentivised and intends to investigate a possible discount for Fair Trade alcohol producers for consideration in a future Budget.

Tobacco

5.58 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."

The Committee *for* Health & Social Care has recommended a 10% real-terms increase in the excise duty on tobacco based on the input from the Substance Use Technical Team which oversees the implementation of the Combined Substance Use Strategy. Therefore, based on an inflation forecast of 3.2%, the Policy & Resources Committee is **recommending an increase in excise duty on all tobacco products of 13.2% from 8 October 2024** (the publication of this Budget Report). This would increase the excise duty on an average packet of 20 cigarettes from £7.57 to £8.57. The Policy & Resources Committee will introduce this increase from 8 October 2024 by way of an order under Section 23C of the Customs & Excise Law. The States will be asked to enact the Excise Duties (Budget) Ordinance, 2024 [Proposition 10] for this price increase to take effect for the remainder of 2024 and into 2025.

5.59 The income received from excise duty on tobacco is volatile and difficult to predict. Demand reflects changing consumption habits, including the growing popularity of e-cigarettes and the ongoing impact of high-profile smoking cessation strategies. Demand will also be affected by a duty increase, as well as any change to on island stock held by importers. It is estimated that income from Excise Duty on Tobacco will be £7.2m in 2024, which is £0.8m below the 2024 Budget of £8.0m.

5.60 The 2025 budget for income from Excise Duty on Tobacco is estimated at £8.0m, which reflects a combination of increased duty and reduced demand.

Disposable electronic cigarettes (Vapes)

5.61 Resolution 17 of the 2024 Budget Report[17] endorsed the intention of the Policy & Resources Committee to propose the introduction of a levy on disposable e-cigarettes.

[17] Billet d'État XVIII, 2023 Resolution 17

5.62 In May 2024 the States of Deliberation supported a ban on disposable e-cigarettes as proposed by the Committee *for* Health & Social Care and the UK have also pledged to ban disposable e-cigarettes from April 2026.

5.63 The UK will be applying a duty on non-disposable e-cigarettes and the Policy & Resources Committee intends that Guernsey will follow the same approach with a duty on e-cigarettes to be introduced in line with the UK during 2026. Work is ongoing with suppliers, importers and Customs to introduce this as smoothly as possible, and proposals will be included in the 2026 Budget Report.

Motor Fuel

5.64 The Policy & Resources Committee is **recommending that the excise duty on motor fuel is increased, in line with inflation, by 3.2% from 1 January 2025** as set out in The Excise Duties (Budget) Ordinance, 2024 [Proposition 10]. This would maintain the real terms value of the duty by increasing it by 2.7p per litre to 86.8p per litre.

5.65 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 58.9p per litre from 1st January 2025.

5.66 While the Policy & Resources Committee considered whether the duty on marine use fuels (both petrol and diesel) should be increased on the basis that they were equally polluting as their road use equivalents, an increase is not recommended at this time because of the potential impact on the fishing fleet, as well as the recent and planned increases to mooring fees and the combined impact that any change may have.

5.67 There is currently a duty-free limit for importers/producers of biodiesel/HVO (Hydrotreated Vegetable Oil) of 125,000 litres, beyond which point a concessionary rate at 10p below the standard rate is applied. The biodiesel/HVO rate was introduced in the 2016 Budget Report[18] to encourage producers to enter the market for making biodiesel from cooking oil on-island. No such producer has entered the market and as such the need for a duty-free limit to encourage production no longer exists. Additionally, volumes of biodiesel/HVO have been volatile, which combined with the duty-free allowance creates a challenge for importers in setting a selling price.

[18] Billet d'État XIX, 2015

5.68 Therefore, the Policy & Resources Committee is **recommending that the duty free limit for biodiesel/HVO is removed and a concessionary rate of 56.8p per litre is introduced (30p per litre lower than the standard rate for diesel), from 1 January 2025** as set out in The Excise Duties (Budget) Ordinance, 2024 [Proposition 10], The Customs and Excise (Relief for Biodiesel) (Guernsey and Alderney) Order, 2024 and The Customs and Excise (Relief for HVO) (Guernsey) (Amendment) Order, 2024 and that **the Committee *for* Home Affairs exercises its statutory power to give effect to this change.** [Proposition 11]

5.69 A review will take place ahead of the publication of the 2026 Budget Report to understand the impact of this change on the pump price and volume of biodiesel/HVO and corresponding volume of standard (fossil) diesel.

5.70 The 2024 forecast income from excise duty on motor fuel is £22.0m, which is £1.2m greater than the budget estimate of £20.8m. Although 2024 is set to outperform budget, year on year there is a decline in fuel volumes as a result of increased efficiency of internal combustion engines, changes 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 an energy source. Historically, a 2% reduction in volume has been factored into the budget preparation; however, over the past three years the average annual reduction in volumes has been approximately 1%. The 2025 Budget estimate for income from excise duty on motor fuel is set at £22.5m, which allows for a 1% volume decrease compared to 2024.

Transport Taxes

5.71 Following the Tax Review debate in February 2023, the States resolved to direct the Policy & Resources Committee, working with the Committee *for the* Environment & Infrastructure to:

"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."

5.72 Recommendations for changing transport taxes have not been included in this Budget Report as the Policy & Resources Committee is mindful that the introduction of additional transport taxes in conjunction with the recommended increase in the Personal Income Tax rate could have significant impact on motorists. It is suggested that transport taxes be considered as part of the long-term proposals for addressing the deficit, which the Policy & Resources Committee is under direction to present to the States no later than September 2026.

5.73 The Policy & Resources Committee therefore welcomes further work with the Committee *for the* Environment & Infrastructure to discharge this Resolution and to inform any future recommendations in relation to transport taxes to feed into the document being prepared to hand over to the next Committee.

Tax on Real Property ('TRP')

Unoccupied Properties

5.74 Following consideration of the 2023 Budget Report, the States endorsed the Policy & Resources Committee's intention to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for unoccupied buildings (residential and commercial), the objective of this measure being to assist with easing housing pressures by decreasing unoccupied properties.

5.75 Subsequently, in the 2024 Budget Report the Policy & Resources Committee recommended such an enhanced tariff be applied to unoccupied properties (both commercial and domestic) at five times the standard tariff with effect from 1st January 2024. However, this proposition was not approved and the Resolution from the 2023 Budget Report remains extant.

5.76 Additional work has now been carried out which has shown there to be very little information on which to define vacant properties and as a result, a penal rate on vacant properties would need to be owner-reported and challenging to enforce.

5.77 Members are aware that commercial TRP tariffs for offices are already high, and analysis has shown that a five times TRP rate may be unaffordable, particularly if a landlord is not receiving rental income for the property in question.

5.78 In addition, the work currently being conducted on incentives and penalties for property development will consider the best approach to address vacant commercial properties that could be put to alternative use, such as vacant hotel sites. This work entitled "Incentivising Private Market Housing" has been commissioned by the Committee *for the* Environment & Infrastructure as part of the Guernsey Housing Plan and is being undertaken by independent consultants, arc4. Their report is nearing completion and will be presented in a Policy Letter later in 2024.

5.79 The Policy & Resources Committee is therefore **not recommending the introduction of a penal rate of TRP for vacant commercial buildings**.

5.80 For vacant domestic properties, there is little understanding of why homes are currently vacant and rather than applying a penal measure with little data, it is suggested that gathering data on vacant homes and the reasons for their being vacant could allow a more considered approach to resolving the issue through legal, planning, fiscal or other means.

5.81 The Policy & Resources Committee does want to progress this important matter and is working with the Committee *for the* Environment & Infrastructure to understand whether the issue of vacant homes can be included in its ongoing work on the Guernsey Housing Plan. At this time the Policy & Resources Committee is **not recommending the introduction of a penal rate of TRP for vacant domestic properties.**

Derelict Glasshouses

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

5.83 Subsequently, in the 2024 Budget Report the Policy & Resources Committee recommended that an enhanced tariff be applied to derelict glasshouses and derelict glasshouse land at five times the standard tariff with effect from 1st January 2024. However, this proposition was not approved and the Resolution from the 2023 Budget Report remains extant.

5.84 The policy driver behind this proposal was to encourage the clearance of derelict sites, to encourage property owners to maintain their property in good working order and to allow the land to be put to alternative use. However, while the Policy & Resources Committee agrees that this important issue needs to be resolved, owing to the high cost of clearing these sites an uplift in the TRP tariff for glasshouses is unlikely to have the desired effect.

5.85 In addition, as the Strategic Land Use Policy and the Island Development Plan limit the alternative use of such sites, in reality there is little motivation for landowners to undertake an expensive clearance operation unless there is some incentive for them to do so.

5.86 One change of use for such sites currently allowed under planning policy is for the production of renewable energy and such a change of use could assist with both the clearing of derelict glasshouse sites as well as the production of renewable energy to meet the targets in the Electricity Strategy. Of course, many derelict glasshouse sites will be unsuitable for any development at all, and where this is the case the most beneficial result for the island may be for them to be cleared and returned to a natural state which could be a positive contributor towards the work on enhancing Guernsey's biodiversity and meeting the objectives of the Strategy for Nature.

5.87 The Policy & Resources Committee has consulted with the Committee *for the* Environment & Infrastructure on the future use of redundant glasshouse sites which has confirmed that it is supportive of the re-use of derelict glasshouse sites for both renewable energy generation production and/or to support biodiversity and will work as quickly as possible on this issue.

5.88 The Policy & Resources Committee is **not recommending the introduction of a penal rate for derelict glasshouses and associated land in the 2025 Budget Report.**

5.89 It is **recommended that Resolution 11 from the 2023 Budget Report is rescinded** [Proposition 12].

"11. To endorse the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for derelict land and greenhouse sites and unoccupied buildings (residential and commercial)."

Development buildings and approved development sites

5.90 The 2023 Budget Report endorsed the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission but where the development has not been completed within three years.

5.91 In the 2024 Budget Report the Policy & Resources Committee recommendation of introducing an enhanced tariff of five times the standard rate for development buildings or sites not progressed within three years was not supported.

5.92 The work being carried out by arc4 includes consideration of charging enhanced TRP tariffs for buildings and sites which have planning permission, but the development has not been completed within three years. This report is expected to be published later in 2024 and recommendations will be considered for the 2026 Budget Report. The Committee is disappointed that recommendations were not ready for consideration in the 2025 Budget Report.

Commercial TRP

5.93 The Policy & Resource Committee recognises that there have been substantial increases in TRP rates in recent years and therefore recommends these should be maintained in real terms for 2025.

5.94 **It is recommended that all commercial buildings and land tariffs for 2025 are increased by 3.2%**, [Proposition 13] which will maintain the real terms value of the rates.

5.95 The 2025 Budget Estimate for Commercial TRP is £26.7m.

Commercial Car Parking

5.96 In 2024 the States resolved to increase commercial car parking tariffs over a two-year period as follows:

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.

The agreed tariff increases will be continued in 2025.

5.97 Highlighted in the 2024 Budget Report was the discrepancy in how car parking is classified, and a workstream was instigated to review and reclassify as appropriate to ensure consistency.

5.98 To date, the reclassification of car parking has taken place when triggered by a change to, or a review of, the property in question. These reviews have increased the number of property units in the L6.1 – garaging and parking (non-domestic) category from 1,061 to 1,138 (7.3%) in the past year. Work is now being accelerated with dedicated resource and a further update will be provided in the 2026 Budget Report.

Domestic TRP

5.99 In 2015, the States resolved[19]: *To direct that, as part of the Annual Budget Report, the Treasury and Resources Department increases the rates of domestic Tax on Real Property by no more than 7.5% per annum in real terms between 2016 and 2025.*

5.100 This policy was intended to double TRP tariffs over a decade. In 2019 a higher band was introduced with a premium applied for properties above 500 units. Additional bandings were introduced in 2020 of 0-199 TRP units, 200 - 299 TRP units, 300 - 399 TRP units and 400 - 499 units with incrementally increasing rates across the bands. Subsequent changes have been weighted towards larger properties in an attempt to target increases towards those most able to afford to pay, meaning that the increase applied to the larger properties is now significantly higher, while the lowest rate remains some way short of the policy objective of a 100% increase.

[19] Billet d'État IV, 2015 Resolution 36

5.101 For 2024, the lowest rate was 31% higher than the TRP rate applied in 2015 in real terms; the highest rate is 250% higher. At the aggregate level, the total real terms increase is 81% between the 2015 and the 2024 tariffs, however, the real terms increase of those properties with units of under 200 is 36% (an average of 3.6% per annum over ten years).

5.102 Taking into account the increases in recent years, particularly for larger properties, and the impact of further increases on both property owners and the rental market, the Policy & Resources Committee has decided to pause any further real terms increase while reviewing the differences between bands to identify where any future changes should be made.

5.103 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2024 are increased by forecast RPIX only (3.2%), maintaining their current value in real terms** [Proposition 13].

5.104 Table 9 illustrates the proposed tariffs to be applied for 2025:

TRP of Property	2024 Tariff per Property Unit	Proposed 2025 Tariff per Property Unit (+3.2%)	Range of TRP payment per Property for 2025
0-99	£2.02	£2.08	up to £206
100-149	£2.07	£2.14	£214 - £319
150-199	£2.13	£2.20	£330 - £438
200-299	£2.80	£2.89	£578 - £864
300-399	£3.53	£3.64	£1,092 - £1,452
400-499	£4.34	£4.48	£1,792 - £2,236
500+	£5.35	£5.52	£2,760 or more

Table 9

5.105 The 2025 Budget Estimate for domestic TRP is £13.5m

Document Duty and Anti-Avoidance Duty

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

5.107 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 change was a 0.3% increase, and at Q2 2024 the annual percentage change was a 2.2% reduction.

5.108 There has been a downward trend in the number of conveyances, with the number of conveyances subject to duty to the end of August 2024 totalling 570 (local market) and 36 (open market), compared to 675 (local market) and 39 (open market) up to August 2023, and 981 (local market) and 68 (open market) up to August 2022.

5.109 However, despite the recent slowing of property price increases, prices have increased significantly since 2019 when the Document Duty thresholds were last reviewed. The Document Duty thresholds should be reviewed periodically to ensure that multi-year trends in property price movements are captured.

5.110 Document Duty thresholds have been reviewed and it is proposed they are increased by RPI (which is used rather than RPIX as the latter would remove the impact of mortgage interest). RPI over the period Q1 2019 to Q1 2024 was approximately 25%. The Policy & Resources Committee is **recommending increasing the Document Duty thresholds by 25% to take account of inflation in the intervening period since they were last reviewed.** [Proposition 14 and Proposition 15].

5.111 In addition, **the Policy & Resources Committee recommends that a new threshold of Document Duty is introduced at 7% for transactions over £5,000,000** [Proposition 14 and Proposition 15].

5.112 The revised thresholds are shown in the table below:

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

Table 10

5.113 The estimated net effect of the proposed changes to the thresholds as proposed is a reduction in Document Duty revenues of £0.9m.

5.114 The estimate for income from Document Duty and Anti-Avoidance Duty in 2025 is £16.1m which assumes a 10% improvement in transaction volumes and no real increase in prices compared to 2024 levels, with an adjustment for a single exceptional sale in 2024.

Scheme to encourage 'down-sizing'

5.115 Through the 2023 Budget Report[20] a scheme to encourage 'down-sizing' was introduced on 1st January 2023 whereby the first £0.4m of the property being purchased by the 'down-sizer' would be charged at 0% document duty, subject to certain conditions being met[21]. Section 2.51 of the 2023 Budget Report stated that the time-limited scheme would end on 31st December 2024.

5.116 A review of the transactional data from November 2022, being the date of implementation, to June 2024 showed that 56 conveyances or 5% of conveyances benefitted from the downsizing relief.

5.117 It is evident that the downsizing relief scheme is being utilised, but it is unknown how many of these transactions came about as a result of the relief and how many would have completed regardless. As a result, it is difficult to judge whether the policy has induced a change in behaviour. However, the Policy & Resources Committee acknowledges that providing fiscal incentives for people to downsize remains important and is **recommending that the scheme of a reduction in Document Duty to incentivise 'down-sizing' is continued for a period of two years.** [Proposition 14 and Proposition 15].

5.118 Further the Policy & Resources Committee is **recommending that the relief remains aligned with the revised thresholds to be applied to standard document duty rates.** This would mean that the threshold on the 0% rate would increase from £0.4m to £0.5m, in line with the change in the upper threshold on the second standard rate. This would increase the maximum available relief from £10,875 to £13,750.

[20] Billet d'État XIX, 2022

[21] 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

Vehicle First Registration Duty

5.119 Vehicle First Registration Duty (VFRD) was introduced in 2016 and applies to new and second-hand vehicles being imported and registered in Guernsey for the first time.

5.120 VFRD was implemented as a policy driver to help change vehicle ownership behaviour and to achieve the goals as set out in the integrated transport strategy, as well as generating tax revenues.

5.121 Operational responsibility for administering the VFRD regime sits with the Committee *for the* Environment & Infrastructure, which also currently has responsibility for agreeing and implementing changes to VFRD rates.

5.122 However, the Policy & Resources Committee recommends that as this is a duty accruing to general revenue, it would be better practice, and in line with the process for all other taxes and duties, for the rates to be included as propositions in the Annual Budget and agreed by the States of Deliberation.

5.123 The Committee *for the* Environment & Infrastructure will be asked for specific input into this process each year to ensure that consideration is given to both its policy intentions and the overall revenues of the States. The Committee *for the* Environment & Infrastructure was asked for its recommendations in the setting of the 2025 VFRD rates and proposed that it should increase by 3.2% in line with inflation.

5.124 The Committee *for the* Environment & Infrastructure has also indicated that it wishes consideration to be given to adjusting the rates of VFRD in a future Budget to introduce higher rates for luxury private vehicles.

5.125 The Policy & Resources Committee is **recommending that the rates of Vehicle First Registration Duty are set by the States of Deliberation and any proposed amendments are included as propositions in the Annual Budget Report.** [Proposition 16]

5.126 The Policy & Resources Committee is **recommending that 2025 Vehicle First Registration Duty Rates are increased, in line with inflation, by 3.2%**, as detailed in The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024. [Proposition 17]

Alignment with Government Work Plan

5.127 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."

5.128 The proposed income measures in the 2025 Budget Report total a real terms increase of £26.1m. This is entirely driven by the proposed increase in the Personal Income Tax rate, with no increases in real terms to any other rates. The impact of the increase to the Personal Income Tax rate has been partially offset by an 8% increase to the personal income tax allowance (£6.2m in real terms) and a proposed freeze in alcohol duty (£0.5m in real terms), as well as the upwards revision of the thresholds for document duty (£0.9m).

Budget Measure	2025 Real terms increase/(decrease) (£m)
Income taxes	27.5
Document Duty	(0.9)
Alcohol Duty	(0.5)
Total	**26.1**

Table 11

SECTION 6

EXPENDITURE PROPOSALS

6. Expenditure Proposals

2025 Budget Setting

6.1 In setting the 2025 Committee cash limits, the Policy & Resources Committee's objective was to minimise expenditure growth unless absolutely unavoidable. Indicative cash limits were issued which were adjusted for approved funding changes, any cyclical adjustments, an allowance for inflation and a £4m demand pressure allowance for the Committee *for* Health & Social Care. Committees were asked to build a budget within this amount.

2024 Original Committee Expenditure Budget £m	2024 Authorised Committee Expenditure Budget £m	2025 Indicative Cash Limits incl. Formula Led £m	2025 Total of Committee Submissions £m	2025 Recommended Committee Cash Limit incl. Formula Led £m
593	604	606	638	622

Table 12

6.2 The inflationary allowance was initially calculated as 3.7% for income and non-pay, based on a four-quarter rolling average. This was subsequently revised downwards to 3.2% following the publication of the Q2 2024 inflation figures in late July 2024.

6.3 However, as described in paragraphs 2.3 and 2.4, regardless of the inflation assumption used for 2025, the impact of inflation on expenditure is outstripping the impact on income. This is because of the falling inflation environment with many contractual increases and formula-led expenditure being linked to earlier, higher inflation rates.

6.4 At the start of the budget setting process, the Policy & Resources Committee asked that Committees robustly challenge and fully evidence any additional inflationary pressures before making a request through the budget process. This has resulted in inflationary linked increases of 5% in total, well in excess of the inflation allowance.

6.5 Additional inflation linked pressures have been highlighted across most Committees resulting in £13.7m of inflation being included in the cash limits and Formula Led expenditure.

6.6 The 'Reducing the Cost of Public Services' workstream has been established to progress savings and its findings to date are summarised in paragraphs 7.79 to 7.88 and Appendix VII. Unlike in 2024, no savings targets are included in the cash limits.

6.7 At the end of July, Committees submitted their budget requests with any amounts over and above the indicative cash limits justified (this amounted to £31.6m in total). To better understand their funding requirements, the Policy & Resources Committee met with each Committee to discuss their budget requests during August. Following these meetings, the Committee determined an appropriate cash limit for 2025 that attempted to balance the need to support public services and key government priorities within the context of a challenging fiscal environment. The proposed cash limits represent a £15.9m (50%) reduction versus the requests received, which will undoubtedly present a challenge for many Committees.

6.8 While the expenditure budget for 2025 (which includes the Budget Reserve, GWP and Service Developments provision, as well as the proposed Committee cash limits) is a £40m (7%) year-on-year increase compared to the 2024 Original Budget, the Policy & Resources Committee strongly believes that a suitable level of expenditure restraint had been built in.

Recommended Cash Limits

6.9 The following table (Table 13) shows the £15.7m additional funding proposed by the Policy & Resources Committee on top of the indicative cash limits. This table presents the cash limit for each Committee and highlights the primary driver of the additional funding proposed, identifying whether it is because of inflation, demand, to support the economy or for other reasons. It should be noted that the indicative cash limit including Formula Led includes the base inflation allowance of £9.1m and the £4.0m for health and care services demand.

	Indicative Cash Limit £m	Inflation £m	Demand £m	Economy £m	Other £m	Recomm-ended Cash Limit £m
Corporate Services	81.2	1.1	0.8	-	1.6	84.7
Economic Development	10.6	0.1	-	1.5	-	12.2
Education, Sport & Culture	92.0	0.1	0.7	-	0.1	92.9
Employment & Social Security	13.0	0.4	-	-	(0.1)	13.3
Environment & Infrastructure	14.5	0.4	-	-	0.1	15.0
Health & Social Care	241.9	1.0	1.7	-	0.6	245.2
Home Affairs	40.7	0.3	0.1	0.2	-	41.3
Policy & Resources	13.2	-	0.1	0.8	0.4	14.5
Scrutiny Management	0.6	-	-	-	-	0.6
Development & Planning	1.5	-	-	-	-	1.5
Overseas Aid & Development	5.0	-	-	-	-	5.0
States' Trading Supervisory	1.7	0.1	-	-	-	1.8
Royal Court	2.8	-	-	-	-	2.8
Law Officers	7.9	-	0.2	-	(0.2)	7.9
Pooled Budgets	0.6	-	0.4	-	-	1.0
Total Cash Limit	**527.2**	**3.5**	**4.0**	**2.5**	**2.5**	**539.7**
Policy & Resources	2.2	-	-	-	0.5	2.7
Employment & Social Security	76.8	1.1	1.6	-	-	79.5
Total Formula Led	**79.0**	**1.1**	**1.6**	**-**	**0.5**	**82.2**
Total Cash Limit incl. Formula Led	**606.2**	**4.6**	**5.6**	**2.5**	**3.0**	**621.9**

Table 13

6.10 The recommended cash limits including formula-led expenditure for 2025 incorporate the following additional allocations compared to the 2024 cash limits:

- £13.7m for cost pressures in relation to inflation and price increases. Of this £9.1m was in the indicative cash limit; mainly comprised of £7.9m for base inflationary increases at 3.2% and an additional £863k for specific inflationary pressures. £1.1m relates to the uprating of non-contributory social security benefits, and £3.5m is the cost of higher inflationary increases specifically requested by Committees.

- £9.6m for increased demand on existing services, including £4m built into the indicative cash limit for demand in health and social care services, with the remainder of £5.6m as per Table 13. In summary:

- An increase of £3.1m owing to increased demand for delivery of health and social care services, which is partially offset by £1.4m of operating income within the Committee *for* Health & Social Care.

- An increase of £1.6m for the Committee *for* Employment & Social Security predominantly for increased demand on the severe disability and carer's allowance. An increase of £600k to Income Support to reflect the impact of the increase to the individual standard rate of income tax is offset by a reduction in demand for Legal Aid (£538k).

- £679k additional budget for the Committee *for* Education, Sport & Culture with just over half of this driven by increased demand on the Communication, Interaction & Autism Service and Les Voies School.

- £2.5m for maintaining and promoting the economy. This is allocated across the Policy & Resources Committee (£740k), the Committee *for* Economic Development (£650k) and the Committee *for* Home Affairs (£200k) to deliver the jurisdiction's international standards obligations to support and enhance its position as an international finance sector; as well as in the Committee *for* Economic Development to support the Marketing & Tourism function and Locate Guernsey (£389k) and support for air and sea links (£541k).

- Within the £3m of 'other' budget increases shown in Table 13 is a reduction of £2.6m in Established Staff pay budgets to reflect the assumed level of vacancies based on vacancy levels in recent years. A central budget provision of £1m is included to manage circumstances should the level of vacancy be lower resulting in Committees exceeding agreed pay budgets. The impact of this is highest in Corporate Services and the Committee *for* Health & Social Care (reduction of £663k and £522k respectively).

- The 'other' column also includes £5.6m for additional budgeted expenditure, summarised as:

  - Corporate Services £1.7m - for additional positions in the Digital & Technology department (£500k), cyber security (£500k), the creation of an Innovation & Delivery Unit (£500k) and for the impact of the Hospital Modernisation Programme on facilities' management (£200k).

  - Committee *for* Health & Social Care £1.1m – for the development of a sustainable healthcare model (£750k) and for new Public Health prevention initiative positions (£320k);

  - Policy & Resources Committee - £536k of one-off expenditure in 2025 for the general election, and

- Policy & Resources Committee Formula Led - £460k for one-off expenditure in 2025 for States' Members pension contributions.

- Committee *for* Education, Sport & Culture - £450k of funding for the Active-8 initiative which is in addition to funding allocated through the GWP.

6.11 The table includes an overall increase in funding of £1.2m built into cash limits for initiatives or programmes which were approved as part of the GWP, including the Revenue Impact of Capital Expenditure (RICE).

6.12 Therefore, it is recommended that funding of £621.9m is allocated to Committees in 2025 comprising cash limits of £539.7m and Formula Led estimates of £82.2m.

6.13 Over the last 5 years[22] FTE have increased by 374, of which 341 were for positions within health and social care services. The 2025 Budget proposals include an additional 80 FTE, 53 of which are to support the delivery and improvement of health and care services and 27 to support the wider organisation including the new Innovation & Delivery Unit, resource for Digital & Technology, Revenue Service, Housing & Infrastructure and resource to deliver the jurisdiction's international standards obligations.

6.14 The 2025 Budget Reserve is proposed at £19.7m, which includes a provision for 2025 pay awards for States of Guernsey employees since no pay deals have yet been agreed.

6.15 The proposed budget allocation for the delivery of service developments, GWP initiatives which have not been incorporated into Committee cash limits, RICE and Transformation projects is £8.4m.

6.16 The recommended cash limits for 2025 are set out in Table 14 alongside further explanations of the funding allocated to individual Committees (full line by line details of the 2025 Budgets are included as Appendix VI).

6.17 Table 14 illustrates the 2025 cash limits alongside the 2024 'original' and 'authorised' budgets:

- The 2024 expenditure budget agreed by the States was £610.3m[23], which comprised £593.4m allocated to individual Committees, £6.5m held as the Budget Reserve, £11.4m allocated for GWP initiatives/service developments, and a £1.0m target for the delivery of savings. This forms the Original Budget.

[22] Based on published 2019 to 2023 FTE

[23] Including the additional budget awarded to the Committee *for the* Environment & Infrastructure by amendment.

- The Original Budget is then updated throughout the year to take account of approved funding released from the Budget Reserve, service development and GWP provisions, as well as agreed inter-Committee transfers and savings to become the Authorised Budget.

	Note	2025 Revenue Cash Limit £'000s	2024 Authorised Budget £'000s	Year on Year Increase/ (Decrease)	2024 Original Cash Limit £'000s
Corporate Services	1	84,668	79,673	6.3%	79,208
Economic Development	2	12,202	11,024	10.7%	10,122
Education, Sport & Culture	3	92,868	93,382	(0.6%)	92,740
Employment & Social Security	4	13,281	14,401	(7.8%)	12,631
Environment & Infrastructure	5	15,001	14,791	1.4%	14,100
Health & Social Care	6	245,196	234,608	4.5%	234,823
Home Affairs	7	41,272	40,752	1.3%	40,285
Policy & Resources	8	14,516	18,412	(21.2%)	13,204
Scrutiny Management		613	620	(1.1%)	620
Development & Planning	9	1,487	1,563	(4.9%)	1,563
Overseas Aid & Development	10	5,024	4,397	14.3%	4,397
States' Trading Supervisory	11	1,799	1,991	(9.6%)	1,781
Royal Court		2,758	2,846	(3.1%)	2,846
Law Officers	12	7,946	8,112	(2.0%)	7,828
Pooled Budgets	13	1,018	576	5.4%	569
Total Cash Limit		**539,649**	**527,148**	**2.4%**	**516,717**
Policy & Resources		2,709	2,136	26.8%	2,136
Employment & Social Security	14	79,555	74,520	6.8%	74,520
Total Formula Led		**82,264**	**76,656**	**7.3%**	**76,656**
Total Cash Limit incl Formula Led		**621,913**	**603,804**	**3.0%**	**593,373**
Budget Reserve - General		19,695	71	n/a	6,497
GWP Initiatives/Service Developments		8,352	8,795	n/a	11,383
Corporate Savings to be Delivered		0	(773)	n/a	(956)
Total Committee Expenditure		**649,960**	**611,897**	**6.2%**	**610,297**

Table 14

6.18 **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; Digital & Technology; Insurance; Procurement; Property Services; Customer Hub; and Tribunal Services. While these costs are managed centrally, in order to show a full cost for each area of public service the 2025 Budget for Corporate Services have been reapportioned across the Committees that they relate to in Appendix III.

6.19 £1.3m of additional inflation, over and above the 3.2% inflation allowance of £1.2m, has been included. This predominantly relates to utilities (£350k) and a cleaning contract (£320k).

6.20 Additional funding of £640k is included in the 2025 cash limit for the Human Resources function, primarily as a result of the recent transformation programme approved in the 2024 Budget. This will ensure that the function is adequately resourced to be able to fully discharge the Employer's responsibilities.

6.21 Various inter-Committee transfers processed in 2024 have been reflected within the cash limit, the most significant being the transfer of the supply chain team from the budget for the Committee *for* Health & Social Care to the Commercial function within Corporate Services (£582k).

6.22 The profile of the 10-year contract with Agilisys Guernsey Limited is for higher costs in the initial years of the contract, then reducing over later years as Agilisys delivers contractually guaranteed savings. The calendar year 2025 predominantly reflects contract year six, with year seven commencing in September 2025. The savings have been factored into the cash limit with a year-on-year reduction of £400k included for 2025.

6.23 RICE has been factored into the cash limit at an additional £228k because of the development of projects across multiple service areas. This includes £125k for the Guernsey Registry IT project.

6.24 A one-off demand increase of £400k has been added to address the high volume of transactions resulting in increased WorldPay bank charges. A review of existing card payment processes and systems is underway.

6.25 New recurring IT additions include new posts into the Digital & Technology team (£500k) as outlined in the Digital & Technology Road Map 2024, as well as £500k to progress high priority cyber security workstreams.

6.26 The most significant recurring non-IT inclusion is the proposed creation of an Innovation & Delivery Unit at a cost of £500k. This Unit will support GWP delivery plus other emerging initiatives and provide challenge through multi-disciplinary expertise to work openly and collaboratively. The team, directed by the Head of the Public Service, will have the authority to drive action and improve performance, as well as include dedicated capacity which can be deployed to critical challenges, such as the delivery of savings.

6.27 **Committee *for* Economic Development (Note 2)** – £426k of funding has been transferred to other Committees in 2024 which is reflected in the 2025 cash limit, including the operation of the Leopardess maritime patrol vessel (£142k) which transferred to the Committee *for* Home Affairs.

6.28 The recommended cash limit includes £1.4m of new recurring spend - £391k for Paris Air Route support, £650k for the Guernsey Registry to address standards required to maintain our international standing and £325k for Marketing & Tourism promotional funding.

6.29 Non-recurring funding of £100k for the Electricity Strategy has been included, as well as £150k for Sea Links Development to help develop passenger only ferry links between Guernsey, Jersey, Alderney and France.

6.30 **Committee *for* Education, Sport & Culture (Note 3)** – A £476k general inflation allowance is included. £678k has been incorporated for demand pressures, including the Communication, Interaction & Autism Service (£380k) and higher pupil numbers at Les Voies School (£190k). Additional funding for Active-8 in 2025 of £450k will bring funding levels for this initiative above the amount included in the 2023 GWP.

6.31 Transformation funding included in the cash limit for 2025 is £695k lower than 2024. However, because of delays to the project there is a likely requirement to extend project resource, and a central provision is recommended for these estimated costs in 2025. Estimates are based on the latest project plan and are in line with funding approved in the F&I Plan.

6.32 The States originally agreed that the Lottery funding used to cover Beau Sejour's £700k operating deficit was to end in 2022. However, this has now been extended until the end of 2025 to allow time for the completion of the Beau Sejour Sustainability Review which is expected to present recommendations in early 2025.

6.33 The cash limit has been reduced by £308k reflecting the agreed reduction in funding to the Grant Aided Colleges[24].

[24] Billet d'État XVIII, 2017

6.34 One off funding for some GWP initiatives came to an end in 2024, and so has been removed for 2025. This means that there is a year-on-year reduction to the cash limit of £366k. In contrast, funding of £180k for another GWP initiative, the Adult Learning Plan, has been added for 2025 and this will continue to the end of 2027.

6.35 The reductions highlighted above mitigate the majority of the 2025 cost pressures and inflationary impact for the Committee *for* Education, Sport & Culture, with the overall cash limit (including Transformation) being only £128k higher (0.1%) than the 2024 cash limit.

6.36 **Committee *for* Employment & Social Security (Note 4)** – The recommended cash limit has been increased by £700k for inflationary pressures and to reflect substantial increases in building costs for housing maintenance.

6.37 **Committee *for the* Environment & Infrastructure (Note 5)** – The majority of the increase is a result of inflation and price increases. In addition to the general inflation allowance of £339k, and £53k for additional inflation allowance, funding of £325k has been added for the increased cost of the new Scheduled Bus Service contract.

6.38 Funding of £215k to increase the Housing & Infrastructure Strategy team by three additional roles has been included, albeit at half the value requested by the Committee *for the* Environment & Infrastructure. This will enable the team to meet the existing service requirements and accelerate delivery of the Guernsey Housing Plan. New income streams from bus fare increases and road closures (£150k each) are partially offset by a downward income adjustment for vehicle registrations and number plates (£95k).

6.39 **Committee *for* Health & Social Care (Note 6)** – Overall inflation is included at £4.6m of which £3.1m is general inflation allowance, £479k is additional inflation allowance and £741k relates to specific contractual price pressures.

6.40 The projections within the 2023 F&I Plan update included an allowance of £4m per annum for underlying health cost pressures as a result of increased demand for services. The Committee *for* Health & Social Care has advised that it is facing significant budget pressures owing to high service demand in 2024 and expects this to continue into 2025. The budget request significantly exceeded the £4m estimate included in the initial cash limit, totalling an additional £10.4m overall. Of this £8.2m (inclusive of the £4m) is supported and included in the proposed cash limit. This pressure spans the spectrum of health and social care services with notable increases in Off-Island Acute Treatments (£1.8m) and the requirement for six new or resource intensified complex care packages designed to deliver appropriate care on- or off-island (£1.7m).

6.41 In January 2020, the States considered a policy letter[25] 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 (NICE TAs). An amount of £5.1m was included in the 2024 Budget. For 2025, the allowance would be £5.3m after inflation, however an additional £700k increase has been supported which brings the NICE TAs funding in the 2025 Budget to £6m (in response to a request for £8m).

6.42 The Policy & Resources Committee is proposing that the costs of this service development should be met from the Guernsey Health Reserve (GHR). This would reduce the balance of the available funds in the GHR to zero once existing funding commitments are taken into account. In addition, a provision of £950k is proposed in the Budget Reserve in the event that costs are more in line with the expectations of the Committee *for* Health & Social Care.

The Policy & Resources Committee is **recommending that costs of up to £6m for NICE TAs for 2025 are funded from the Guernsey Health Reserve** [Proposition 18].

6.43 In line with the GWP, the budget also includes a provision of £1.5m for initiatives to tackle the waiting list for orthopaedic procedures, which increased as a result of the delays that arose through COVID-19. Funding has been approved for four years (mid-2022 to mid-2026), with £1.5m agreed for 2025. This is funded through the GHR and has already been accounted for in the available balance.

6.44 Other significant increases are £465k for GP and nurse consultation grants, £400k for the Medical Specialist Group contract, £350k for an increase in the baseline number of care hours in the Adult Disability Service and £300k of additional resource in Adult Safeguarding to implement report recommendations. These predominantly demand-driven cost increases are partially offset by a £1.4m increase in operating income for private patients and the Emergency Department.

6.45 New recurring expenditure totalling £1.1m is made up of two initiatives. The first is to support delivery of a sustainable healthcare model that will embed change within core operations and redesign the management structure with the introduction of a Chief Officer (or equivalent) post, and the second is investment in prevention initiatives within Public Health.

6.46 The cash limit is set at £245.2m and while this is an increase of £10.4m (4.4%) on the authorised 2024 Budget, it is a 2.5% increase compared to the latest forecast for 2024. While not all of the 2025 Budget requests were supported it is felt to be a challenging but achievable budget for the Committee *for* Health & Social Care to deliver within.5

[25] Billet d'État I, 2020

6.47 **Committee *for* Home Affairs (Note 7)** –The recommended cash limit includes specific additional funding of £260k for pay cost pressures and rent allowance within Law Enforcement and for Guernsey Fire & Rescue Service training.

6.48 Funding of £315k agreed in 2024 for the GWP initiative 'Sexual Assault Referral Centre pilot scheme' has been included.

6.49 An addition has been made of £135k for the Probation & Community Service to meet continued increased demand.

6.50 New recurring expenditure is primarily for new positions delivering the jurisdiction's international standards obligations and for the Family Proceedings Advisory Service (£250k for 3 FTE).

6.51 In 2024 £424k was agreed for the preparation of the electoral roll, which is included in the cash limit over two years. The 2025 Budget is £169k and is a reduction of £84k on the 2024 amount.

6.52 **Policy & Resources Committee (Note 8)** – Funding of £490k has been included for the Revenue Service and External Relations predominantly to ensure compliance with international standards and obligations.

6.53 New recurring spend is included to support the Commissioning and Strategic Policy teams (£145k), as well as legal and consultancy resource to support and enhance Guernsey's position as an international finance centre (£250k).

6.54 One off funding of an additional £536k has been included to prepare for the General Election. This is separate to the funding provided to the Committee *for* Home Affairs 2025 in respect of the electoral roll.

6.55 **Development & Planning Authority (Note 9)** – The proposed cash limit of £1.5m is less than the 2024 cash limit due to the phasing down of funding to prepare the local planning brief for the GWP initiative 'St Peter Port Harbour Action Area'. This was resolved in May 2019 by the States of Deliberation with funding totalling £371k over three years, with funding in 2025 of £73k being the final amount.

6.56 Additional funding for non-recurring spend is included for consultancy (£110k), based on a realistic estimate of the cost of potential technical reports to support and inform planning applications and other work.

6.57 **Overseas Aid & Development Commission (Note 10)** – The proposed cash limit of £5.0m includes an inflation allowance of £229k 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"*[26]. It was agreed *"that the States of Guernsey should adopt a target for its overseas aid giving of 0.2% of GDP by 2030…."*. It is estimated that continuation of a real terms increase of £400k for each of the years up to 2030 inclusive would achieve this target.

6.58 **States' Trading Supervisory Board (Note 11)** – A one-off addition of £121k was incorporated in the 2024 Budget of the States' Trading Supervisory Board, which has been removed for 2025. This related to the anticipated lost income during forced closure as part of the Alderney Airport runway project. For 2025, £138k has been included to fund the cost associated with runway repairs.

6.59 **Law Officers' Chambers (Note 12)** – Funding of £160k for temporary posts, which was added to the budget in 2019 and 2020 for five years has been extended by a further year.

6.60 **Pooled Budgets (Note 13)** – Demand driven additions totalling £458k have been incorporated into the recommended cash limit for safeguarding improvements (£150k), as well as new workstreams including supported employment for 19-25 school leavers (£100k) and the increase of two part-time positions in the Multi Agency Support Hub to full time (£94k).

6.61 **Formula Led Social Security (Note 14)** – The 2025 Budget estimate includes an inflation linked increase of £3.5m, which is calculated using June 2024 RPIX of 4.5%. Demand increases of £276k for Income Support and £1.3m for Severe Disability & Carer's Allowance are partially offset by a reduction in Family Allowance owing to IPSAS reporting changes and for demand on Legal Aid (combined total of £578k).

6.62 In addition, £600k has been included owing to the estimated cost pressure on Income Support resulting from the Personal Income Tax increase. Income Support is calculated on the income of a claiming household after tax with any changes in tax liability therefore automatically impacting entitlement to benefits. An increase in taxes because of an increase in the tax rate (net of the impact of increased personal allowances) may reduce a household's net income and therefore, for a household in receipt of Income Support their benefit entitlement may increase in a way which will largely neutralize the impact of the tax changes.

[26] Billet d'État XIII, 2019

Budget Reserve - General

6.63 The Budget Reserve is an agreed budget allocation which is expected to be transferred to individual Committees during the year. It is a centrally held budget 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, if the use of the funding is agreed in-year, the Committee's 'Authorised Budget' will increase during the year in line with the approval.

6.64 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.

6.65 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.

6.66 The 2025 Budget Reserve of £19.7m includes:

- provision for 2025 pay awards (and 2024 pay award for Crown Officers) which have not yet settled;
- an adjustment for the proposed reduction to the employer's pension contribution rate from 10.3% to 7.5%, subject to approval by the States;
- provision of £1m for increasing Established Staff budgets should turnover/vacancies be lower than the assumed 7% level;
- a general provision of £4m 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. This has been increased by £1m compared to the 2024 Budget given some of the pressures highlighted in the budget setting process;
- specific provision of funding for NICE TAs of £950k in case the amount included in the 2025 cash limit for the Committee *for* Health & Social Care, funded from the GHR, is not sufficient;
- several Committees requested additional funding in respect of rent allowance and other housing costs. Instead, specific provision has been made for rent allowance and key worker accommodation increases to be managed as a central allocation with £1.1m held centrally pending actual recruitment. This enables the funding to be considered holistically and utilised to maximum benefit; and

- a vision for the East Coast as part of the Guernsey Development Agency will be brought to the States towards the end of 2024. In line with this, and subject to States approval of the policy letter, the Policy & Resources Committee has recommended inclusion of a £1.6m specific provision for the Guernsey Development Agency to fund feasibility studies and scoping of ideas to inform a detailed business and funding plan.

Budget Reserve - Service Developments and Government Work Plan Initiatives

6.67 The 2023 update to the GWP approved by the States of Deliberation in January 2024[27], included schedules of costings for delivery of the planned priorities. A total of £1.2m of funding for initiatives prioritised as part of the GWP has been included in 2025 cash limits.

6.68 A service development prioritised in 2020 related to the Computer Emergency Response Team was believed to be required in 2024 and was held as a provision. Owing to the age of this initiative it was set out in the 2024 Budget that it would not be included in future budgets; however a funding request has recently been received and the provision for this initiative will remain in 2025.

6.69 A total of £4.6m has been provided to cover initiatives prioritised in the GWP. The Policy & Resources Committee has taken a pragmatic approach and applied a 30% reduction on the latest estimates provided based on the likelihood of planned progress being overly optimistic.

6.70 RICE has been included for projects including Our Hospital Modernisation Phase 1 and the Central Stores project, the MyGov Digital Transformation project, and Minor IT capital projects.

6.71 A provision for £0.7m of transformation expenditure has been provided relating to the Transforming Education Programme, in line with estimates included in the 2023 F&I Plan update.

[27] Billet d'État XI, 2023

	£m	£m
Service Developments (prioritised in the 2020 Budget Report)		
Computer Emergency Response Team	0.7	
		0.7
Government Work Plan Initiatives		
Strategic Actions	3.6	
Managing the effects of Brexit and meeting international standards	0.3	
Revenue impact of capital expenditure	3.1	
Reshaping government initiatives (transformation)	0.7	
		7.7
Total Service Developments/GWP		**8.4**

Table 15

6.72 If a request for funding is approved by the Policy & Resources Committee, the funding will be transferred into Committee budgets and allowance made within recommended 2026 cash limits if applicable. It is recognised that on request of funding, detailed costings may vary from these estimates and in considering requests the Policy & Resources Committee will take into account affordability within 2025 and future years.

SECTION 7

OTHER ITEMS

7. Other Items

Routine Capital (Formerly Minor Capital)

7.1 Routine Capital funding allocations are used to fund investment in existing States' assets, including critical infrastructure, with a limit of £2m for each individual project. Since 2019, the States have agreed a multi-year budget allocation to the routine capital categories, and this approach has allowed a move away from a short-term annual budget cycle to better support rolling replacement, refurbishment programmes, as well as programmes such as the integrated transport strategy.

7.2 The management and project governance of the routine capital allocations is currently overseen by a Routine Capital Management Board (RCMB) (formerly the MCMB) which is advised by the relevant Heads of Profession who manage each of the categories. The RCMB has the authority to approve prioritised capital votes with a value of up to £500k. Any expenditure on projects which have a value of over £500k must be approved by the Policy & Resources Committee.

7.3 This portfolio has been renamed "Routine Capital", as this better reflects the type of expenditure incurred within this allocation of funds. The majority of the expenditure is routine in nature, maintaining the States' existing assets and for rolling replacement programmes. However, it should be noted that not all of the expenditure will necessarily be capital from an accounting point of view, and a portion of the spend may be charged to the Statement of Financial Performance in the year incurred.

7.4 As part of the 2021 Budget Report[28] routine capital allocations were approved for the four-year period 2021-2024, with the level of each allocation informed by historical expenditure patterns and known anticipated projects. The Policy & Resources Committee has now considered the appropriate level of funding to propose for 2025-2028.

7.5 In considering this, the Policy & Resources Committee has been informed that the level of demand is significantly higher than current levels of spend. This is owing to a need to catch up following a period of underinvestment in the replacement and maintenance of assets. This has been due to a pause on certain work during the COVID pandemic, as well as contractor capacity.

[28] Billet d'État XXVI, 2020

7.6 However, the Policy & Resources Committee considers that in the current financial climate, it can only ask the States to agree a level of funding that is affordable and is therefore proposing to limit the overall new funding allocation for routine capital to be broadly in line with the levels assumed in the 2023 F&I Plan.

7.7 It is noted that this represents a c25% reduction to the requests submitted by the Heads of Profession, informed by organisational demands. The Policy & Resources Committee acknowledges that this creates a risk that the funding is insufficient to meet organisational requirements, but the funding proposed does represent a c30% increase on levels of expenditure since 2023.

7.8 The Policy & Resources Committee is recommending an increase in the allocation for Routine Capital of £93m for 2024-2028.

7.9 This level of funding is used to routinely maintain, replace or enhance assets to the value of £1.6bn, representing c1.4% of States of Guernsey assets in terms of value on an annual basis.

7.10 Owing to this funding challenge, the management and effective use of the available funding will be important. Currently, the States agree four-year allocations by category, and many categories for various reasons end up with unused funds, while others have insufficient funding for the organisation's emerging needs. However, there is currently no mechanism to move funds between the categories.

7.11 In addition, detailed planning four years ahead and anticipating demand can be a challenging exercise. A revised approach is proposed that aims to allow the organisation to use the available funds in the most efficient way and act with more agility to meet the demands of the organisation.

7.12 It is therefore recommended that an initial allocation is agreed for each category, that takes into account the remaining funding from existing allocations, the current rate of expenditure, inflation, contractual requirements and agreed 'in principle projects'. The remainder of the overall allocation will be held as an unallocated amount, and it is recommended that the States delegate authority to the Policy & Resources Committee to allocate this funding to categories based on need over the period 2025-2028.

7.13 It is **recommended that Routine Capital allocations for 2025-2028 are agreed as follows and that authority is delegated to the Policy & Resources Committee to allocate the "unallocated" portion to categories based on need** [Proposition 19]:

- Information Technology – £18m;
- Medical Equipment – £4m;
- Vehicles & Other Equipment – £13m;
- Property Maintenance and Minor Works – £10m;

- Roads resurfacing programme – £10m;
- States' Housing – £13m; and
- Unallocated - £25m.

7.14 No additional allocation is recommended for the categories "Implementation of the Integrated Transport Strategy" and "Coastal Repairs" as both these categories have sufficient unspent balances from the 2021-2024 allocations.

7.15 The Policy & Resources Committee currently has delegated authority as per below for projects which are not in the Major Projects Portfolio:

"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".

7.16 This limit has not been increased since June 2017, since which time inflation has increased costs substantially[29], particularly within the construction industry.

7.17 Therefore, it is it is **recommended that the delegated authority for the Policy & Resources Committee to approve expenditure for projects outside of the Major Projects Portfolio including urgent projects, Routine Capital expenditure and strategic property purchases is increased to £3m** [Proposition 20].

Government Work Plan (GWP)

7.18 The Government Work Plan (GWP) was refreshed in 2023 with Committee workplans being agreed by the States in January 2024[30].

7.19 In its mid-term reset, the Assembly agreed three strategic portfolios for the remainder of this term to ensure the Bailiwick's essential service, policy and infrastructure requirements are secure going forward. The main priorities of this government have been agreed as:

I. Public service resilience, security and governance;
II. Housing, infrastructure and the economy; and
III. Sustainable health and care services.

[29] Policy & Resource Plan - Phase 2, Billet d'État XII, 2017
[30] Government Work Plan 2023-25 Billet d'État I, 2024

7.20 The total additional funding being recommended for such initiatives in this 2025 Budget is £1.2m in Committee cash limits and £3.6m in the Budget Reserve. The cash limit funding includes amounts previously agreed such as for Guernsey Finance, the Adult Learning Plan and the Sexual Assault and Referral Centre pilot. It also includes funding for Active 8, the Nature Commission and supporting the Paris air route, as requested by Committees through the budget setting process.

7.21 The proposed provision of £3.6m for GWP strategic actions covers the full portfolio of prioritised initiatives, including estimates for additional costs to deliver the Housing Action & Delivery Plan, work on establishing an Energy Commission, Tier 3 and 4 Healthy Weight Strategy, the Capacity Law, sustainable healthcare delivery modelling and supporting further air route connectivity.

7.22 The Policy & Resources Committee has proposed an allocation that should allow sufficient funding for progress to be made on all prioritised actions. Committees can request funding from this provision once plans are suitably developed, accompanied by a proportionate funding request.

7.23 The Policy & Resources Committee is also recommending that the States support the proposed Victor Hugo Centre as an economic enabler for the island. This is being driven forward by a charitable company which is designing the centre and raising the funds necessary. The plan of building works and installation of exhibitions is due to commence in 2026 through to mid-2028, with a view to the centre becoming operationally active in July 2028.

7.24 The aim of the Centre is to introduce its visitors to Hugo's literary achievements and visionary advocacy of human rights, as well as demonstrating how Guernsey inspired and influenced his work. As a cultural destination, the Centre would attract new visitors to the island and increase the visitor economy as well as bringing a prime space to St Peter Port for creative arts to be exhibited or for events to be held, therefore providing a benefit to St Peter Port restaurants, cafés and retail in general. There are also wider economic and social benefits with significant educational potential as well as being aligned with the States' aim to develop the east coast, one of the key themes being culture, heritage, tourism and leisure.

7.25 In September 2022 agreement in principle was given for the Centre to occupy the former States office building on the harbour front of St Peter Port. Both the Policy & Resources Committee and the Committee *for* Economic Development believe that the proposed Victor Hugo Centre would bring significant economic and social benefits to the island. It is therefore **recommended that the States provides match funding of £1 of funding for every £2 raised by the Victor Hugo Centre LBG, up to a maximum of £2.5m** [Proposition 21]. A provision will be made in the 2026 Budget upon commitment from the Assembly.

Housing

7.26 The construction sector has for some time highlighted the shortage of construction workers and the challenge of finding them suitable accommodation. In order to assist, the Policy & Resources Committee is driving forward an initiative to build a construction village, or villages, to house off-island construction workers to ease the current pressure on the industry. This will require initial funding to develop, however, it is thought this investment will be recouped by the States through future construction contracts. The early indication is that an investment of c£5m would be required, subject to a proportionate business case.

7.27 The Policy & Resources Committee is also acutely aware that despite a pipeline of affordable (including key worker) housing developments, there is a significant lag until any further accommodation will become available. Therefore, the Committee also intends to explore options for the fast delivery of key worker housing units. This would provide interim short-term accommodation in a bid to ease key worker recruitment challenges as a result of a shortage of appropriate accommodation.

7.28 Given the ability for this to act as a catalyst for further construction and housing development, **it is recommended that the projects to build a construction village and temporary key worker housing are added to the States' Major Projects Portfolio for this term.** [Proposition 22]

7.29 In addition, proposals for rent-a-room relief (paragraphs 5.27-5.29) and the halt to the removal of interest relief on domestic let properties (paragraphs 5.18-5.19), are included in this Budget which are aimed at helping to alleviate the current housing issues.

Funding & Investment Plan

7.30 The F&I Plan is an integral part of the 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.

7.31 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.

7.32 The States agreed in the October 2023 F&I Plan[31] debate, that the financial position of the States requires urgent attention, and that the current level of the General Revenue Reserve should be maintained during this political term.

[31] Billet d'État XVII, 2023 Resolutions V 1 and V 3

7.33 Due to unplanned cost and income pressures, the forecast 2024 position is some £36m worse than the published F&I Plan, and with continued inflation and demand pressures there is a risk of this gap widening further. The budget measures proposed aim to address this and overall, the projected 2025 surplus is £5m higher than that estimated in the 2023 F&I Plan. While budgeted expenditure is higher owing to inflation, demand pressures and lower savings than expected, this has been more than offset by higher income.

7.34 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. These pressures are not new or unique to Guernsey and most developed jurisdictions are facing similar pressures as their populations age.

7.35 While this Budget allows for short-term financial security to address the immediate financial pressures, it does not remove the underlying structural deficit. The estimated 2025 revenue surplus is still insufficient to afford the required investment in essential infrastructure.

7.36 As part of the F&I Plan debate the States resolved to direct the Policy & Resources Committee to return to the States by September 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position. Agreeing the proposals in this Budget does not change the requirement to do this and this will remain the urgent priority of the next term of government.

Unincorporated Trading Entities

7.37 Table 16 details the forecast net profit/(loss) for each of the unincorporated trading entities:

£'000	2025 Budget	2024 Forecast	2024 Budget	2023 Actual
Guernsey Ports	(1,570)	(4,484)	(2,560)	(4,878)
Guernsey Waste	(2,562)	(1,735)	(2,461)	(2,019)
Guernsey Dairy	(315)	(325)	(537)	(90)
Guernsey Water	307	43	(474)	(1,417)
States Works	1,009	673	741	744
Total (Loss)	**(3,131)**	**(5,828)**	**(5,291)**	**(7,660)**

Table 16

7.38 One of the core principles of the operation of the unincorporated trading entities is that they should raise sufficient revenues to fund all their expenditure (including capital). However, the only trading asset to be consistently recording a surplus is currently States Works.

7.39 The trading entities operate at arm's length but provides both a commercial service as well as a public benefit. Whilst income raising and cost efficiency measures are robustly managed, the mixed nature of the trading entities and the subscale nature of some of the operations results in losses that require taxpayer funding through General Revenue.

Guernsey Ports

7.40 Guernsey Ports has received significant funding from General Revenue in recent years, after the significant losses due to the reduction in passenger numbers during the COVID-19 pandemic depleted its limited reserves. While passenger numbers have somewhat recovered, they remain suppressed. Funding agreed by the States to date is outlined below:

- In 2020 £5.3m of funding from General Revenue was agreed and a further £8.6m in 2021.
- In 2022 the Policy & Resources Committee agreed to make a loan facility of £4.5m available to the Ports in 2022 while trading recovered to more normal levels. However, when trading did not return to levels sufficient to enable the Ports to repay the overdraft, the States agreed in the 2023 Budget a transfer, equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022.
- The States also agreed to fund the 2023 deficit, noting that this assumed that depreciation was a proxy for capital spend. In 2023, the actual capital expenditure was £150k higher than depreciation, and as the States had agreed to fund the depreciation (rather than capital expenditure) at that point, this impacted the net cash position of the Ports by £150k.
- In the 2024 Budget the States agreed for a provision within the 2024 Budget for a transfer to Guernsey Ports to fund its 2024 cash requirements, which were estimated at £4.0m (based on operating deficit plus planned capital expenditure).

7.41 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 in 2024. However there has been some public and political opposition to the tariff increases for mooring fees and as a result the proposed 2025 increases are not as high as originally planned (they have been scaled back from increases of between +12% and +22% above inflation, to +3% above inflation).

7.42 The latest forecasts for 2024 indicate a net deficit after depreciation of £4.5m for Guernsey Ports, which is significantly worse than the budgeted loss of £2.6m for 2024. The operating loss for 2024 is forecast at £1.7m and capital expenditure estimated at £4.9m, which would indicate a cash requirement of £6.6m, £2.2m higher than the £4.0m agreed by the States.

7.43 In addition, as part of its budget submission the States' Trading Supervisory Board has highlighted the current 2024 overdraft of £3.2m and requested that this is funded by way of a transfer from General Revenue. However, it is the Policy & Resources Committee's view that this should not be cleared. The overdraft at the end of 2022 was cleared and the 2023 loss funded (with only the £150k difference between depreciation and actual capital expenditure remaining unfunded). Any current overdraft is therefore primarily a result of a deterioration in working capital and the 2024 cash requirements being higher than anticipated.

7.44 The Policy & Resources Committee has requested that the States' Trading Supervisory Board provide it with an update on how it intends to manage within the £4m funding agreed by the States.

7.45 The States' Trading Supervisory Board expects the net position for Guernsey Ports to improve to a £1.6m loss in 2025. The Policy & Resources Committee notes that the operating position (before depreciation) is now budgeted as a £1.5m surplus, indicating some positive signs for the Ports' financial position. However, this is insufficient to afford the £4.0m budgeted capital expenditure.

7.46 The Policy & Resources Committee is **recommending that the States approve provision within the 2025 Budget for a transfer to Guernsey Ports to fund its 2025 cash requirement, and to reflect the difference between depreciation and capital expenditure in 2023, in total estimated at £2.6m** [Proposition 23].

7.47 As part of the 2025 Budget setting process, the States' Trading Supervisory Board recommended that a medium-term subsidy is considered for Guernsey Airport, effectively offsetting the inability to breakeven owing to the subscale nature of the Island's airport. The initial recommendation suggested a value based on current losses and capital expenditure.

7.48 The Policy & Resources Committee's view is that the taxpayer should not be asked to fund the airport deficit. However, the Committee does recognise the economic value created by the Ports and therefore considers that an ongoing grant to the Airport may be of value.

7.49 Further work is necessary prior to making recommendations to the States, such as understanding any requirement to separate the Harbours and Airport financial reporting and the consideration of options for incorporation.

7.50 **It is recommended a study be undertaken, led by the Policy & Resources Committee and working with the States' Trading Supervisory Board and the Committee *for* Economic Development, on a potential subsidy for Guernsey Airport, to be presented in 2025.** This should include a review of the impact of the Ports on the wider economy and options for maximising the benefits to the island's economy. [Proposition 24].

Guernsey Waste

7.51 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 because of the combined success of the new household waste and recycling collections introduced in 2018, losses were incurred.

7.52 In September 2022, following consideration of a States' Trading Supervisory Board policy letter titled "Future Waste Charges"[32], the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97m for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards. In the 2024 Budget it was agreed by the States that this funding would be made by way of a transfer from General Revenue to Guernsey Waste.

7.53 For 2025, the forecast trading deficit before depreciation is £472k and the latest 2024 forecast is a surplus before depreciation of £539k (against a budgeted deficit of £508k).

7.54 Owing to the dependence of the Future Inert Waste project on the outcome of a future policy letter on the strategic use of Les Vardes Quarry, the 2025 Budget estimate includes income and costs relating to the future handling and processing of inert waste due to the current inert waste site being at capacity. The 2024 Budget also assumed these double handling costs. However, the 2024 forecast is favourable to budget due to the site reaching full capacity later than initially expected resulting in a delay to the double handling charges being incurred.

7.55 The Policy & Resources Committee is **recommending that the States approve provision within the 2025 Budget for a transfer to Guernsey Waste to fund its 2025 operating loss, which is estimated at £0.5m** [Proposition 25].

[32] Billet d'État XIII, 2022

Guernsey Dairy

7.56 The Guernsey Dairy has been running with small trading losses in recent years and 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.

7.57 The Future Guernsey Dairy Project is a 'pipeline' scheme within the reprioritised capital portfolio 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.

7.58 The Committee *for the* Environment & Infrastructure has also been carrying out a review of the dairy industry and is preparing a policy letter, to be debated by the States before the end of Quarter 1 2025. This may lead to changes in the way the States supports the local dairy farming industry, and decisions made will also have a bearing on the preferred option for future Dairy funding and/or operations.

7.59 Following the States' consideration of this policy letter, the Policy & Resources Committee, the States' Trading Supervisory Board and the Committee *for the* Environment & Infrastructure will explore the options for the strategy and future funding for the Guernsey Dairy and report back on progress as part of the 2026 Budget Report.

7.60 In the meantime, the Dairy's reserves are fully depleted and with a break-even position before depreciation, it is unable to fund essential infrastructure. As part of the 2024 Budget the States agreed to write off the previously agreed overdraft as at the end of 2023 (2023 Actual: £361k). In addition, the States agreed to fund the Dairy's 2024 cash requirement which is estimated at £0.7m.

7.61 It is now expected that a loss of £325k will be made in 2024, with a further loss of £315k in 2025. When capital expenditure is included instead of depreciation, the cash requirement is estimated at £0.4m for 2024 and £1.3m for 2025.

7.62 In 2024, the States' Trading Supervisory Board highlighted the need for additional funding to continue to operate at the current site. A condition survey by consultants NIRAS had highlighted potential cost of up to £15m to maintain the safe and compliant operations of the processing facility for the next seven years. The States' Trading Supervisory Board considered the report recommendations and suggested that this spend could be reduced to £6.25m over four years, on the basis that the project is prioritised in the next States term. This profile of spend is knowns as the "NIRAS lite" profile.

7.63 On consideration, the Policy & Resources Committee noted that whilst the planned four-year works costing £6.25m were essential to better manage operational risks at the Dairy, given the upcoming dairy industry policy letter it was unable to agree to the full four-year funding profile prior to this debate and, therefore, requested that the States' Trading Supervisory Board only commit to work that is deemed absolutely essential at this time.

7.64 Following advice on the highest priority items, the Policy & Resources Committee agreed to fund essential works to the value of £1.97m in 2024 to allow for the safe operation of the dairy facility. The 2025 element of this is included in the Dairy's estimated capital budget.

7.65 The Policy & Resource Committee is **recommending that the States approve provision within the 2025 Budget for a transfer to Guernsey Dairy to fund its 2025 cash requirement, which is estimated at £1.3m** [Proposition 26].

Guernsey Water

7.66 Guernsey Water is forecasting a small surplus for 2024, increasing to a budgeted surplus of £0.3m for 2025. In 2024 the Policy & Resources Committee agreed for Guernsey Water to borrow a further £3.9m from the bond, to help to fund its capital priorities. This has brought the outstanding balance of bond loans to Guernsey Water, as at 30th September 2024, to £15.4m.

States Works

7.67 States Works is forecasting a net surplus in 2024 of £0.7m, increasing to a £1.0m surplus in 2025. While this is a reassuring position, in reality a sizeable portion of States Works' revenues and therefore reserves are from the States of Guernsey's General Revenue funded Committees (20%) and the unincorporated trading entities (64%) which are partly General Revenue funded.

7.68 Given this ongoing funding from General Revenue for the unincorporated trading entities, the Policy & Resources Committee considers it appropriate that a dividend is agreed to be paid to the General Revenue Reserve.

7.69 States Works' 2025 Budget includes planned capital spend of £3.6m for 2025, which while at a similar level to the 2024 forecast capital spend, is significantly higher than the actual level of capital spend in 2023 which was £1.4m. Even after this increased capital expenditure, States Works expects to finish 2025 with cash reserves of £1.3m. A return of funding of a minimum of £0.75m has been agreed with the States' Trading Supervisory Board but the Policy & Resources Committee believes that up to £1m could be considered affordable.

7.70 The Policy & Resource Committee is **recommending that the States approve provision within the 2025 Budget for a return of funding from States Works to the General Revenue Reserve, estimated at £0.75m** [Proposition 27].

International Public Sector Accounting Standards (IPSAS)

7.71 The States are implementing International Public Sector Accounting Standards (IPSAS), a global 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.

7.72 The intention is that the full transition to IPSAS compliant accounts will be completed in time to be reflected in the 2024 financial statements. In the States of Guernsey's Accounts for 2022 the first key steps on the transition were taken by recording the fixed tangible assets of the States of Guernsey in the Statement of Financial Position, as well as integrating the accounts of General Revenue and Social Security Contributory funds in one consolidated set of accounts. The 2023 States of Guernsey Accounts incorporated three further significant changes:

I. The asset value of the unincorporated trading entities (Guernsey Ports, Guernsey Water, Guernsey Dairy, States Works and Guernsey Waste) was recognised on the Statement of Financial Position. This means that contributions from General Revenue, whether for capital spend or to support losses, were no longer recognised as expenditure but shown as a balance sheet movement. However, the Statement of Financial Performance (revenue account) will show any annual impairment on this investment.

II. A change in accounting policy with respect to Social Benefits to align with IPSAS 42. Social Benefits are defined as cash transfers to individuals or households who meet the eligibility criteria with the intention of mitigating the effect of social risks and addressing the needs of society as a whole. IPSAS 42 directs that the full value of social benefits are recognised once the conditions for the benefit to be paid have been met, meaning that in the accounts the payments as they fall are recognised, and the accounting adjustments which aim to reflect exactly a year's worth of costs are no longer included.

III. The recognition of intangible assets acquired or internally generated from 2023 onwards.

7.73 While the budgeting framework and process has different objectives to IPSAS-based accounts, it is intended that the relevant IPSAS related changes will be reflected in the budgetary framework over time. The intention is that the budgetary framework mirrors the changes made to the year-end accounts where relevant and appropriate.

7.74 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.

7.75 The Budget supports the objective of balancing the States' financial position in line with the Fiscal Policy Framework, by ensuring that public income and expenditure is controlled and approved by the States. As a result, the budgetary framework will not seek to consolidate arms-length entities and the incorporated trading entities, however any investment in these entities by way of grants or other funding from the States will be included in the budget.

7.76 For this Budget, certain changes that were adopted in the 2023 States' accounts have been included:

I. The net deficits of the unincorporated trading entities which make a loss has been reflected as a net cost in the General Revenue budget (previously the financial contributions required from General Revenue Reserve were reflected). However, it is important to note that the States will still be asked to agree the overall funding to be made available for 2025 from General Revenue for these trading entities.

II. The adoption of IPSAS 42 for Social Benefits, meaning that those years where there are 53 (rather than 52) payment weeks in a year, additional Income Support and/or States Pension payments will be recognised (previously accounting adjustments would have resulted in 365 days' worth of outgoings being recognised). There are 52 payment weeks in 2025, and 2024 was a leap year, therefore there are expected to be two days less expenditure in the 2025 Budget compared to the 2024 Budget.

7.77 The 2025 Budget again includes a depreciation budget, as well as a budget for revenue costs associated with capital projects, i.e. those costs that have been funded from the portfolio but are revenue expenditure in nature.

7.78 For the 2024 Budget, to aid comparison to the Accounts and the General Revenue Budget, an "Overall States of Guernsey" schedule was included and this has again been prepared incorporating the following elements:

I. The income and expenditure on Social Security contributory schemes;

II. The investment gains and financing costs relating to other reserves such as the Core Investment Reserve; and

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

Reducing the Cost of Public Services

7.79 The Reducing the Cost of Public Services Sub-Committee was constituted following Resolution 7[33] of the Tax Review debate in which the States agreed:

"To direct the Policy & Resources Committee to establish a Sub-Committee working with Principal Committees, the States' Trading Supervisory Board and wider States Members, and after effective engagement with the community, to identify and review essential community services and to consider whether structural change, cessation, outsourcing and/or commissioning of those services could deliver significant savings having regard to:

- the relevance of universal offers in the provision of services;
- value for money and the opportunities for potential efficiencies in service delivery;
- the operating models for the States' trading assets;
- and to incorporate these into a medium-term plan for delivering overall cost reductions of at least £10m-£16m over five years to be considered by the States by the end of 2024."

7.80 This Sub-Committee was constituted against a backdrop of a number of recent cost-cutting programmes in the States, which limit the ability for further significant savings to be delivered:

I. The Financial Transformation Programme[34] ran for five years delivering £28.7m of recurring savings and multiple non-financial benefits which contributed to a more cost-conscious organisation and greater cross-departmental working.

[33] The Tax Review: Phase 2, Billet d'État III, 2023 Resolution 7

[34] Financial Transformation Programme - End of Programme Report, Billet d'État IX, 2015

II. A further savings programme was rolled out in 2017[35]. The majority of States Committees absorbed the target of 3% savings in the first year, followed by 1% in 2018.

III. The 2018 Medium Term Financial Plan[36] set a further savings target of £26m. To date a total of c£8m to the end 2023 has been achieved, with several significant challenges hitting the States in this period, including the COVID-19 pandemic. In addition to this a savings target of £4.0m was included in the 2024 Committee Budgets.

7.81 To support its work, the Sub-Committee invited suggestions from the community, States Members and public service employees on how the cost of public services could be reduced. 865 people responded across the three surveys, submitting 2,385 ideas. Each idea was reviewed and independently scored based on its potential savings, funding and resource requirements, any financial risk to other services, social and environmental impact, feasibility and wider economic impact.

7.82 The Sub-Committee has now completed its engagement with Principal Committees and wider stakeholders and has developed a series of recommendations which, with support from the mandated Committees, it believes will help the States deliver savings.

7.83 A copy of the Sub-Committee report is included as Appendix VII. The Tier 1 ideas can be divided into four key themes (although it should be noted that some ideas span more than one theme):

I. Digitalisation initiatives including e-billing and improved collection of charges, and the expansion of the services managed through MyGov. Further digitalisation should increase the public's engagement with the States through digital channels and streamline internal operations for better service delivery.

II. Focused spend initiatives intended to restrict or limit payments made by the States to external organisations or individuals based on relative need. The Sub-Committee has prioritised reviews of family allowance, the Health Benefit Grant, prescription charges, wider benefits criteria, and the grants provided by the Committee *for* Education, Sport & Culture.

III. Operational Change initiatives to current processes and service structures, reducing the time, effort and materials needed to deliver the States' current processes. This includes the introduction of e-rostering, a requirement for upfront service payments, and efficiencies in pharmacy services.

[35] 2017 Budget Report, Billet d'État XXVI, 2016
[36] Medium Term Financial Plan 2017-2021

IV. Strategic Transformation initiatives which change how services are delivered rather than just improving current processes. These initiatives, however, require the most resource, time, and funding to achieve and need to take place holistically due to their wide-reaching implications. It will not be possible for the organisation to rapidly deliver strategic programmes in all services. The Sub-Committee has noted the transformation programmes already underway and is not seeking to reassess or deprioritise these workstreams. It has, however, highlighted two strategic areas that still require States' decisions or need further funding, and which were frequently suggested as part of the Sub-Committee's consultation - the Sustainable Health and Care Portfolio (including consideration of the Universal Offer) and Reshaping Government.

7.84 The Sub Committee has recommended that the States direct Principal Committees to investigate these initiatives further or, where possible, implement the changes needed to deliver savings.

7.85 The Sub Committee has also recommended that the Policy & Resources Committee:

I. Include the Tier 1 initiatives and the Sub-Committee's work in the handover to its successor and that their further investigation should form part of the GWP and committee work plans proposed at the start of next term;

II. Recommend in any handover that the States apply rigorous prioritisation to their work next term, including consideration of cost reduction needs;

III. Coordinate resource requests to ensure that resources are applied to the Tier 1 initiatives to enable them to be explored further and/or delivered as soon as possible; and

IV. Apply a revised Fees and Charges Directive across the organisation and coordinate the ongoing cyclical review of fees and charges.

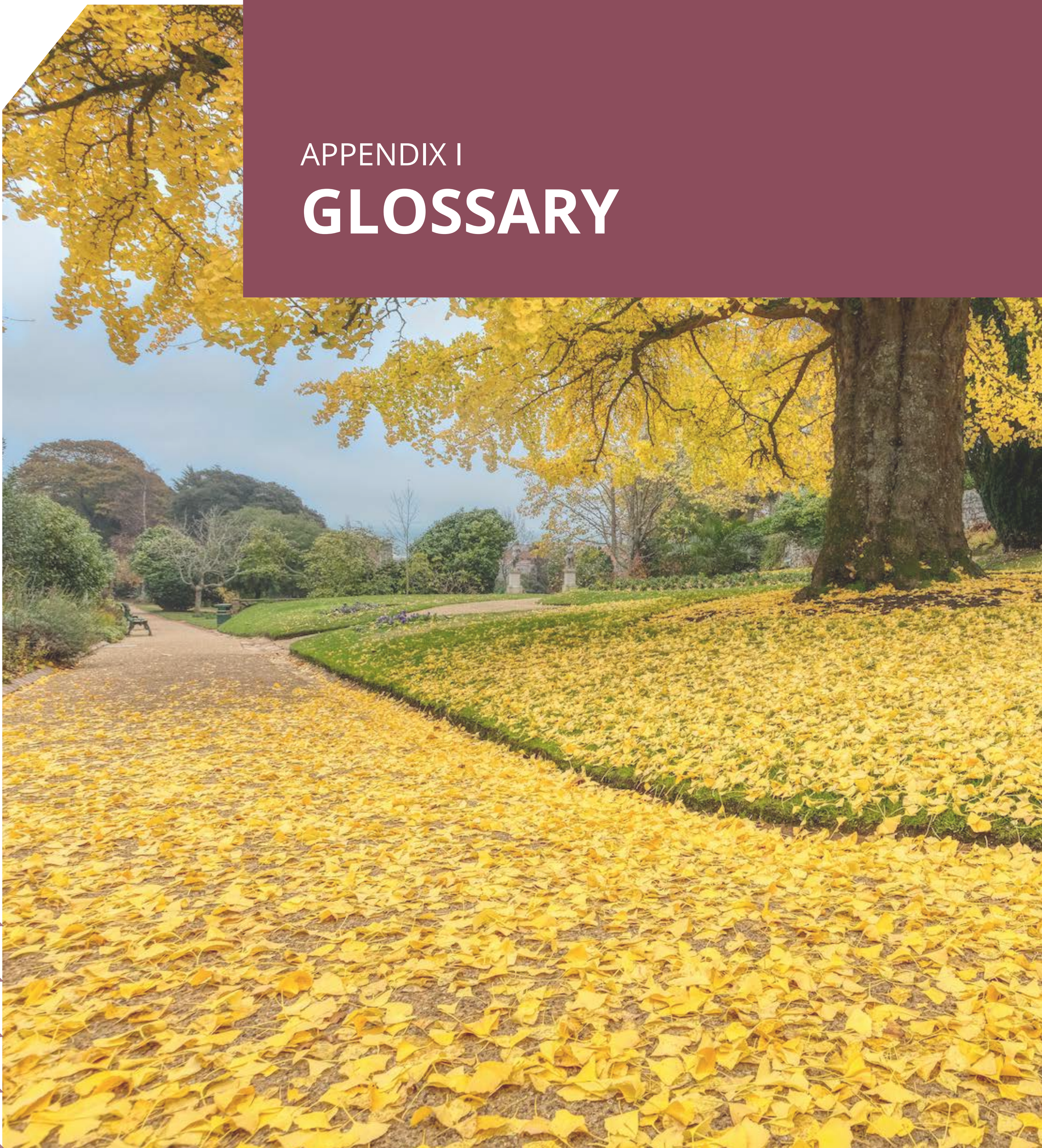
7.86 Now that this work has been completed, further work will be overseen by the Policy & Resources Committee, and the Sub-Committee will be dissolved.

7.87 It is noted that the F&I Plan assumed that recurring savings of £4m would have been delivered by 2025 (increasing to £5.5m in 2026), and this is a contributing factor to the 2025 budgeted costs being higher than the F&I Plan assumptions.

7.88 The Policy & Resources Committee recommends that **the States agree the Tier 1 initiatives as detailed in Paragraph 7.83 and directs Principal Committees to investigate these opportunities further or, where possible, implement the changes needed to deliver savings.** [Proposition 28]

APPENDIX I

GLOSSARY



Glossary

Assets

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

Assumptions

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

Bond Reserve

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

Capital Investment / Capital Expenditure

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

CARF

Crypto-Asset Reporting Framework

Cash Limit

The Cash Limit for each Committee represents the amount agreed by the States of Deliberation for funding the activities in that Committee's mandate over the coming year. They act as a way of ensuring budgetary control and to ensure that public spending stays within agreed limits. Whilst Committees have the authority to reprioritise expenditure on areas within their mandate, this must be from within their agreed Cash Limits.

Contributory Funds / Social Security Funds

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

Cost Per Capita

This is an expression of cost (in this report Government spending) divided by the number in the population.

Core Investment Reserve

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

Core Government

Core Government activities of the States of Guernsey include:

1. General Revenue funded areas including Revenue income, Expenditure for Committees, Authorities and Commissions and the cost of the States of Deliberation and Members
2. The Long-Term Care Insurance scheme
3. Guernsey Insurance scheme
4. Other Reserves such as the Bond Reserve and Core Investment Reserve.

Depreciation

Refers to an accounting method used to allocate the cost of a tangible, or physical, asset over its useful life.

ETI

ETI (Employees' Tax Instalment) refers to income tax from employed individuals which is deducted from wages and paid to the States of Guernsey by the employer.

Funding & Investment Plan (F&I Plan)

This is the Government's medium term financial plan and sets out the financial planning framework for this term of government, within which the States will operate. It addresses how the priorities of the States including the GWP and schemes within the capital portfolio should be funded and financed.

Financial Year / Reporting Period

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

Fiscal Policy Framework

Set of rules agreed by the States governing tax levels and public spending. They commit the States to a guiding principle of permanent balance meaning in the long-term the States should not spend more money than it receives in taxes and other sources of income.

Formula-Led Expenditure

Formula led means that expenditure is based on a set of agreed rules and principles, for example benefits paid under the Income Support Scheme, with the cost of the scheme changing in line with demand. Whilst there is an estimated budget based on reasonable predictions of cost and demand at the time of setting the budget, this does not represent a formal "cash limit."

FTE (Full-Time Equivelant)

Full-time equivalent (FTE) is a unit of measurement for the number of full-time hours worked by all employees in a service area. This is different to headcount which is a count of the individuals employed. For example, if there are four part-time employees who each work 50% of the standard hours, this would equate to two FTEs. Using FTE rather than headcount allows for comparisons to be made to assess total staffing levels and make like for like comparisons between years and service areas.

General Revenue

The income raised from general taxation and duties and the expenditure on delivering the mandated responsibilities of States' Committees and authorities.

General Revenue Reserve

This reserve retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Revenue Reserve there are a number of earmarked funds as well as the unallocated Balance, which is used for managing any in-year shortfalls in income compared to government expenditure including capital expenditure, transformational projects and GWP initiatives.

General Revenue Surplus / (Deficit)

The surplus or deficit relating to General Revenue.

GDA

Guernsey Development Agency

GDP

Gross Domestic Product is a measure of the size of an economy. In Guernsey this is calculated as the sum of compensation of employees (such as wages and pension contributions), gross operating surplus (such as company trading profits), remuneration and profits of sole traders and the income of households.

GST

Goods and Services Tax is a type of tax levied on most goods and services sold for domestic consumption.

Guernsey Housing Association

Guernsey Housing Association

Guernsey Health Reserve (GHR)

The Guernsey Health Reserve is an earmarked reserve within the General Revenue Reserve used to support the long-term sustainable provision of health and social care services, manage unanticipated health spending pressures on an in-year basis and to manage demographic pressure on the provision of these services. This Reserve was created in January 2022 when the Guernsey Health Service Fund (previously part of the Contributory Funds) was ring fenced and retained within the General Revenue Reserve as the Guernsey Health Reserve (GHR).

Guernsey Insurance Scheme

Provides financial assistance during old age, bereavement, incapacity, unemployment, maternity /early parenthood and death.

GVA

Gross Value Added is a measure of how much each sector contributes to Gross Domestic Product.

GWP

The Government Work Plan is the framework that sets out the prioritised work for the States term (2021 – 2025), linking it to the resources available both in terms of funding and people.

HVO

Hydrotreated Vegetable Oil

Inflation

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

Impairment

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

Insurance Deductible Fund

An earmarked fund within the General Revenue Reserve that is used to fund expenditure on the self-insured element of insurance settlements that are paid during the financial year.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Investment Returns

A gain or loss in the value of investments, which is unrealised until such time as an investment is sold.

Interest Rates

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

IPSAS

International Public Sector Accounting Standards that are issued by the International Public Sector Accounting Standards Board.

Liquid Assets

A type of asset that can be rapidly converted into cash while keeping its market value.

Long-Term Care Insurance Scheme

The Long-Term Care Insurance Scheme is designed to assist with the cost of providing care in private nursing and residential homes.

Major Projects

Large projects, such as transformation projects, or infrastructure investments such as the building of a school. Currently any project with a value of over £2m would be a major project.

Major Projects Portfolio

The group of major projects that have been prioritised and agreed by the States of Deliberation.

MUP

Minimum Unit Pricing for alcoholic beverages.

Net Surplus / (Deficit)

The difference between revenues and total expenditure. A deficit means more has been spent than comes in. A surplus means more was raised than was spent. Net surplus / (deficit) includes all accounting transactions (see also: Operating Surplus / Deficit).

NICE TAs

National Institute for Health and Care Excellence (NICE) technology appraisals (TAs) are recommendations on the use of new and existing drugs and treatments.

Nominal Prices

The current, face value price of a good or service in monetary terms without taking account of inflation.

OECD

Organisation for Economic Co-operation and Development

Operating Surplus / (Deficit)

Defined as revenue income less Committee revenue expenditure. This level of surplus or deficit only reflects the day-to-day expenditure of the States and does not include any capital expenditure or depreciation (see also: Net Surplus / Deficit).

Pipeline

The pipeline consists of agreed major project schemes requiring development work and that are likely to commence after this political term. Those schemes identified as pipeline can access limited funding in this political term for preliminary work to provide clarity in terms of direction and scope.

Pillar 2

Pillar 2 is part of the two-pillar solution to address the tax challenges arising from digitalisation of the economy included in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. Under the application of Pillar 2 Multinational Enterprises with revenues above EUR 750 million pay at least a minimum level of tax (15%) on the income arising in each of the jurisdictions in which they operate.

Principal Committees

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

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

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

- States' Trading Supervisory Board
- Development & Planning Authority
- Scrutiny Management Committee

Public Sector

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

Real Prices

The price for goods or services relative over time including inflation.

Reserves

Reserves can refer to either Accounting Reserves or Treasury Reserves:

Accounting reserves refer to balances that equate to the net assets of the States as of 31st December. Since the adoption of the IPSAS framework of accounting this includes an accounting adjustment reserve. Non-cash items such as depreciation and accounting provisions are accounted for through the accounting reserves.

Treasury reserves refer to liquid assets and investments held to meet projected funding requirements, as well as funds held aside for specific or future use.

For the purposes of this Budget Report, "reserves" refers to Treasury Reserves.

Routine Capital Expenditure (formerly Minor Capital Expenditure)

Expenditure on low-value routine items/projects/assets such as police cars, IT infrastructure and routine maintenance projects such as property maintenance. This is currently limited to items of up to a maximum value of £2m, and it is proposed in this Budget that this is increased to £3m.

RICE

Revenue impact of capital expenditure is the revenue cost associated with capital projects, for example the cost of a service contract for a piece of equipment.

RPI

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

RPIX

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

Seized Asset Fund

An ear-marked fund within the General Revenue Reserve. 80% of net recovered criminal proceeds without an alternate claim are deposited into this Fund. The Fund can be used for improving the performance of the criminal justice system, reducing the crime rate, and repairing the damage caused by crime.

States' Trading Entities Reserve

Is an earmarked long-term reserve. It represents the book value of the shares held in the States' incorporated trading entities, as well as the asset value of the unincorporated trading entities.

Statement of Financial Performance

The Revenue and Expenditure account of the States of Guernsey.

Statement of Financial Position

The Balance Sheet of the States of Guernsey.

Strategic Portfolio

The strategic priority workstreams as defined in the Government Work Plan (GWP).

Structural Deficit

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.

Unincorporated Trading Entities

The unincorporated trading entities of the States consist of Guernsey Ports, Guernsey Water, Guernsey Waste, Guernsey Dairy, States Works. The States of Guernsey Budget includes these trading entities, although they are not fully consolidated in income and expenditure (in line with the 2023 accounts).

Incorporated Trading Entities

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

TRP

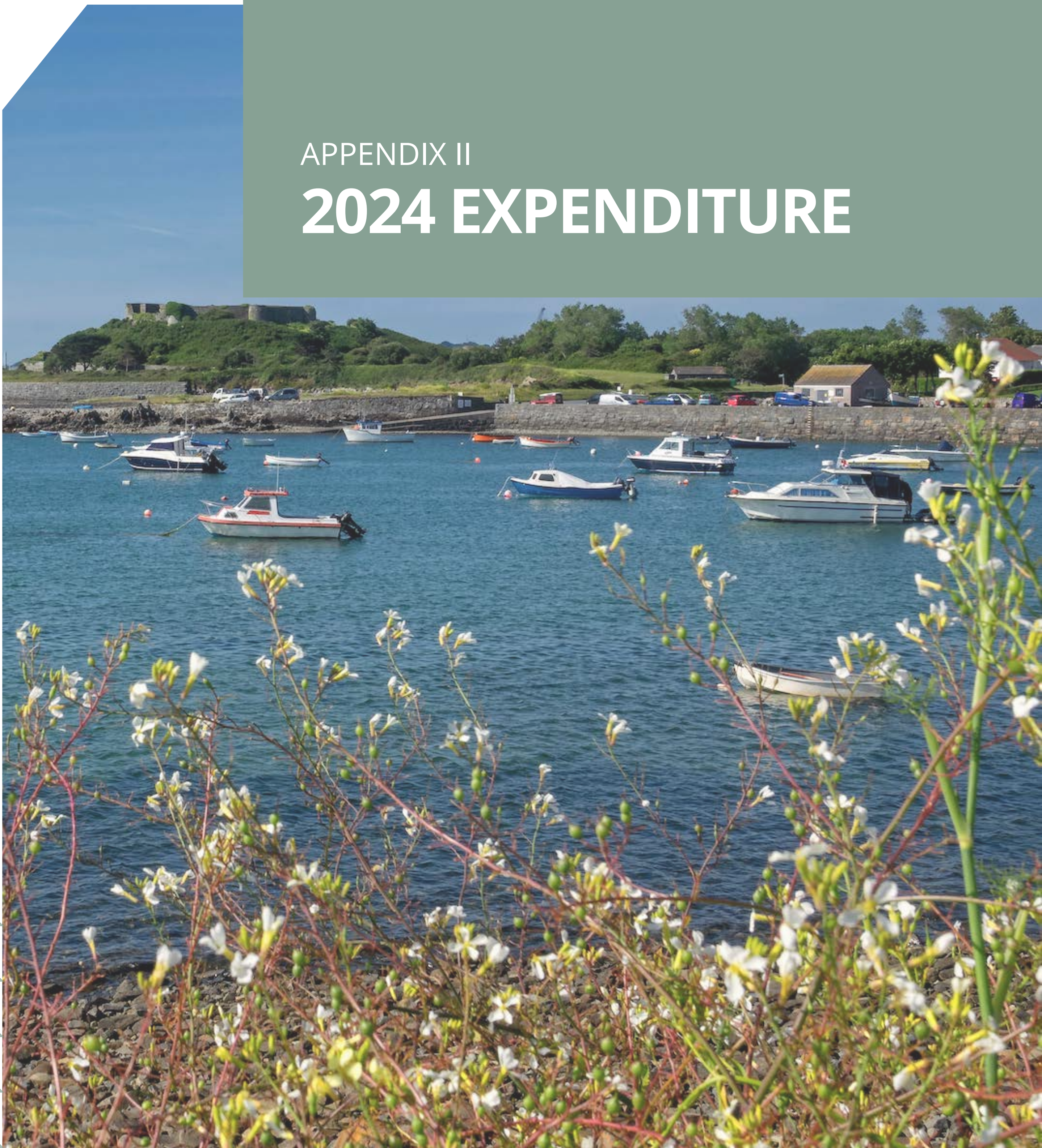
Tax on Real Property

VFRD

Vehicle First Registration Duty

APPENDIX II

2024 EXPENDITURE



2024 Expenditure

The following table details the 2024 forecast for each Committee[37] compared with Budget:

2024	Original Budget £'000s	Authorised Budget £'000s	Forecast £'000s	Anticipated (Over) / Underspend against Authorised £'000s
Corporate Services	79,208	79,673	78,346	1,327
Economic Development	10,122	11,024	10,980	44
Education, Sport & Culture	92,740	93,382	94,518	(1,136)
Employment & Social Security	12,631	14,401	13,540	861
Environment & Infrastructure	14,100	14,791	14,898	(107)
Health & Social Care	234,823	234,608	239,106	(4,498)
Home Affairs	40,285	40,752	40,112	640
Policy & Resources	13,204	18,412	18,407	5
Scrutiny Management	620	620	620	0
Development & Planning	1,563	1,563	1,787	(224)
Overseas Aid & Development	4,397	4,397	4,397	0
States' Trading Supervisory	1,781	1,991	1,969	22
Royal Court	2,846	2,846	2,846	0
Law Officers	7,828	8,112	7,671	441
Pooled Budgets	569	576	590	(14)
Total Cash Limit	**516,717**	**527,148**	**529,787**	**(2,639)**
Policy & Resources	2,136	2,136	2,136	0
Employment & Social Security	74,520	74,520	73,809	711
Total Formula Led	**76,656**	**76,656**	**75,945**	**711**
Total Cash Limit incl. Formula Led	**593,373**	**603,804**	**605,732**	**(1,928)**
Budget Reserve	6,497	71	1,147	(1,076)
GWP / Service Developments	11,383	8,795	7,371	1,424
Savings	(956)	(773)	(501)	(272)
Total Committee Expenditure	**610,297**	**611,897**	**613,749**	**(1,852)**

[37] 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 2024, the following amounts have been transferred into individual Committee Authorised Budgets from provisions made within the Original 2024 Budget:

- £2.3m of service developments and Government Work Plan funding for which the States approved provision in the 2024 Budget;
- £265k of Guernsey Health Reserve funding, and
- £6.4m of other transfers from the Budget Reserve to Committees.

In addition, £2.5m of GWP Transformation funding has been ringfenced as an allocation to the States Portfolio for the MyGov project.

£1.6m of Authorised Budget is for grants to the Guernsey Housing Association, this has been added to the budget of the Committee *for* Employment & Social Security.

During 2024 to date, £183k has been removed from Committee budgets to reflect cost savings made. These are £84k for the Property Rationalisation project when the Old Tobacco Factory lease was relinquished and £99k for power savings due to the closure of server rooms and a move to a new data centre, both removed from Corporate Services.

During 2024, there have been a number of adjustments to Authorised Budgets following budget transfers between Committees including:

- £582k to Corporate Services from the Committee *for* Health & Social Care for centralisation of Procurement; and,
- £284k to the Law Officers from the Committee *for* Economic Development so that all lawyers reporting through the Law Officers are budgeted in one place.

Cash Limit Expenditure

Cash Limit Expenditure is expected to be £2.6m over Authorised Budget. Forecast overspends across four Committees totalling £6.8m are expected to be partially offset by underspends in other areas totalling £4.1m. The major variances are forecast in the following Committees:

- Committee *for* Health & Social Care – the expected forecast overspend of £4.5m (2%) is primarily as a result of pay pressures because of recruitment and retention challenges and non-pay forecast pressures for Off-Island. This is partially mitigated by improved income as a result of higher use of private insurance and prescriptions.

- Committee *for* Education, Sport & Culture – forecast overspend of £1.1m due to a combination of factors including higher spend on accommodation, recruitment fees and higher education grant funding.

- Corporate Services – forecast underspend of £1.3m owing to vacancies across most service areas.

- Committee *for* Employment & Social Security – expected underspend of £0.9m primarily due to vacancies.
- Committee *for* Home Affairs – forecast underspend of £0.6m owing to staff vacancies across various service areas.
- Development & Planning Authority – forecast overspend of £0.2m due to non-pay, although expected to be corrected by a pending budget transfer.
- Committee *for the* Environment & Infrastructure – forecast overspend of £0.1m driven by the Bus Service.

Formula Led Expenditure

The forecast underspend of £0.7m in Formula Led expenditure is due to a lower cost of claims for Income Support (£0.9m) as more claimants are in work and £0.7m on Legal Aid due to less demand year-to-date than estimated. This is partially offset by increased demand for Severe Disability Benefit and Carer's Allowance.

Budget Reserve

The 2024 Budget Reserve was set at £6.5m. There has been some unexpected one-off expenditure in 2024, in particular related to sea links and connectivity. The budgeted £6.5m has already been transferred to budgets and it is forecast that a further £1.1m will be approved before the end of the year, but that this will be offset by underutilisation of the GWP and Service Developments, described below.

GWP / Service Developments

The 2023 Budget included a provision of £11.4m for funding Government Work Plan and other approved service developments.

£2.6m of this has been released into Committee budgets to date, including the £0.3m of Guernsey Health Reserve funding for Austism assessments. It is expected that a further £1.4m will be released into Committee budgets in 2024, with the balance being unspent in-year due to delays in the ability of Committees to progress initiatives. It is anticipated that the underspend against GWP and Service Developments will more than offset the additional demand on the Budget Reserve.

Savings Target

The 2024 Budget included an in-year savings target of £956k, in addition to the savings incorporated into Committee cash limits. £183k of the £956k target has been achieved to date with more expected to be achieved by the end of the year. The forecast is that savings will be c£300k lower than budgeted however work continues on delivering further savings from both procurement and property rationalisation.

APPENDIX III

ALLOCATED COSTS BY SERVICE AREA

Allocated Costs by Service Area

Central services are those provided to the organisation such as human resources (HR), finance, digital & technology services, property services and legal services. A large proportion of these costs (budgeted as £84.7m in 2025) are incurred centrally in the Corporate Services function. In addition, the cost of legal support provided to the organisation is incurred in the Law Officers' function (£1.9m in the 2025 Budget). These centrally incurred costs are part of the cost of delivering Committee mandates and apportioning these costs provides better visibility of the full cost of each service area.

In the following table, the proposed 2025 cash limits for each Committee[38] detailed in section 6 have been adjusted to include a reasonable allocation of these central services. A comparative figure prepared on a like for like basis is shown for the 2024 Budget.

[38] 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.

	2025					2024
	Proposed Cash Limit	Central Services to be Allocated	Central Services Allocation		Cash Limits Allocation	Cash Limits with Allocation
	£'000s	£'000s	£'000s	%*	£'000s	£'000s
Corporate Services	84,668	(84,668)	0	0%	0	0
Economic Development	12,202	0	1,293	2%	13,495	11,363
Education, Sport & Culture	92,868	0	27,657	32%	120,525	118,556
Employment & Social Security	13,281	0	1,177	1%	14,458	13,928
Environment & Infrastructure	15,001	0	1,139	1%	16,140	15,155
Health & Social Care	245,196	0	39,777	46%	284,973	272,243
Home Affairs	41,272	0	7,677	9%	48,949	47,607
Policy & Resources	14,516	0	4,175	5%	18,691	16,989
Scrutiny Management	613	0	81	0%	694	697
Development & Planning	1,487	0	586	1%	2,073	2,141
Overseas Aid & Development	5,024	0	56	0%	5,080	4,441
States' Trading Supervisory	1,799	0	350	0%	2,149	2,120
Royal Court	2,758	0	945	1%	3,703	3,806
Law Officers	7,946	(1,887)	757	1%	6,816	6,357
Pooled Budgets	1,018	0	112	0%	1,130	659
Total Cash Limit	**539,649**	**(86,555)**	**85,782**	**99%**	**538,876**	**516,062**
Policy & Resources	2,709	0	22	0%	2,731	2,158
Employment & Social Security	79,555	0	751	1%	80,306	75,153
Total Formula Led	**82,264**	**0**	**773**	**1%**	**83,037**	**77,311**
Total Cash Limit incl. Formula Led	**621,913**	**(86,555)**	**86,555**	**100%**	**621,913**	**593,373**

* The Central Services Allocation percentage is the proportion of the total allocation amount of £86.6m allocated to each Committee.

The basis of apportionment for each centralised service is as follows:

a) HR costs are allocated across all Committees in proportion to Committee Full Time Equivalent employees (FTE) as this is a reasonable approximation for the likely split of time spent by HR supporting each area.

b) Finance costs are allocated across all Committees in proportion to Committee expenditure, to reflect the likely split of time spent by Finance supporting each area.

c) For digital & technology services, the cost of running specific Committee aligned business applications (such as Income Tax systems or medical record systems) are allocated directly to the benefitting Committee. The remaining costs are allocated across all areas in proportion to user numbers.

d) Property services costs are allocated directly to the benefitting Committees where it is appropriate to do so, such as for school caretakers and hospital cleaning, whilst the remaining overhead costs are allocated across all Committees based on accommodated FTE.

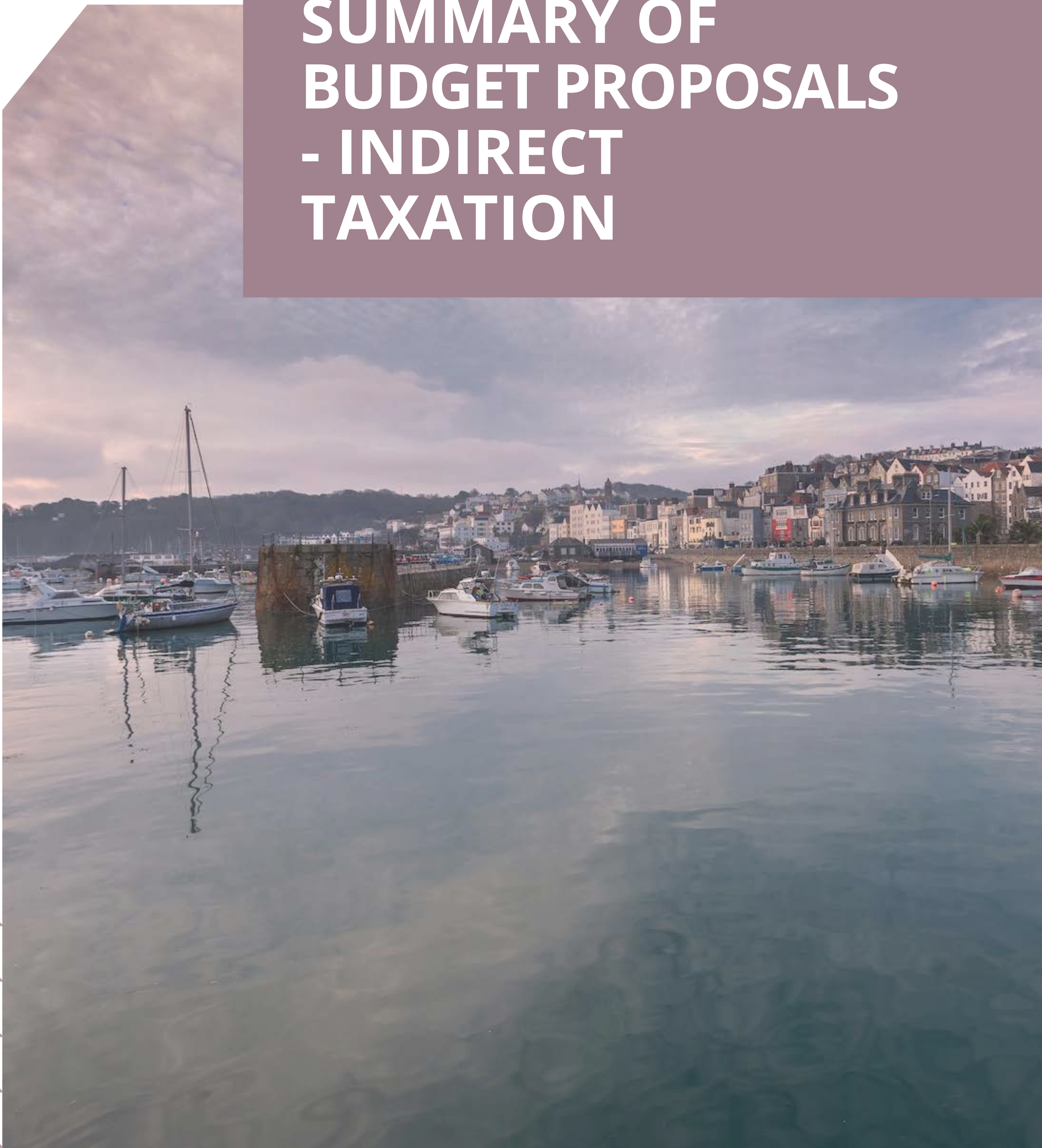
e) The cost of other centralised services, such as legal and procurement, represent a relatively small part of the total and are allocated across all Committees based on FTE.

Of particular note, the allocation of costs to the Committee *for* Health & Social Care is significant at £39.8m, which represents 46% of the total allocated cost. Half of the allocation relates to property services. The total revenue cost to the States for delivering health and social care services is therefore estimated at £285m.

The Committee *for* Education Sport & Culture allocation of costs is also significant at £27.7m, which represents 32% of the allocated cost for 2025. This relates mainly to property and IT Services. The total revenue cost of delivering services relating to education, sport and culture is estimated at £121m.

APPENDIX IV

SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION



Summary of Budget Proposals - Indirect Taxation

Duty on Tobacco

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

Duty on Alcohol

2025	Rate freeze - 0% increase	
2024	5.9% increase	(inflation forecast plus 2%)
2023	7.5% increase	(inflation forecast plus 1.5%)
2022	4.0% increase	(inflation forecast plus 1.5%)
2021	1.5% increase	(inflation forecast only)
2020	5.0% increase	(inflation forecast plus 2.3%)
2019	5.0% increase	(inflation forecast plus 2.5%)
2018	5.0% increase	(inflation forecast plus 2.3%)
2017	5.0% increase	(inflation forecast plus 2%)
2016	5.0% increase	(inflation forecast plus 2.5%)
2015	5.0% increase	(inflation forecast plus 2.5%)
2014	5.0% increase	(inflation forecast plus 1.7%)
2013	3.0% increase	(inflation forecast only)
2012	3.0% increase	(inflation forecast only)

Duty on Fuel

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

Document Duty

2025	Increase in thresholds in line with RPI since 2019; introduction of a higher band for conveyances for the proportion of the property value which exceeds £5m
2024	No Change
2023	Temporary reduction to encourage 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 £2m
2018	No Change
2017	Change to a graduated based system of calculating duty
2015-2016	No Change
2014	Increase in thresholds and temporary rate reductions for lower bands
2012-2013	No Change

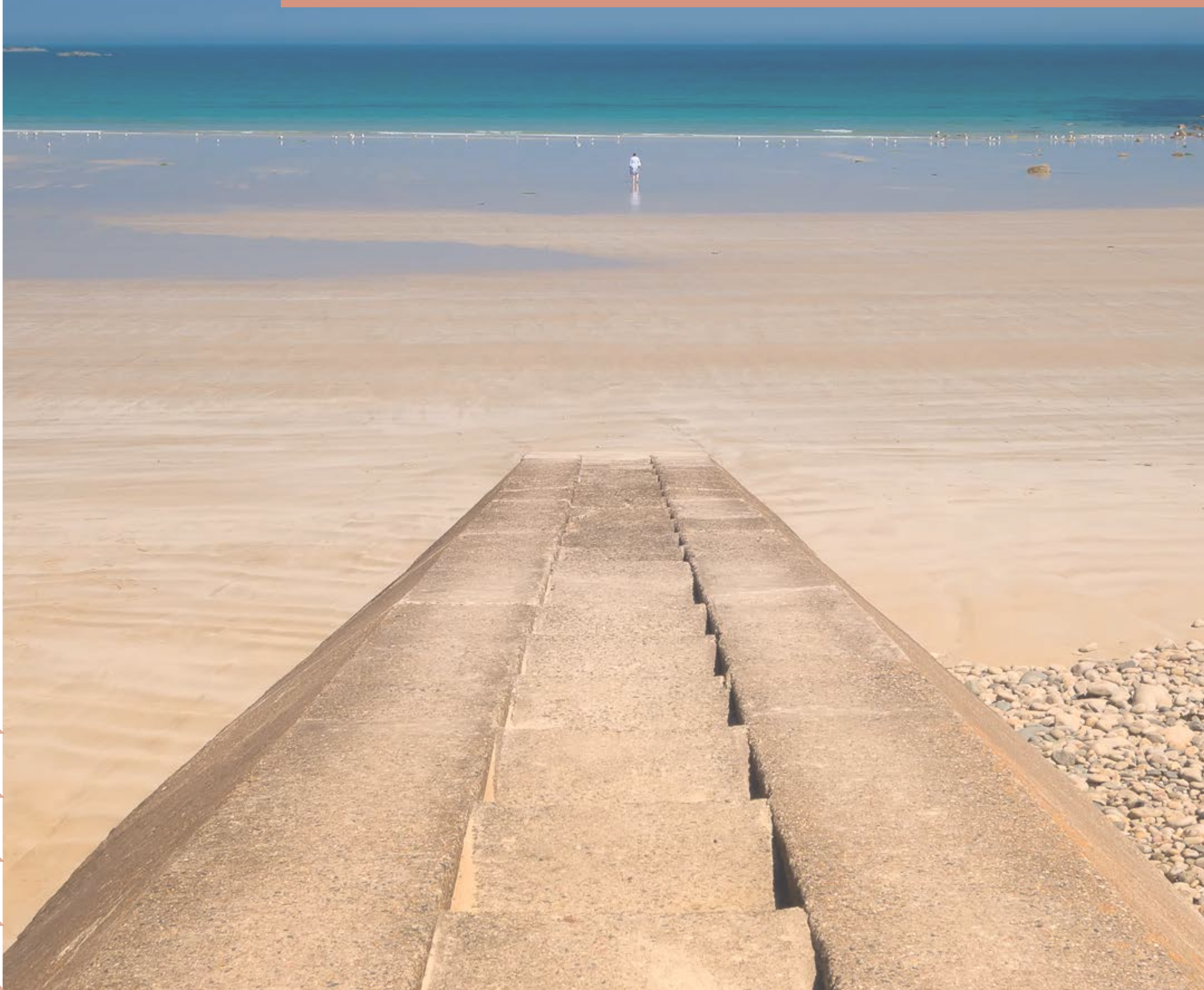
Tax on Rateable Value / Taxation of Real Property

2025	3.2% increase (inflation forecast only)	Domestic and Commercial.
2024	0%-40.0% increase (plus inflation forecast)	Domestic – RPIX plus a percentage being charged on all bands including the two new bands, the percentage ranges from 0% for the lowest-rated properties to 40% for the highest
	7.5% increase (inflation forecast plus 3.6%)	Commercial
	40.0% increase	Glasshouses (Domestic and Commercial)
	40.0% increase over two years (buildings) and ten-fold increase over two years (land)	Commercial Car parking – to be increased by 40% over two years for buildings and a ten-fold increase over two years for land
2023	0%-20% increase (including inflation forecast)	Domestic – average of 8% increase but no increase on lower-rated properties
	7.5% increase (inflation forecast plus 1.5%)	Commercial
2022	4% increase (inflation forecast plus 1.5%)	Domestic and Commercial
2021	1.5% increase (inflation forecast only)	Domestic and Commercial with the exception of Hostelry and Food Outlets and Self-catering Accommodation categories which have no increase
2020	10.2% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.3%)	Commercial
	Parity between General Office and Ancillary Accommodation Categories	General Office and Ancillary Accommodation category increased to same tariff as Office and Ancillary Accommodation for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses over five years
2019	10% increase (inflation forecast plus 7.5%) plus premium	Domestic – 10% plus a premium ranging from 15% to 60% for each TRP banding, with a higher premium for higher bandings to be phased in over two years
	5.0% increase (inflation forecast plus 2.5%)	Commercial
2018	10.2% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.3%)	Commercial

2017	10.5% increase (inflation forecast plus 7.5%)	Domestic
	5.0% increase (inflation forecast plus 2.0%)	Commercial
2016	10.0% increase (inflation forecast plus 7.5%)	Domestic
	2.5% increase (inflation forecast only)	Commercial retail
	5.0% increase (inflation forecast plus 2.5%)	Commercial (other than retail)
2015	15.0% increase (inflation forecast plus 12.5%)	Domestic
	5.0% increase (inflation forecast plus 2.5%)	Commercial retail
	10.0% increase (inflation forecast plus 7.5%)	Commercial (other than retail)
2014	5.0% increase (inflation forecast plus 1.7%)	Domestic and Commercial
2013	3.0% increase (inflation forecast only)	Domestic and Commercial
2012	20.0% increase (inflation forecast plus 17%)	Domestic
	3.0% increase (inflation forecast only)	Commercial

APPENDIX V

SUMMARY OF DELEGATED AUTHORITIES



Summary of Delegated Authorities

The Policy & Resources Committee has delegated financial authority to:

- Approve opening of capital votes on projects with an estimated cost of up to £5m (Billet d'État lll, 2023) in respect of capital votes not yet opened under Resolution 14 (Billet d'État XV, 2021) as at February 2023;
- Approve votes of up to the amount agreed in the F&I Plan in respect of projects with capital votes opened under Resolution 14 (Billet d'État XV, 2021) prior to February 2023;
- Approve opening capital votes for other capital projects including urgent projects, minor capital expenditure and strategic property purchases of up to £2m (Billet d'État No XII, June 2017) and for emergency capital projects without limit (Note: proposed in this Budget to increase to £3m [Proposition 20]);
- 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 General Revenue Reserve [was Capital Reserve] (Billet d'État XX, 2017);
- Approve loans from the States of Guernsey Bond to States owned entities including subsidiaries thereof, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association, the Ladies College and / or to sporting organisations or playing field authorities to support the provision of sporting facilities (Billet d'État XVI, 2020);
- Continue with a £200m short-term borrowing facility or to enter into new external borrowing facilities up to a total maximum of £200m for a period of up to 40 years (Billet d'État XV, 2021);

- Take out new external borrowing up to a maximum of £150million, for a period of up to 40 years, on such terms and conditions as the Policy & Resources Committee deems appropriate, specifically to lend on to the Guernsey Housing Association, or another provider of affordable housing, to fund the Affordable Housing Development Programme and to be repaid over the life of the borrowing at a rate calculated to ensure that there are no residual costs to the States of Guernsey (Billet d'État XVII, 2023); and

- Approve the use of assets in the Seized Asset Fund for distinct initiatives aligned with the Fund's purpose defined as aligning with the objectives; improving the performance of the criminal justice system (particularly asset recovery) and the effective implementation of standards and initiatives in related areas such as anti-money laundering and terrorist financing (AML/CFT), reducing the crime rate, and repairing the damage caused by crime, including restorative justice measures. The Policy & Resources Committee are required to consult the Committee *for* Home Affairs before approving any funding from the Seized Asset Fund (Billet d'État VIII, 2021).

Principal Committees have delegated authority in respect of revenue expenditure within their authorised budgets.

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

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

APPENDIX VI

BUDGETS

Income and Expenditure Account

2023 Actual £'000s	2024 Original Budget £'000s	Income and Expenditure by Category	Note	2025 Budget £'000s
		Income		
427,082	442,900	*Income Taxes*	1	504,500
100,587	105,470	*Other Taxes*	2	106,192
32,848	33,000	*Social Security Contributions*		35,100
39,614	40,275	*Miscellaneous Income*	3	41,256
600,131	621,645	General Revenue Income		687,048
59,723	59,096	Committee Operating Income (inc. transfers)		67,416
659,854	680,741	**Total Income**		754,464
		Less Expenditure		
307,130	333,662	*Pay*	4	340,730
240,237	242,273	*Non-Pay*	5	266,335
70,508	76,534	*Formula-Led*	6	82,264
-	(956)	*Savings Target*		-
617,875	651,513	Revenue Expenditure		689,329
-	11,383	Government Work Plan / Service Developments		8,352
-	6,497	Budget Reserve		19,695
(177)	-	COVID-19 Business and Personal Support		-
42,156	**11,348**	**Operating Surplus**		**37,088**
37,367	24,700	Investment Return net of Finance Costs		23,089
(1,723)	-	Loss on Disposal of Property, Plant & Equipment		-
(6,507)	(6,600)	Finance Charges		(6,300)
(12,176)	(5,045)	Impairment in the Trading Entities		(4,400)
(28,873)	(32,203)	Depreciation		(30,200)
(22,594)	(5,552)	Non Capitalised Project Costs		(35,100)
7,650	**(13,352)**	**General Revenue Surplus/ (deficit) after depreciation**		**(15,823)**

Notes - The comparative figures for 2023 differ to those published in Appendix II 'Segmental Analysis' of the States of Guernsey Accounts due to the inclusion of finance charges, impairment in unincorporated trading entities, depreciation and non-capitalised project costs.

Income and Expenditure Account

2023 Actual £'000s	2024 Original Budget £'000s	Income and Expenditure by Service Area	2025 Budget £'000s
600,131	621,645	**Revenue Income**	687,048
		Net Revenue Expenditure	
68,959	79,208	*Corporate Services*	84,668
10,809	10,122	*Committee for Economic Development*	12,202
89,222	92,740	*Committee for Education, Sport & Culture*	92,868
79,978	87,151	*Committee for Employment & Social Security*	92,836
13,406	14,100	*Committee for the Environment & Infrastructure*	15,001
224,220	234,823	*Committee for Health & Social Care*	245,196
38,365	40,285	*Committee for Home Affairs*	41,272
15,679	15,340	*Policy & Resources Committee - Core Services*	17,225
549	620	*Scrutiny Management Committee*	613
1,360	1,563	*Development & Planning Authority*	1,487
3,522	4,397	*Overseas Aid & Development Commission*	5,024
2,115	1,781	*States' Trading Supervisory Board*	1,799
2,801	2,846	*Royal Court*	2,758
6,656	7,828	*Law Officers*	7,946
511	569	*Pooled Budgets*	1,018
-	11,383	*Government Work Plan / Service Developments*	8,352
-	6,497	*Budget Reserve*	19,695
-	(956)	*Savings Target*	
558,152	610,297	**Total Cash Limits**	649,960
(177)	-	*COVID-19 Business and Personal Support*	-
42,156	**11,348**	**Operating Surplus**	**37,088**
37,367	24,700	Investment Return	23,089
(1,723)	-	Loss on Disposal of Property, Plant & Equipment	-
(6,507)	(6,600)	Finance Charges	(6,300)
(12,176)	(5,045)	Impairment in the Trading Entities	(4,400)
(28,873)	(32,203)	Depreciation	(30,200)
(22,594)	(5,552)	Non Capitalised Project Costs	(35,100)
7,650	**(13,352)**	**Net Surplus/(Deficit)**	**(15,823)**

Notes

The comparative figures for 2023 differ to those published in Appendix II 'Segmental Analysis' of the States of Guernsey Accounts due to the inclusion of finance charges, impairment in unincorporated trading entities, depreciation and non-capitalised project costs.

There have been the following transfers between Committees in 2024:

- £0.6m to Corporate Services from the Committee *for* Health & Social Care in relation to procurement services
- £0.2m from the Budget Reserve to the Committee *for* Economic Development in relation to the Guernsey Registry
- £0.3m from the Committee *for* Economic Development to the Law Officers in relation to finance sector development
- £0.1m from the Committee *for* Employment & Social Security to the Committee *for the* Environment & Infrastructure in relation to housing strategy

Notes

1. Income Taxes

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
334,949	356,700	Individuals	386,500
76,725	71,200	Companies (including Banks)	102,000
15,408	15,000	Distributed Profits	16,000
427,082	**442,900**	**Income Taxes**	**504,500**

2. Other Taxes

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
		Customs - Excise and Import Duties	
4,412	4,765	*Beer*	4,560
865	1,058	*Cider*	875
20,884	20,800	*Motor Fuel*	22,500
4,072	4,950	*Spirits*	4,175
9,169	8,000	*Tobacco*	8,000
6,538	7,677	*Wine*	6,790
508	500	*Import duties*	500
46,448	47,750		47,400
34,071	38,750	Tax on Real Property	40,233
18,364	16,600	Document Duty	16,114
1,704	2,370	Vehicle First Registration Duty	2,445
100,587	**105,470**	**Other Taxes**	**106,192**

3. Miscellaneous Income

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
22,788	23,750	Housing Rental Income	25,050
11,962	11,800	Company Fees	11,800
3,039	3,325	Property Rental Income	3,406
-	450	Royalties	-
1,825	950	Other Income	1,000
39,614	**40,275**	**Miscellaneous Income**	**41,256**

4. Pay Costs by Pay Group

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
103,782	119,226	Established Staff	124,318
100,074	103,248	Nurses and Medical Consultants	106,303
53,165	57,572	Teachers, Lecturers and Learning Support Assistants	57,461
18,507	22,080	Public Service Employees	20,705
10,634	10,714	Police Officers	11,007
4,317	4,139	Border Agency Officers	4,112
3,821	4,215	Prison Officers	4,212
3,919	4,135	Fire Officers	4,271
3,209	3,289	Home Support Staff	3,022
2,003	2,193	Crown Officers and Judges	2,253
3,699	2,851	Other Pay Groups	3,066
307,130	**333,662**	**Pay Costs by Pay Group**	**340,730**

5. Non-Pay Costs by Expenditure Category

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
		Staff Non Pay Costs	
5,322	4,335	*Recruitment*	7,110
2,396	3,065	*Training*	2,077
702	616	*Other Staff Costs*	403
8,420	8,016		9,590
		Support Services	
2,326	2,197	*Advertising Marketing and PR*	2,542
322	383	*Audit Fees*	509
831	413	*Bank Charges*	832
3,550	2,593	*Communications and IT*	1,753
5,581	2,401	*Consultants Fees*	2,667
60,684	66,010	*Contracted Out Work*	41,624
118	-	*Incidental and Other costs*	30,280
1,590	1,103	*Postage, Stationery and Printing*	810
4,164	3,970	*Risk Management and Insurance*	6,490
79,166	79,070		87,507
		Premises	
903	759	*Equipment, Fixtures and Fittings*	470
5,806	5,382	*Rents and Leasing*	8,403
16,979	17,201	*Repairs, Maintenance and Servicing*	16,965
6,837	7,518	*Utilities*	7,642
30,525	30,860		33,480
		Third Party Payments	
159	226	*Benefit Payments*	87
39,732	40,047	*Grants and Subsidies*	44,276
39,891	40,273		44,363
		Transport	
1,670	1,654	Vehicles and Vessels	1,730
		Supplies and Services	
35,462	34,117	*Services*	38,761
45,103	48,283	*Supplies*	50,904
80,565	82,400		89,665
240,237	**242,273**	**Non-Pay Costs by Expenditure Category**	**266,335**

6. Formula-Led Costs by Expenditure Category

2023 Actual £'000s	2024 Original Budget £'000s		2025 Budget £'000s
		Policy & Resources Committee	
2,009	2,136	*Payments to States Members*	2,709
		Committee *for* Employment & Social Security	
51,100	55,230	*Income Support Scheme*	58,685
6,622	7,095	*Family Allowance*	7,515
8,938	9,535	*Severe Disability Benefit & Carers' Allowances*	11,355
1,839	2,538	*Legal Aid*	2,000
70,508	**76,534**	**Formula-Led Costs**	**82,264**

Corporate Services

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
9,340	10,050	**Operating Income**	12,773
		Expenditure	
34,065	40,387	Pay costs	42,944
		Non Pay costs	
1,426	1,366	*Staff Non Pay costs*	1,384
27,225	30,734	*Support Services*	34,918
12,787	14,073	*Premises*	15,009
62	78	*Transport*	79
2,734	2,620	*Supplies & Services*	3,107
44,234	48,871		54,497
68,959	**79,208**	**Total Net Expenditure by Category**	**84,668**

Corporate Services

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
		Expenditure	
		Corporate Functions	
637	628	*Assurance & Risk*	683
1,837	2,015	*Chief Executive's Office*	2,576
706	806	*Communications & Media*	854
433	603	*Data & Analysis Services*	471
755	815	*Data Protection*	840
233	399	*Debt Management*	395
4,550	4,839	*Finance*	4,634
5,522	6,696	*Human Resources*	7,172
19,170	24,109	*Information Systems & Services*	26,437
3,537	3,587	*Insurance*	3,802
1,277	1,377	*Procurement*	1,920
27,477	30,727	*Property Services*	32,145
2,275	2,475	*Shared Services Centre / Customer Hub*	2,609
150	132	*Tribunals & Reviews*	130
68,559	79,208		84,668
400	-	Transformation	-
68,959	**79,208**	**Net Expenditure by Service Area**	**84,668**

Notes

In 2024, transfers of £0.6m have been made to Corporate Services from the Committee *for* Health & Social Care in relation to the transfer of procurement services.

Committee *for* Economic Development

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
1,477	974	**Operating Income**	1,565
		Expenditure	
4,433	4,875	Pay costs	5,249
		Non Pay costs	
16	81	*Staff Non Pay costs*	84
3,878	3,025	*Support Services*	4,264
301	318	*Premises*	422
3,186	2,329	*Third Party Payments*	3,245
47	69	*Transport*	1
425	399	*Supplies & Services*	502
7,853	6,221		8,518
10,809	**10,122**	**Net Expenditure by Category**	**12,202**

Committee *for* Economic Development

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
510	555	Central Services	538
290	320	Civil Aviation Office	360
		Finance & Economic Development	
676	769	*Finance Sector Development*	510
1,575	1,725	*Business Innovation & Skills*	1,768
2,251	2,494		2,278
3,033	2,329	Grant & Support Schemes	2,803
1,557	1,554	Guernsey Registry	2,436
		Marketing & Tourism	
1,230	969	*Consumer & Communications*	1,492
84	72	*Guernsey Information Centre*	113
19	27	*Quality Development*	17
326	341	*Strategic Marketing*	357
735	755	*Trade & Media Relations*	541
2,394	2,164		2,520
95	47	Office of the Public Trustee	50
320	360	Sea Fisheries	222
359	299	Strategic Projects	995
10,809	**10,122**	**Net Expenditure by Service Area**	**12,202**

Notes

In 2024 a transfer of £0.2m was made from the Budget Reserve to the Committee *for* Economic Development in relation to the Guernsey Registry.

In 2024 a transfer of £0.3m was made from the Committee *for* Economic Development to the Law Officers in relation to finance sector development.

Committee *for* Education, Sport & Culture

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
6,368	6,357	**Operating Income**	6,775
		Expenditure	
69,501	74,675	Pay costs	74,948
		Non Pay costs	
1,694	1,494	*Staff Non Pay costs*	1,616
3,551	2,385	*Support Services*	2,083
1,954	1,857	*Premises*	1,908
14,137	14,411	*Third Party Payments*	14,877
252	226	*Transport*	201
4,501	4,049	*Supplies & Services*	4,010
26,089	24,422		24,695
89,222	**92,740**	**Net Expenditure by Category**	**92,868**

Committee *for* Education, Sport & Culture

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
		Beau Sejour	
1,005	1,085	*Net expenditure*	988
(700)	(700)	*Less transfer from Channel Islands Lottery (Guernsey) Fund*	(700)
305	385		288
5,356	5,131	Central Services	5,151
585	560	Cultural Activities & Events	566
		The Guernsey Institute	
10,134	9,932	*College of Further Education*	10,061
628	534	*Guernsey Training Agency*	628
1,295	1,435	*Institute of Health & Social Care Studies*	1,405
12,057	11,901		12,094
3,933	4,272	Higher Education	4,430
		Museums & Libraries	
1,756	1,846	*Grants to Libraries*	1,846
296	304	*Island Archive Service*	322
625	753	*Museums Service*	720
2,677	2,903		2,888
6,301	6,661	School & Pupil Support Services	6,833
		Schools	
3,450	3,323	*Grants to Colleges*	3,048
2,323	2,512	*Pre-School*	2,500
18,280	19,369	*Primary Schools*	19,324
867	917	*School Music Service*	893
19,776	21,004	*Secondary Schools*	20,932
8,455	8,946	*Special Schools*	9,161
2,451	2,514	*Voluntary Schools*	2,618
55,602	58,585		58,476
524	363	Sports	858
1,882	1,979	Transformation	1,284
89,222	**92,740**	**Net Expenditure by Service Area**	**92,868**

Committee *for* Employment & Social Security

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
87	28	**Operating Income**	29
		Expenditure (Cash Limit)	
3,871	4,650	Pay costs	4,441
		Non Pay costs	
37	43	*Staff Non Pay costs*	46
510	455	*Support Services*	390
5,520	5,763	*Premises*	6,318
1,483	1,402	*Third Party Payments*	1,838
50	57	*Transport*	59
95	411	*Supplies & Services*	218
7,695	8,131		8,869
11,479	12,753	**Net Expenditure (Cash Limit) by Category**	13,281
		Expenditure (Formula Led)	
66,660	71,860	*Third Party Payments*	77,555
1,839	2,538	*Supplies & Services*	2,000
68,499	74,398	**Expenditure (Formula Led) by Category**	79,555
79,978	**87,151**	**Total Net Expenditure by Category**	**92,836**

Committee *for* Employment & Social Security

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
		Expenditure (Cash Limit) by Service Area	
1,442	1,731	Administration of Social Security & Legal Aid	1,606
1,666	1,785	Benefits & Grants	1,971
564	552	Central Services	602
83	96	Disability & Inclusion	95
404	720	Employment Relations Service	719
345	426	Health & Safety Executive	422
277	331	Housing Strategy & Planning	100
6,039	6,409	Social Housing Buildings Maintenance	6,980
659	703	Social Housing Tenancy Management	786
11,479	12,753	**Net Expenditure (Cash Limit) by Service Area**	13,281
		Formula-Led Expenditure	
		Legal Aid	
1,280	1,668	*Civil Legal Aid*	1,398
559	870	*Criminal Legal Aid*	602
1,839	2,538		2,000
6,622	7,095	Family Allowance	7,515
8,938	9,535	Severe Disability Benefit & Carers' Allowances	11,355
51,100	55,230	Income Support Scheme	58,685
68,499	74,398	**Expenditure (Formula Led) by Service Area**	79,555
79,978	**87,151**	**Total Net Expenditure by Service Area**	**92,836**

Notes

In 2024 a transfer of £0.1m was made from The Committee *for* Employment & Social Security to the Committee *for the* Environment & Infrastructure in relation to housing strategy.

Committee *for the* Environment & Infrastructure

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
3,943	3,646	**Operating Income**	4,105
		Expenditure	
2,955	3,358	Pay costs	3,721
		Non Pay costs	
24	44	*Staff Non Pay costs*	44
9,981	10,129	*Support Services*	10,545
2,360	2,218	*Premises*	2,594
1,316	1,130	*Third Party Payments*	1,220
129	136	*Transport*	197
584	731	*Supplies & Services*	785
14,394	14,388		15,385
13,406	**14,100**	**Net Expenditure by Category**	**15,001**

Committee *for the* Environment & Infrastructure

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
510	436	Central Services	820
130	106	Alderney Breakwater	106
		Agriculture, Countryside & Land Management	
2,101	1,905	*Agriculture & Vetinary Services*	1,914
882	971	*Coastal Services*	1,071
917	953	*Parks, Gardens & Nature Trails*	1,013
584	571	*Other Environmental Services*	694
4,484	4,400		4,692
299	408	Energy & Infrastructure	406
		Traffic & Highway Services	
3,323	3,515	*Highway Services*	3,388
727	876	*Integrated Transport Strategy*	905
(1,190)	(1,108)	*Licensing & Traffic Services*	(1,062)
5,123	5,467	*Passenger Transport*	5,746
7,983	8,750		8,977
13,406	**14,100**	**Net Expenditure by Service Area**	**15,001**

Notes

The 2024 Original Budget includes an additional £0.25m for passenger transport compared to the published 2024 Budget Report, as agreed by the States (Resolution 21A Billet d'État No XVIII).

In 2024 a transfer of £0.1m was made from the Committee *for* Employment & Social Security to the Committee *for the* Environment & Infrastructure in relation to housing

Committee *for* Health & Social Care

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
27,616	26,922	**Operating Income**	30,512
		Expenditure	
131,795	138,984	Pay costs	140,896
		Non Pay costs	
3,692	3,399	*Staff Non Pay costs*	4,670
27,569	28,173	*Support Services*	30,280
5,908	5,595	*Premises*	6,040
13,050	13,388	*Third Party Payments*	14,946
850	798	*Transport*	823
68,972	71,408	*Supplies & Services*	78,053
120,041	122,761		134,812
224,220	**234,823**	**Net Expenditure by Category**	**245,196**

Committee *for* Health & Social Care

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
		Central Services	
1,201	1,255	*Accommodation Management*	1,289
1,270	1514	*Clinical Governance*	1,576
1,897	2,200	*Contract Management & Procurement*	1,544
11,097	5,933	*Corporate & Strategy*	17,020
4,791	4,841	*Estates & Facilities*	4,952
289	464	*Systems & Performance Management*	565
20,545	16,207		26,946
		Community Services	
46,827	49,141	*Adult Services*	49,683
16,256	17,028	*Children's Services*	16,978
6,969	6,741	*Complex Placements*	8,308
2,861	2,849	*Extra Care Housing*	2,894
72,913	75,759		77,863
		Primary Care Services	
4,570	4,528	*Consultation Grants*	5,135
22,724	23,003	*Prescription Subsidies*	21,851
27,294	27,531		26,986
		Public Health & Strategy	
4,921	5,567	*Community Health & Wellbeing*	5,873
1,721	1,938	*Medical Public Health*	2,018
552	748	*Public Health Management*	704
621	1,737	*COVID-19 Response*	658
7,815	9,990		9,253
		Secondary Care Services	
47,846	54,835	*Acute Hospital Services*	48,627
15,129	15,661	*Acute Off Islands Treatment*	17,936
1,967	1,906	*Health Care Management*	1,910
2,891	3,084	*St John Ambulance & Rescue*	3,198
26,805	28,741	*Specialist Medical Benefit*	30,642
94,638	104,227		102,313
800	886	Office of the Children's Convenor	875
215	223	Transformation	960
224,220	**234,823**	**Net Expenditure by Service Area**	**245,196**

Notes - In 2024, a transfer of £0.6m was made from the Committee *for* Health & Social Care to Corporate Services in relation to procurement services.

Committee *for* Home Affairs

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
3,581	3,398	**Operating Income**	3,390
		Expenditure	
34,482	37,712	Pay costs	38,135
		Non Pay costs	
1,253	1,065	*Staff Non Pay costs*	1,180
2,507	1,983	*Support Services*	2,054
998	752	*Premises*	839
124	106	*Third Party Payments*	112
230	235	*Transport*	310
2,352	1,830	*Supplies & Services*	2,032
7,464	5,971		6,527
38,365	**40,285**	**Net Expenditure by Category**	**41,272**

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
1,098	1,245	Administration and Central Services	1,361
874	796	Domestic Abuse Strategy	1,131
3,837	3,843	Economic & Financial Crime Bureau	3,614
176	184	Emergency Planning	187
(25)	(21)	Gambling Control	(21)
4,367	4,509	Guernsey Fire and Rescue Service	4,694
1,198	1,132	Joint Emergency Services Control Centre	1,108
19,492	20,481	Law Enforcement	21,017
(604)	(265)	Population Management	(394)
6,241	6,540	Prison Service	6,551
1,711	1,841	Probation Service	2,024
38,365	**40,285**	**Net Expenditure by Service Area**	**41,272**

Policy & Resources Committee - Core Services

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
1,399	1,399	**Operating Income**	1,450
		Expenditure (Cash Limit)	
9,579	10,533	Pay costs	11,207
		Non Pay costs	
31	134	*Staff Non Pay costs*	138
2,030	390	*Support Services*	1,023
3,112	3,161	*Third Party Payments*	3,200
-	1	*Transport*	1
317	384	*Supplies & Services*	397
5,490	4,070		4,759
13,670	13,204	**Net Expenditure (Cash Limit) by Category**	14,516
		Formula-Led Expenditure	
2,009	2,136	Third Party Payments	2,709
2,009	2,136	**Formula-Led Expenditure by Category**	2,709
15,679	**15,340**	**Total Net Expenditure by Category**	**17,225**

Policy & Resources Committee - Core Services

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
		Expenditure (Cash Limit)	
1,971	2,000	*Alderney Air Routes PSO*	2,000
99	148	*Central Services*	145
90	100	*Development Agency*	100
1,971	1,630	*External Affairs*	1,975
5,635	5,971	*Revenue Service*	6,290
1,746	1,257	*Policy & Strategy*	1,909
1,181	1,105	*Treasury*	1,075
12,693	12,211		13,494
66	64	Commonwealth Parliamentary Association	66
911	929	HE Lieutenant Governor	956
13,670	13,204		14,516
		Formula-Led Expenditure	
2,009	2,136	Payments to States Members	2,709
15,679	**15,340**	**Net Expenditure by Service Area**	**17,225**

Scrutiny Management Committee

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
		Expenditure	
514	519	Pay costs	509
		Non Pay costs	
1	5	*Staff Non Pay costs*	5
19	66	*Support Services*	68
10	15	*Premises*	16
5	15	*Supplies & Services*	15
35	101		104
549	**620**	**Net Expenditure by Category**	**613**

Development & Planning Authority

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
1,440	1,498	**Operating Income**	1,604
		Expenditure	
2,430	2,720	Pay costs	2,726
		Non Pay costs	
30	51	*Staff Non Pay costs*	47
307	242	*Support Services*	272
2	3	*Premises*	3
16	18	*Transport*	15
15	27	*Supplies & Services*	28
370	341		365
1,360	**1,563**	**Net Expenditure by Category**	**1,487**

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
63	34	Building Control	(15)
94	236	Planning Control	176
426	410	Planning Support	398
777	883	Policy & Conservation	928
1,360	**1,563**	**Net Expenditure by Service Area**	**1,487**

Overseas Aid & Development Commission

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
		Expenditure	
38	35	Pay costs	78
		Non Pay costs	
-	11	*Support Services*	16
3,484	4,346	*Third Party Payments*	4,925
-	5	*Supplies & Services*	5
3,484	4,362		4,946
3,522	**4,397**	**Net Expenditure by Category**	**5,024**

States' Trading Supervisory Board

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
1,949	2,110	**Operating Income**	2,277
		Expenditure	
2,019	2,565	Pay costs	2,642
		Non Pay costs	
121	94	*Staff Non Pay costs*	113
1,025	929	*Support Services*	971
591	151	*Premises*	212
26	28	*Transport*	36
282	124	*Supplies & Services*	102
2,045	1,326		1,434
2,115	**1,781**	**Net Expenditure by Category**	**1,799**

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
1,772	1,441	Alderney Airport	1,460
343	340	Central Services	339
2,115	**1,781**	**Net Expenditure by Service Area**	**1,799**

Royal Court

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
2,209	2,506	**Operating Income**	2,594
		Expenditure	
4,518	4,659	Pay costs	4,609
		Non Pay costs	
10	41	*Staff Non Pay costs*	44
243	336	*Support Services*	367
85	89	*Premises*	93
8	7	*Transport*	7
146	220	*Supplies & Services*	232
492	693		743
2,801	**2,846**	**Net Expenditure by Category**	**2,758**

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Service Area	2025 Budget £'000s
1,070	1,057	Bailiff's Office	1,091
109	(23)	Client Services	(43)
1,259	1,343	Court Services	1,246
363	469	Parliament	464
2,801	**2,846**	**Net Expenditure by Service Area**	**2,758**

Law Officers

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
312	9	**Operating Income**	342
		Expenditure	
6,418	7,421	Pay costs	7,657
		Non Pay costs	
86	199	*Staff Non Pay costs*	219
320	212	*Support Services*	206
7	26	*Premises*	26
-	1	*Transport*	1
137	178	*Supplies & Services*	179
550	616		631
-	(200)	*Less funding from the Seized Asset Fund*	-
6,656	**7,828**	**Net Expenditure by Category**	**7,946**

Notes - In 2024 a transfer of £0.3m was made from the Committee *for* Economic Development to the Law Officers in relation to finance sector development.

Pooled Budgets

2023 Actual £'000s	2024 Original Budget £'000s	Net Expenditure by Category	2025 Budget £'000s
		Expenditure	
511	569	Pay costs	968
		Non Pay costs	
-	-	*Support Services*	50
511	**569**	**Net Expenditure by Category**	**1,018**

Guernsey Airport

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net Income by Category	2025 Budget £'000s
			Income	
369	515	334	*Advertising, picketing etc*	552
612	714	638	*Airport development charge*	695
845	1,083	1,081	*Car parking fees*	1,139
2,027	1,984	1,954	*Rents*	1,840
7,914	9,644	9,772	*Traffic receipts*	11,589
194	218	194	*Recovery from Alderney Airport*	218
11,961	14,158	13,973		16,033
			Expenditure	
(9,206)	(9,614)	(12,177)	Pay Costs	(12,992)
			Non Pay Costs	
(241)	(314)	(492)	*Staff Non Pay costs*	(478)
(1,762)	(1,887)	(1,847)	*Support Services*	(2,553)
(2,217)	(2,102)	(2,849)	*Premises*	(2,335)
(148)	(156)	(175)	*Transport*	(203)
(2,920)	(3,051)	(1,255)	*Supplies & Services*	(431)
(7,288)	(7,510)	(6,618)		(6,000)
(4,533)	(2,966)	(4,822)	**Operating deficit before depreciation**	(2,959)
(1,004)	(1,092)	(1,217)	Depreciation and impairment	(1,380)
(25)	-	-	Revaluation of investment property	-
(5,562)	**(4,058)**	**(6,039)**	**Deficit for the year**	**(4,339)**

Guernsey Airport

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income / (expenditure) by Service Area	2025 Budget £'000s
(2,489)	(2,524)	(2,638)	Administration	(2,872)
300	506	257	Advertising, picketing etc	347
(2,527)	(2,768)	(2,811)	Aerodrome Fire Service	(2,624)
(3,522)	(3,541)	(4,309)	Airport infrastructure	(3,962)
(2,966)	(3,247)	(3,643)	Airport security	(3,771)
845	1,083	1,078	Car parking fees	1,139
(4,618)	(5,222)	(5,270)	Naviational services	(5,162)
194	218	194	Recovery from Alderney Airport	218
1,817	2,172	1,949	Rents	1,770
8,433	10,357	10,371	Traffic receipts	11,958
(4,533)	**(2,966)**	**(4,822)**	**Operating deficit before depreciation**	**(2,959)**
(1,004)	(1,092)	(1,217)	Depreciation, loss on disposal and impairment	(1,380)
(25)	-	-	Revaluation of investment property	-
(5,562)	**(4,058)**	**(6,039)**	**Deficit for the year**	**(4,339)**

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
(1,108)	(1,200)	(2,861)	Miscellaneous capital works	(1,700)
(131)	(243)	(55)	IT projects and equipment	(220)
(77)	(600)	(334)	Equipment, machinery and vehicles	(70)
(1,316)	**(2,043)**	**(3,250)**	**Routine capital expenditure**	**(1,990)**
(166)	-	(135)	Hold Baggage Scanner	-
-	-	-	PFOS	(7,000)
(1,482)	**(2,043)**	**(3,385)**	**Total capital expenditure**	**(8,990)**
166	-	-	Capital contribution from General Revenue	7,000
(1,316)	**(2,043)**	**(3,385)**	**Net capital expenditure**	**(1,990)**

Guernsey Harbours

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net Income by Category	2025 Budget £'000s
11,524	12,817	13,966	**Income**	15,903
			Expenditure	
(5,620)	(5,446)	(6,193)	Pay Costs	(6,219)
			Non Pay Costs	
(107)	(146)	(171)	*Staff Non Pay costs*	(117)
(15)	(3)	-	*Peripheral Services*	-
(1,502)	(1,486)	(2,033)	*Support Services*	(1,931)
(1,911)	(2,616)	(1,960)	*Premises*	(2,686)
(71)	(110)	(131)	*Transport*	(132)
(224)	(190)	(347)	*Supplies & Services*	(326)
(3,830)	(4,551)	(4,642)		(5,192)
2,074	**2,820**	**3,131**	**Operating deficit before depreciation**	**4,492**
(1,225)	(1,372)	(1,287)	Depreciation	(1,434)
(165)	50	(289)	Net Interest	(289)
684	**1,498**	**1,555**	**Surplus for the year**	**2,769**

Guernsey Harbours

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income / (expenditure) by Service	2025 Budget £'000s
3,894	4,073	5,005	Commercial Port operations	5,897
973	1,012	1,013	Property	1,103
2,354	2,628	2,826	Leisure	3,190
(5,107)	(4,853)	(5,667)	Non-Commercial Port operations	(5,601)
(40)	(40)	(46)	Ships Registry	(97)
2,074	**2,820**	**3,131**	**Operating deficit before depreciation**	**4,492**
(1,225)	(1,372)	(1,287)	Depreciation	(1,434)
(165)	50	(289)	Net Interest	(289)
684	**1,498**	**1,555**	**Surplus for the year**	**2,769**

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
(971)	(1,400)	(1,567)	Miscellaneous capital works	(1,690)
(120)	-	(57)	IT projects and equipment	(220)
(163)	(557)	(80)	Equipment, machinery, vehicles & vessels	(100)
(1,254)	**(1,957)**	**(1,704)**	**Routine capital expenditure**	**(2,010)**
44	-	-	Havelet Slipway	-
(1,210)	**(1,957)**	**(1,704)**	**Total capital expenditure**	**(2,010)**
(44)	-	-	Capital contribution from General Revenue	-
(1,254)	**(1,957)**	**(1,704)**	**Net capital expenditure**	**(2,010)**

Ports Holding Account

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s		2025 Budget £'000s
			Operating surplus/(deficit) before depreciation	
(4,533)	(2,966)	(4,822)	Guernsey Airport	(2,959)
2,074	2,820	3,131	Guernsey Harbours	4,492
(2,459)	(146)	(1,691)		1,533
(165)	50	(289)	Investment return/(loss) and interest	(289)
			Capital expenditure	
(1,482)	(2,043)	(3,250)	Guernsey Airport	(8,990)
(1,210)	(1,957)	(1,704)	Guernsey Harbours	(2,010)
(2,692)	(4,000)	(4,954)	Total capital expenditure	(11,000)
(5,316)	**(4,096)**	**(6,934)**	**Deficit for the year**	**(9,756)**
(462)	**(8,227)**	**(904)**	**Balance at 1 January**	**(3,942)**
(5,316)	(4,096)	(6,934)	Deficit for the year before depreciation	(9,756)
122	-	-	Direct capital investment	7,000
4,868	-	4,000	Contributions from General Revenue	-
(116)	(92)	(104)	Loans repaid	(104)
(904)	**(12,415)**	**(3,942)**	**Balance at 31 December**	**(6,802)**

Notes

The budget figures for both 2024 and 2025 in the above table do not include the proposed funding from General Revenue.

Guernsey Water

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income by Service Area	2025 Budget £'000s
			Income	
			Water Supplies	
4,144	4,730	4,669	*Measured*	5,247
1,844	2,038	2,028	*Unmeasured*	2,234
			Wastewater	
6,931	8,127	7,955	*Measured*	9,093
3,286	3,634	3,604	*Unmeasured*	4,017
1,370	1,541	1,571	*Cesspit emptying changes*	1,865
184	184	184	*Grant from General Reserve*	184
253	239	361	Surplus on other trading activities	261
18,012	20,493	20,372		22,901
			Expenditure	
			Operating expenses	
(484)	(617)	(630)	*Asset Management*	(840)
(1,110)	(1,386)	(1,295)	*Pumping Stations*	(1,507)
(4,743)	(5,157)	(4,837)	*Sewers*	(5,460)
(549)	(595)	(814)	*Tactical Support*	(830)
(574)	(688)	(610)	*Water Distribution*	(707)
(2,038)	(1,992)	(1,629)	*Water Production*	(1,897)
			Management expenses	
(1,031)	(1,128)	(1,064)	*Customer Services*	(1,175)
(1,845)	(1,908)	(1,980)	*Management and General*	(2,074)
(1,310)	(1,312)	(1,284)	*Support Services*	(1,413)
(516)	(490)	(511)	*Water Quality and Risk Management*	(643)
(14,200)	(15,273)	(14,654)		(16,546)
3,812	**5,220**	**5,718**	**Operating surplus before depreciation**	**6,355**
(4,859)	(5,113)	(5,123)	Depreciation / impairment of assets	(5,329)
16	-	-	Gain on disposal of fixed assets	-
(1,031)	**107**	**595**	**Operating surplus / (deficit) for the year**	**1,026**
(386)	(581)	(552)	Net interest payable	(719)
(1,417)	**(474)**	**43**	**Surplus/(deficit) for the year**	**307**

Guernsey Water

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
(6)	-	-	Land	-
(4,911)	(6,720)	(6,069)	Infrastructure	(5,430)
(385)	(100)	(105)	Buildings	(103)
(189)	(345)	(67)	Motor vehicles	(355)
(99)	(358)	(532)	Office equipment	(350)
(330)	(215)	(376)	Intangibles	(165)
(5,920)	**(7,738)**	**(7,149)**	**Routine capital expenditure**	**(6,403)**

Guernsey Waste

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income by Service Area	2025 Budget £'000s
			Income	
			Operating Income	
1,835	1,968	1,900	*Bag Charges*	1,995
2,844	2,935	2,935	*Household Fixed Charge*	3,078
1,389	1,830	1,525	*Commercial Gate Fees*	1,576
1,019	1,799	1,065	*Mont Cuet*	448
2,488	454	3,200	*Inert Waste*	3,715
630	728	951	*Household Waste Recycling Centre*	870
481	922	603	*Other*	616
10,686	10,636	12,179		12,298
			Expenditure	
(504)	(624)	(528)	Pay Costs	(579)
			Non Pay Costs	
-	(4)	(28)	*Staff Non Pay Costs*	(17)
(8,151)	(7,316)	(7,966)	*Support Services*	(8,928)
(305)	(353)	(341)	*Premises*	(303)
-	(2)	(2)	*Transport*	(2)
(1,898)	(2,845)	(2,775)	*Supplies & Services*	(2,941)
(10,354)	(10,520)	(11,112)		(12,191)
(172)	**(508)**	**539**	**Operating surplus/deficit before depreciation**	**(472)**
(1,933)	(1,953)	(2,274)	Depreciation	(2,090)
(2,105)	**(2,461)**	**(1,735)**	**Operating deficit for the year**	**(2,562)**
86	-	-	Net interest receivable	-
(2,019)	**(2,461)**	**(1,735)**	**Deficit for the year**	**(2,562)**

Guernsey Waste

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
-	-	(30)	IT projects and equipment	(30)
(159)	(90)	(803)	Equipment, machinery and vehicles	(935)
(159)	**(90)**	**(833)**	**Routine capital expenditure**	**(965)**

Notes

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

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

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

For 2025, the forecast trading deficit before depreciation is £472k and the latest 2024 forecast is a surplus before depreciation of £539k.

States Works

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income by Service Area	2025 Budget £'000s
			Income	
1,299	1,722	1,370	Engineering	1,244
1,728	1,699	1,664	Highways	1,895
2,135	2,168	2,406	Land Management	2,219
4,019	4,177	4,210	Sewage Collection	4,531
1,189	1,444	1,095	Stores, Fleet & Garage	1,311
3,676	4,518	4,017	Waste Management Services	4,442
3,010	2,450	3,058	Household Waste Recycling Centre & Waste	3,440
344	310	297	Other	223
17,400	18,488	18,117		19,305
			Expenditure	
			Management Expenses	
(882)	(1,035)	(867)	*Administration Expenses*	(812)
(2,411)	(2,516)	(2,428)	*Salaries, wages and superannuation*	(2,679)
			Operating Expenses	
(7,399)	(8,083)	(8,072)	Labour	(7,804)
(4,153)	(3,947)	(3,897)	Materials	(4,336)
(585)	(540)	(579)	Transport and plant	(594)
(255)	(238)	(297)	Building maintenance	(254)
(15,685)	(16,359)	(16,140)		(16,479)
1,715	**2,129**	**1,977**	**Operating surplus before depreciation**	**2,826**
(1,183)	(1,438)	(1,344)	Depreciation	(2,050)
61	50	40	Gain on disposal of fixed assets	52
5	-	-	Fair value movement on investment property	-
598	**741**	**673**	**Operating deficit for the year**	**828**
146	-	-	Net interest receivable	181
744	**741**	**673**	**Surplus for the Year**	**1,009**

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
(510)	(178)	(25)	Office equipment	(142)
(72)	(564)	(194)	Site developments	(570)
(861)	(3,614)	(2,832)	Vehicles, plant, tools and equipment	(2,917)
(1,443)	**(4,356)**	**(3,051)**	**Routine capital expenditure**	**(3,629)**

Guernsey Dairy

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net income by Service Area	2025 Budget £'000s
			Sales	
2,325	2,418	2,400	*Dairy Products*	2,444
7,351	7,747	8,048	*Liquid milk*	8,374
17	15	19	Sundry income	17
9,693	10,180	10,467		10,835
			Expenditure	
			Cost of Sales	
(60)	(58)	(95)	*Dairy product ingredients*	(83)
(5,034)	(5,294)	(5,500)	*Milk*	(5,608)
(218)	(150)	(190)	*Milk working loss*	(200)
(88)	(89)	(85)	*Freight*	(92)
(662)	(722)	(650)	*Packaging materials*	(726)
(1,005)	(1,158)	(1,000)	*Production wages*	(1,047)
(7,067)	(7,471)	(7,520)		(7,756)
			Expenses	
(72)	(84)	(84)	*Advertising and promotion*	(64)
(113)	(90)	(110)	*Cleaning materials*	(104)
(361)	(447)	(410)	*Fuel, light, power, water and rates*	(423)
(51)	(63)	(55)	*General administration costs*	(52)
(114)	(158)	(158)	*Laboratory expenses*	(164)
(25)	(32)	(28)	*Motor vehicle expenses*	(33)
(43)	(56)	(60)	*Other expenses*	(97)
(528)	(604)	(610)	*Professional fees*	(588)
(287)	(548)	(475)	*Repairs, maintenance and insurance*	(562)
(798)	(828)	(940)	*Salaries and wages*	(966)
(2,392)	(2,910)	(2,930)		(3,053)
234	**(201)**	**17**	**Operating surplus / deficit before depreciation and interest**	**26**
(270)	(299)	(305)	Depreciation / impairments of assets	(309)
(36)	**(500)**	**(288)**	**Operating deficit for the year**	**(283)**
(54)	(37)	(37)	Net interest payable	(32)
(90)	**(537)**	**(325)**	**Deficit for the Year**	**(315)**

Guernsey Dairy

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Capital expenditure	2025 Budget £'000s
(426)	(684)	(237)	Equipment, Machinery and Vehicles	(1,320)
(0)	(288)	(215)	Miscellaneous Capital Works	-
(426)	**(972)**	**(452)**	**Routine capital expenditure**	**(1,320)**

Notes

In 2024, the Policy & Resources Committee agreed to fund essential works to the value of £1.97m to allow for the safe operation of the dairy facility. The 2025 element of this is estimated as £1.3m

It is proposed that there is a transfer to Guernsey Dairy to fund its 2025 cash requirements, which are estimated at £1.3m.

Committee *for* Employment & Social Security Contributory Funds

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net Income / (Expenditure)	2025 Budget £'000s
			Income	
196,292	207,220	213,314	*Contribution Income*	225,900
			Benefit Expenditure	
(177,495)	(191,632)	(193,688)	*Social Insurance*	(202,267)
(23,526)	(24,925)	(24,985)	*Long-term Care Insurance*	(26,060)
(201,021)	(216,557)	(218,673)		(228,327)
			Administration	
(1,351)	(1,882)	(1,585)	*Pay Costs*	(1,850)
(1)	(1)	(1)	*Staff Non Pay Costs*	(7)
(3,366)	(3,693)	(3,373)	*Support Services*	(3,480)
(276)	164	(302)	*Premises*	(317)
(2)	(2)	(2)	*Transport*	-
(56)	(91)	(79)	*Supplies & services*	(156)
(5,052)	(5,505)	(5,342)		(5,810)
(80)	(80)	(80)	Depreciation	(80)
(9,861)	**(14,922)**	**(10,781)**	**Operating deficit before investing activities**	**(8,317)**

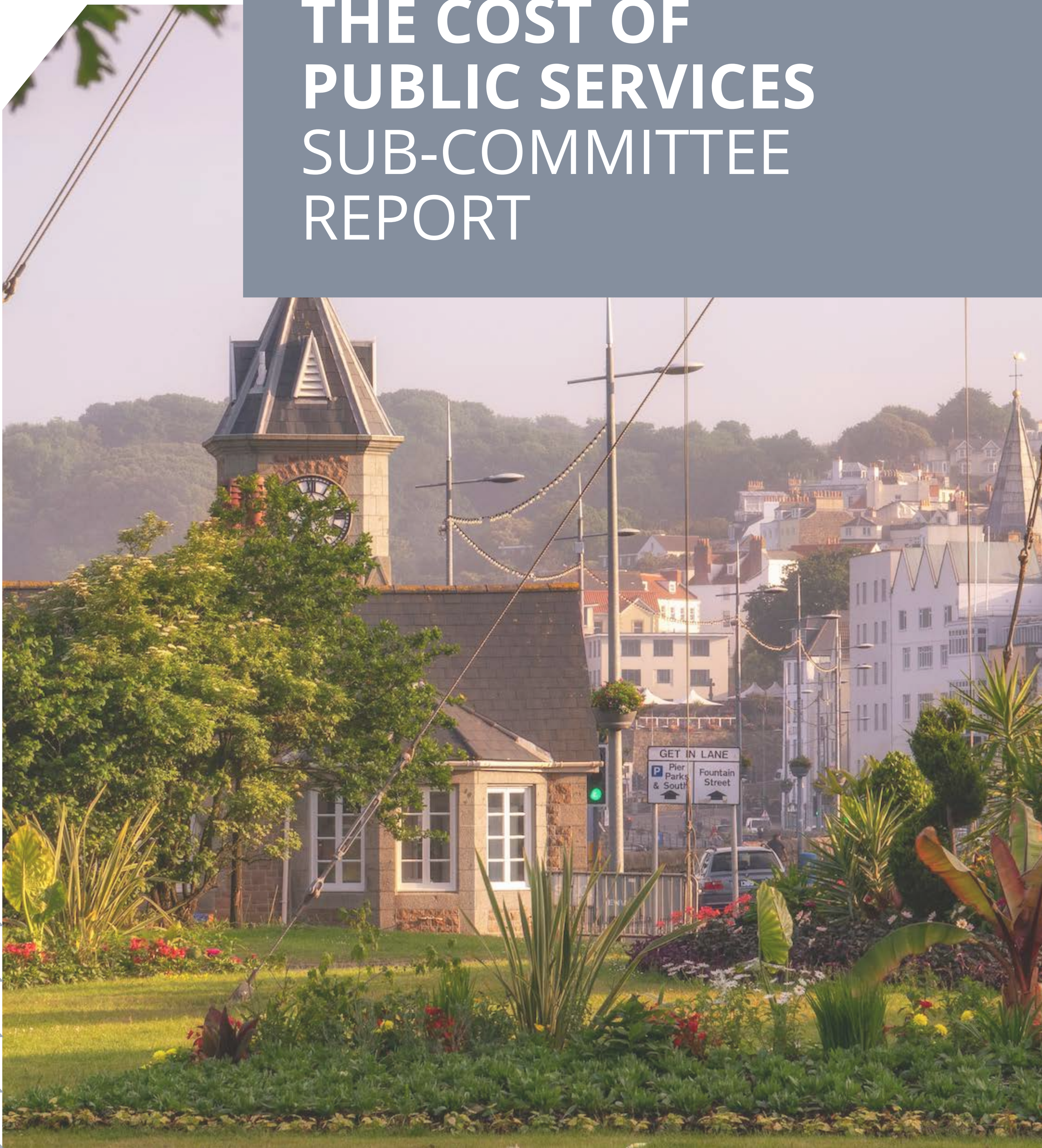
2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net Income / (Expenditure)	2025 Budget £'000s
(23,139)	(29,362)	(26,240)	Guernsey Insurance Fund	(25,591)
13,278	14,440	15,459	Long-term Care Insurance Fund	17,274
(9,861)	**(14,922)**	**(10,781)**	**Operating deficit before investing activities**	**(8,317)**

Superannuation Fund Administration

2023 Actual £'000s	2024 Original Budget £'000s	2024 Forecast £'000s	Net Income by Category	2025 Budget £'000s
			Pay costs	
453	498	490	*Established Staff*	560
			Non Pay costs	
359	438	476	*Consultant Fees*	380
181	161	276	*Support Services*	255
540	599	752		635
993	**1,097**	**1,242**	**Total Expenditure by Category**	**1,195**

APPENDIX VII

REDUCING THE COST OF PUBLIC SERVICES SUB-COMMITTEE REPORT



REDUCING THE COST OF PUBLIC SERVICES

SUB-COMMITTEE REPORT

EXECUTIVE SUMMARY

Guernsey's aging demographic mirrors that facing most developed jurisdictions. Ongoing population changes are increasing demand for public services, including health and care, whilst reducing the proportion of residents below pension age. Like many jurisdictions, this is driving increases in service costs, decreasing income, and reducing the sustainability of government finances[1]. Action needs to be taken now to improve the States' financial position, including expenditure restraint, revenue raising and cost savings.

The Reducing the Cost of Public Services Sub-Committee ("the Sub-Committee") was constituted by the Policy & Resources Committee in 2023 to explore the options available to deliver £10-16m of recurring savings incrementally over the next five years[2]. In aiming to deliver these savings, the States has set out to slow the growth of their revenue budget and reduce the forecast deficit.

The Sub-Committee has since engaged with States Committees and wider stakeholders to gather and assess ideas for cost savings and has developed a series of recommendations to help the States deliver saving objectives. The Sub-Committee invited suggestions from all Guernsey and Alderney residents, States Members and public service employees on how the cost of public services could be reduced. 865 people responded across the three surveys, submitting 2,385 ideas. Each idea was reviewed and independently scored based on its potential savings, funding and resource requirements, any financial risk to other services, social and environmental impact, feasibility, and wider economic impact.

With support from the mandated Committees, the Sub-Committee has prioritised a group of ideas it has termed 'Tier 1'. These ideas, along with the States' existing transformation priorities (such as Public Service Reform changes, the Transforming Education Programme,

[1] The Tax Review: Phase 2, Billet d'État III, 2023
[2] Resolution 7, The Tax Review: Phase 2, Billet d'État III, 2023

and the Revenue Service Programme), have the potential to reduce the organisation's cost base. The Sub-Committee did not seek to reassess projects with final States' agreement or projects which were already in implementation. These projects will need to continue if the States is to achieve their savings goals.

Tier 1 ideas can be divided into four key themes (although it should be noted that some ideas span more than one theme); digitalisation, focused spend, operational change, and strategic transformation. It is important to note that the Tier 1 ideas require further scoping, consultation and political decisions before they can be taken forward and they are not presented to the Policy & Resources Committee to seek States commitment to the ideas.

- **Digitalisation:** As has been recognised in previous reviews of the organisation and as part of the Government Work Plan[3] ("GWP"), improved digital capability is a key enabler to cost reduction. The Sub-Committee's prioritised digitalisation initiatives for further investigation include e-billing and improved collection of charges and the expansion of the services (generic and service area specific) managed through MyGov.

  Further digitalisation should increase the public's engagement with the States through digital channels and streamline internal operations for better service delivery and a reduction in costs.

  Digitalisation initiatives will need to be undertaken in line with the States' internal Digital Strategy (including making use of and helping to progress enabling infrastructure) and will need to be coordinated to make the most of digital resources and deliver the greatest value to the organisation.

- **Focused Spend:** By reviewing benefits criteria and grant payments, focused spend initiatives are intended to help the States to better target their spending. Initiatives in this area are anticipated to restrict or limit payments made by the States to external organisations or individuals based on relative need. The Sub-Committee has prioritised for further consideration reviews of family allowance, the Health

[3] Government Work Plan - States of Guernsey

Benefit Grant, prescription charges, wider benefits criteria, and the grants provided by the Committee *for* Education, Sport & Culture.

- **Operational Change:** Operational change initiatives are tactical-level changes to current processes and service structures, reducing the time, effort and materials needed to deliver the States' current processes. The States has delivered a large number of tactical changes as part of its past cost-cutting programmes (such as within the Financial Transformation Programme[4]) and continues to make tactical cost reductions as part of the annual budget process.

  Past operational change and ongoing workstreams limit the number of operational change projects available. The surveys, however, identified a number of ideas and the Sub-Committee has prioritised those with greater potential savings. Selected initiatives for further exploration include the introduction of e-rostering, a requirement for upfront service payments, and efficiencies in pharmacy services such as through the introduction of an Interface Pharmacist. Digitalisation initiatives are also likely to open up options for operational change.

- **Strategic Transformation:** More significant savings will lie in large-scale change and transformation, changing how services are delivered rather than just improving current processes. These initiatives, however, require the most resource, time, and funding to achieve and need to take place holistically due to their wide-reaching implications. It will not be possible for the organisation to rapidly deliver strategic programmes in all services.

  The Sub-Committee has noted the vital transformation programmes already being implemented in the States and is not seeking to reassess or deprioritise these workstreams. It has, however, highlighted two strategic areas that still require States' decisions or need further funding, and which were frequently suggested as part of the Sub-Committee's consultation - the health and care universal offer (as part of the Sustainable Health and Care Portfolio) and Reshaping Government.

Whilst the Sub-Committee has recommended a number of ideas for exploration, for the States to make informed decisions, further work will be required to confirm the possible

[4] Financial Transformation Programme - End of Programme Report, Billet d'État IX, 2015

cost savings, feasibility and risks associated with each initiative. The initiatives will need to be considered in the round with the States' revenue raising proposals, other change programmes, and the business-as-usual responsibilities of the States.

The Sub-Committee's work revealed a number of cost recovery initiatives, as well as savings initiatives. Whilst income generated under these initiatives is not considered to contribute to the States' savings target, it is important that its capacity to reduce the forecast deficit be acknowledged. As a result of the Sub-Committee's analysis, an updated Fees and Charges Directive was produced for the Policy & Resources Committee's consideration. The updated directive now requires overheads relevant to all services, such as HR, Finance and IT, to be to be applied to all eligible fees and charges. The Sub-Committee would recommend that the revised directive be applied across the organisation (whilst allowing for the need for incremental and holistic cost increases to avoid a sudden and significant impact on some stakeholders) and a regular cycle of fees and charges review be introduced.

As part of its review, the Sub-Committee also considered options to help support Committees to deliver their savings initiatives. It is recommended that Tier 1 items are considered for future prioritisation and resource allocation, including their integration into the GWP Strategic Portfolios[5] and the committee work plans[6]. The States will likely need to reduce their workload elsewhere if they are to effectively prioritise sufficient cost reduction initiatives (Tier 1 and existing priorities) to deliver the savings target.

Whilst the GWP and committee work plans won't be formally updated again until next term, savings initiatives will need to continue/commence and be appropriately resourced for the rest of this term. It is recommended that the Policy & Resources Committee ensure funding and multi-disciplinary resources are made available to help fill resource gaps and support the States to make timely progress towards their savings goal. The Sub-Committee is aware that budget submissions have been made for additional resourcing in 2025, including resources to support health and care transformation and digitalisation.

[5] The agreed Strategic Portfolios are 'Public Service Resilience, Security and Governance', 'Housing Infrastructure and the Economy', and 'Sustainable Health and Care Services'

[6] Committee work plans are included in the GWP and are designed to ensure the efficient use of resources aligned to the strategic portfolios, while also delivering on mandated activity such as statutory obligations and international trade compliance.

Prioritised allocation of these resources may help support the delivery of cost saving opportunities.

To monitor progress towards the States' savings target and promote a whole-system approach, it is also proposed that the Policy & Resources Committee constitute a new oversight sub-committee (not a continuation of the Reducing the Cost of Public Services Sub-Committee). States Committees would continue to own and lead projects within their mandate, but the sub-committee would be in place to ensure that the target is closely monitored, to champion cost reduction initiatives, and to help ensure that initiatives are coordinated. Reporting to the States would take place via the Policy & Resources Committee, including an annual report on cost savings in the budget.

RECOMMENDATIONS SUMMARY:

The Sub-Committee recommends that the Policy & Resources Committee:

1. Present the Tier 1 initiatives to the States and seek to integrate the initiatives into the GWP Strategic Portfolios and committee work plans so that they can be investigated further and, if found to be viable and agreeable, can be implemented.

2. Constitute a new sub-committee to provide oversight to the £10-16m target for the five-year delivery period. This is not intended as a continuation of the Reducing the Cost of Public Services Sub-Committee.

3. Include the Tier 1 initiatives and the Sub-Committee's work in the Committee's handover to its successor and recommend that their further investigation form part of the GWP and committee work plans proposed at the start of next term.

4. As part of any handover, recommend that the States apply rigorous prioritisation to their work next term, including consideration of cost reduction needs.

5. Coordinate resource requests to ensure that resources are applied to the Tier 1 initiatives to enable them to be explored further and/or delivered as soon as possible.

6. Apply the revised Fees and Charges Directive across the organisation (taking into consideration the need for incremental and holistic changes to fees and charges) and coordinate the ongoing cyclical review of fees and charges.

REDUCING THE COST OF PUBLIC SERVICES

SUB-COMMITTEE REPORT

Report Contents

1. Introduction

1.1. The longer-term financial position of the States of Guernsey is unsustainable[7]. As the island's population ages, demand for health and care services and pensions will continue to grow and the gap between the States' income and expenditure will widen. Mitigating this financial challenge will require a multifaceted approach, including revenue raising, expenditure restraint, and cost savings.

1.2. The States' current financial planning is based on achieving a savings target of £10-16m per annum incrementally over the next 5 years[8]. To help deliver this goal, the Policy & Resources Committee was directed to establish a sub-committee to help identify possible areas of cost reduction. The Reducing the Cost of Public Services Sub-Committee ("the Sub-Committee") was formed in 2023. It was directed to engage with the community and work with Principal Committees, the States' Trading and Supervisory Board ("STSB") and wider States Members to consider how structural change, cessation, outsourcing and/or commissioning of services might enable the States to achieve their savings objectives and reduce the growth of the revenue budget.

1.3. The Sub-Committee was aware from the beginning that identifying savings at the target level would be challenging – especially considering the States' recent history of cost-cutting programmes. Realistically, if sustainable savings are to be achieved, the Sub-Committee expects that individual Committees, and the States, will need to make difficult decisions to change or restrict some public services (section 2).

1.4. With these challenges in mind, the Sub-Committee sought fresh ideas and perspectives throughout its engagement with other States Committees, States Members, and the public (section 3). All general revenue expenditure was considered in scope, as well as expenditure on benefits from the contributory funds and within the STSB[9]. Any savings, however, needed to be recurring and

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[7] The Tax Review: Phase 2, Billet d'État III, 2023
[8] Resolution 7, The Tax Review: Phase 2, Billet d'État III, 2023
[9] STSB has since approached the Policy & Resources Committee independently about its plans and commenced a three-year programme of work to improve trading profits and reduce reliance on the taxpayer. As such, the Sub-Committee has not included any STSB initiatives in its final prioritisation.

achievable within the medium-term (i.e., over the next five years).

1.5. This report focuses on those savings ideas considered to have the greatest potential for cost reduction and which are not already in implementation (section 4). Whilst the wider impact of these ideas has been considered and initial cost assessments have taken place where possible, most of these ideas require further investigation and political decision-making. The Sub-Committee is keen that those ideas with potential are made visible and are considered for further work by the States, however it is not proposing that the Policy & Resources Committee seek the States commitment to the implementation of these ideas.

1.6. Where possible, the proposed initiatives have been associated with high-level financial information which contributed to the assessment process. In the timeframe available, however, full analysis has not been possible and further exploration will be required to validate any potential savings. Financial estimates have not been included in this report.

1.7. The Sub-Committee has also noted the large number of established workstreams in the States which have the potential to deliver savings towards the £10-16m target. It has not sought to reassess or make further study of those savings initiatives which are currently being implemented – particularly as many of these workstreams are already delivering benefits. Instead, it has focused on initiatives which are new, or which do not yet have States direction. Both those established savings programmes and new initiatives will be necessary to secure the States' savings target.

1.8. As part of its investigation, the Sub-Committee has additionally sought to understand possible risks to the States' cost reduction projects and to identify means of support. As well as the highlighted cost saving initiatives, this report presents the Sub-Committee's recommendations to help lessen risks to the savings target, including resource prioritisation, oversight, and funding (section 5).

2. The Challenge

2.1. The Sub-Committee's review of cost reduction opportunities comes at a time of great challenge for the Island. Guernsey has felt the effects of significant global events this term – recovering from the COVID-19 pandemic, moving into the post-Brexit period, and the impact of the ongoing war in Ukraine (which has a continuing impact on supply chain costs). These issues combined have led to the high inflation rates and cost of living challenges the Island is currently experiencing[10]. They still require ongoing remedial action and investment and have delayed many projects and much 'business-as-usual' work.

2.2. Alongside these immediate issues is the need for the Island to address and prepare for growing service demand, particularly in areas such as health and care and pensions. This increase is being driven by long-term demographic changes, with more people living longer and a falling birth rate, and the associated change in dependency ratio[11]. As things are, public service resources will become increasingly overstretched, with the financial deficit forecast to grow to £100m a year, in real terms, by 2040[12].

2.3. At the Tax Review debate in February 2023[13], the States agreed that the longer-term financial position of the States of Guernsey is unsustainable, although no agreement was reached on any of the proposed tax packages. The States resolved:

"To agree that the longer-term financial position of the States of Guernsey is unsustainable and effective measures must be implemented in a staged approach to mitigate the challenges, particularly those arising from an ageing demographic with increased health and care needs, requiring:

I. delivery of expenditure restraint, savings and revenue raising,
II. the identification of a longer-term vision for Guernsey and an accompanying economic, social and environmental model,
III. the consideration of alternative funding models for capital projects,
IV. the development and delivery of revised health and care models,

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[10] Inflation (RPIs and HCIs) - States of Guernsey (gov.gg)
[11] The average number of economically dependent population per 100 economically productive population.
[12] The Tax Review: Phase 2, Billet d'État III, 2023 – it is the Sub-Committee's understanding that the Treasury Team are undertaking an exercise to update the long-term baselining exercise covering all the Principal Committees which underpinned much of the funding gap analysis presented in the Tax Review. This information is expected to support communication of the underlying financial position ahead of the next election.
[13] The Tax Review: Phase 2, Billet d'État III, 2023

and to agree that the work associated with this issue is a very high priority for government and resources need to be re-prioritised accordingly."

2.4. Acknowledging the role cost savings would need to play in reducing revenue budget growth and improving the States' financial position, the Reducing the Cost of Public Services Sub-Committee was constituted. As per Resolution 7[14] of the Tax Review debate, the States agreed:

"To direct the Policy & Resources Committee to establish a Sub-Committee working with Principal Committees, the States' Trading Supervisory Board and wider States Members, and after effective engagement with the community, to identify and review essential community services and to consider whether structural change, cessation, outsourcing and/or commissioning of those services could deliver significant savings having regard to:

- the relevance of universal offers in the provision of services;
- value for money and the opportunities for potential efficiencies in service delivery;
- the operating models for the States' trading assets;

and to incorporate these into a medium-term plan for delivering overall cost reductions of at least £10m-£16m over five years to be considered by the States by the end of 2024."

2.5. Under its Terms of Reference (Appendix 1), the Sub-Committee has sought to identify actions which might be included in the proposed savings plan. To frame its review and help determine where it should focus its efforts to deliver the most value, the Sub-Committee considered the previous cost-cutting exercises in the States and the ongoing work to improve value for money and reduce the cost base of the organisation.

2.6. There have been a number of recent cost-cutting programmes in the States. The consultant led Financial Transformation Programme ("FTP")[15] ran for five years on the back of the Fundamental Spending Review. It delivered £28.7m of recurring

[14] Resolution 7, The Tax Review: Phase 2, Billet d'État III, 2023
[15] Financial Transformation Programme - End of Programme Report, Billet d'État IX, 2015

savings and multiple non-financial benefits were achieved which contributed to a more cost-conscious organisation and greater cross-departmental working.

2.7. A further 3-year savings programme was rolled out in 2017[16]. The majority of States Committees absorbed the target of 3% savings in the first year, followed by 1% in 2018. The programme, however, was then replaced with the 2018 Medium Term Financial Plan[17]. The savings target for the Plan was £26m, however only £8m was achieved by 2022 with several significant challenges hitting the States in this period, including the COVID-19 pandemic.

2.8. These substantial cost reduction programmes, and Committees' annual budget reviews, progressed a large number of tactical change projects. Delivering these projects helped to address immediate needs and generate localised cost savings. In light of past cost-cutting exercises, however, it was clear to the Sub-Committee that there are fewer tactical-level savings available in the organisation and the States will need to make strategic-level change to achieve their cost saving goals. This will require a whole-organisation perspective.

2.9. The States is currently delivering strategic change though a range of transformation programmes, many of which fall under the banner of Public Service Reform[18]. The Public Service Reform programme was introduced in 2015 as a ten-year plan to transform the organisation, management, and delivery of services. It has focused on organisation-wide change and large-scale programmes, including the Transforming Education Programme, property rationalisation, the transformation of corporate HR, IT and Finance services, the public service leadership structure, the Revenue Service Programme and the development of digital platforms.

2.10. There is much Public Service Reform work which is still ongoing and which is predicted to deliver savings in the next five years. Where work is in its implementation phase, the Sub-Committee has not sought to reassess it as part of the review. The Sub-Committee would recommend that Public Service Reform

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[16] 2017 Budget Report, Billet d'État XXVI, 2016
[17] Medium Term Financial Plan 2017-2021
[18] Public Service Reform | States of Guernsey (ourfuture.gg)

efforts continue to be prioritised by the organisation and expects they will remain an important component of the States' savings efforts.

2.11. Rather than reviewing old ground, the Committee has sought to focus its investigation on possible new savings actions and on highlighting key projects which are not yet in implementation or do not yet have the necessary States direction. Acting on such opportunities will require a States-wide approach and the adoption of technology and data enablers. It is likely that the States and their Committees will need to make difficult decisions to stop or reduce services and change policies, as well as deliver services differently. When making these decisions, the complex interactions between States' services will need to be considered to avoid incidental cost increases in other areas.

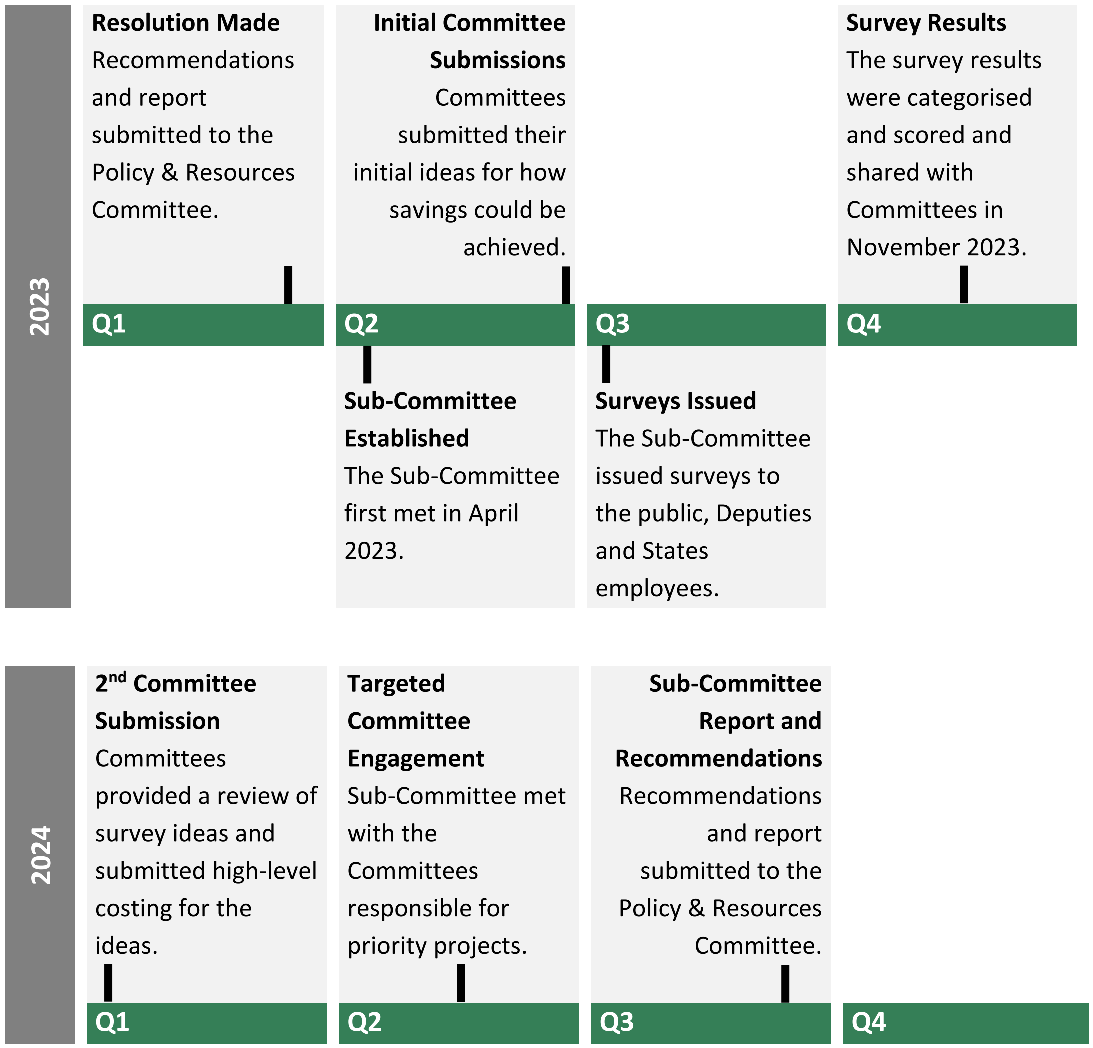
2.12. To support the more innovative thinking required, the Sub-Committee opted to seek ideas from across the organisation and the Island community and to focus on medium-term and material cost reduction options. It also looked to distribute the savings target based on opportunity rather than by applying percentage decreases to each committee budget (although, in preparing the 2024 Budget, Committees were asked to reduce their spending by 2.5%, except for the Committee *for* Health & Social Care).

2.13. Section 3 provides further detail on the process for the Sub-Committee's review.

3. The Review Process

3.1. Over the last 18 months, the Sub-Committee has coordinated an involved process of data gathering and consultation with States Committees, Deputies, employees, and the public. Figure 3.1 provides an overview of how the ideas for saving initiatives have been generated and assessed. Sections 3.3 to 3.28 provide further detail on the identification, review, and prioritisation phases and the high-level data analysis carried out.

3.2. *Figure 3.1: The Sub-Committee's Actions in 2023 and 2024*



3.3. Phase 1: Identification Phase

3.4. After it met for the first time in April 2023, the Sub-Committee wrote to all States Committees to request a long list of initial cost reduction options. This built upon the exercise carried out by all Principal Committees for Phase 2 of the Tax Review where Committees examined the scope for reducing their budgets by 5%, 10% and

15%[19]. As would continue to be evident in the Sub-Committee's investigations, many of the opportunities identified by Committees involved reducing, remodelling, or restricting access to public services or increasing fees and charges.

3.5. Alongside its engagement with Committees, the Sub-Committee released three surveys designed to gather ideas from all Guernsey and Alderney residents, public sector employees, and individual States Members. These surveys were used to provide a fresh perspective on cost reduction options and offered the Sub-Committee further insight into public concerns, values, and priorities.

3.6. 865 people participated in the surveys. The Sub-Committee would like to thank everyone who responded.

3.7. Phase 2: Review Phase

3.8. Through the survey process, 2,385 ideas and comments were submitted to the Sub-Committee for consideration. Before prioritising these ideas, the Sub-Committee sought to consolidate duplicated or interconnected ideas and redirect ideas which fell within the responsibility of an existing workstream or which fell within the mandate of a different review.

3.9. Amongst the ideas excluded from the Sub-Committee's consideration were approximately 505 ideas solely related to raising or introducing new taxes (including corporate tax and anti-tax avoidance measures). These ideas were deemed to fall within the mandate of the Policy & Resources Committee's tax sub-group[20] and needed to be assessed in the context of the wider investigation of changes to the tax system. It will be up to the sub-group to assess and prioritise these ideas as part of its review. As per Resolution 10[21] of Phase 2 of the Tax Review, the Sub-Committee also redirected those ideas related to paid parking to the Policy & Resources Committee and Committee *for the* Environment & Infrastructure so that they might be considered alongside other transport related revenue generation.

3.10. 96 further ideas were identified as being part of 'established workstreams'. In this

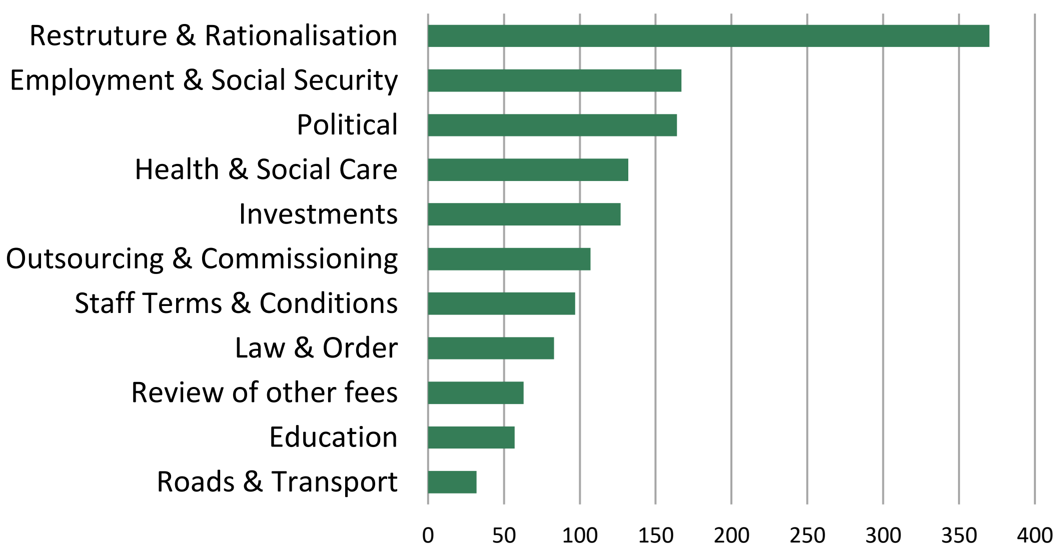
[19] The Tax Review: Phase 2, Billet d'État III, 2023
[20] Resolution 9, The Tax Review: Phase 2, Billet d'État III, 2023 -
[21] Resolution 10, The Tax Review: Phase 2, Billet d'État III, 2023

case, established workstreams were those in their implementation phase or those with final States agreement and direction, such as the Transforming Education Programme and the Revenue Service Programme. The Sub-Committee considers these workstreams to be key to delivering the States' savings goals but did not set out to reassess these initiatives and duplicate work. Each comment or idea, however, was passed on to the relevant workstream lead to ensure that any valuable insight or understanding was not lost.

3.11. 242 of the submissions were classified as comments rather than ideas within the scope of the Sub-Committee's review and were forwarded to relevant Committees for their information.

3.12. The remaining ideas were categorised into 11 themes. Figure 3.2 illustrates the most prevalent themes in respondent's ideas (further information on the survey results is available in Appendix 2).

3.13. *Figure 3.2: Ideas by Theme*



3.14. A scoring matrix was designed for the efficient assessment of the remaining ideas. The scoring matrix allocated scores for each of the following categories.

- Medium-term net financial gain (annual recurring),
- Implementation costs and resources required,
- Financial risk to any other services,

- Social impact,
- Feasibility, and
- Economic Impact

3.15. An officer panel then independently scored and ranked the ideas using the scoring matrix. The mandated Committees were then asked to comment on all those ideas which scored above the minimum threshold. Where an idea was considered to impact multiple Committees, it was circulated to all applicable Committees.

3.16. Lower scoring ideas were also sent to the relevant Committees to ensure no public feedback was lost and to provide assurance to the scoring process.

3.17. Committees provided their comments as part of a return document for the Sub-Committee. Returns included the Committee's own ideas and those submitted through the survey process. Committee's included high-level estimates of potential savings (one-off and recurring), implementation costs and benefit timelines. Comment was also provided on the wider benefits, risks and barriers.

3.18. Whilst it submitted a return, STSB's funding requirements and efforts to reduce costs have been built into the Funding and Investment Plan separately from the £10-16m target. STSB has also approached the Policy & Resources Committee independently about its plans and commenced a three-year programme of work to improve trading profits and reduce reliance on the taxpayer. As such, the Sub-Committee did not include STSB initiatives in its final prioritisation.

3.19. Like wider savings initiatives, STSB initiatives will need to be monitored to ensure that benefits are realised, and that any activity is coordinated with developments across the States.

3.20. <u>Phase 3: Prioritisation Phase</u>

3.21. The Committees' returns were used to inform the Sub-Committee's final prioritisation process and to understand the barriers to cost reductions and the particular concerns of the States Committees (this is explored further in section 5).

3.22. Feedback from the Committees helped to remove any incompatible ideas; this included ideas which already formed part of the States' operations, ideas which could undermine the jurisdiction's international competitiveness or compliance, and ideas which would cost considerably more to implement than they would deliver in savings. It also emphasised the large number of workstreams already in place.

3.23. Using the information provided by Committees, the Sub-Committee sorted the qualifying ideas into three tiers.

Tier 1 High Priority	Ideas which have the potential to realise significant savings (or are intrinsically linked to an action with the potential to realise significant savings) and/or are of a size and complexity to require/benefit from political oversight.
Tier 2 Potential Future Value	Ideas which do not have sufficient associated information to be added to Tier 1, but which may merit further investigation.
Tier 3 Lower Priority	Ideas which have the potential for some savings or service improvements, however, will not generate the level of savings necessary to materially contribute to the States' savings target. These are not considered a resource priority.

3.24. Tier 1 projects were considered to have the greatest potential to deliver material cost reductions in the States (see section 4). Tier 2 projects didn't have sufficient information to assess potential cost savings, however, Committees may wish to consider them further and ascribe the projects to the savings target later in the five-year window.

3.25. Committees were asked to proceed with implementing ideas with modest savings opportunities or with service improvements (Tier 3 ideas) if resource and opportunity became available. These ideas form part of the need for all service areas to deliver incremental improvements in efficiency and value-for-money, even if they are not associated with large enough cost reductions to be prioritised.

3.26. Within Tier 1, as well as important States-wide and enabling projects within the mandate of the Policy & Resources Committee, there were found to be key initiatives within the mandates of the Committee *for* Education, Sport & Culture, the Committee *for* Employment & Social Security, and the Committee *for* Health & Social Care. To explore these ideas further, the Sub-Committee attended meetings of each of the three Committees.

3.27. The meetings with Committees focused on:

- The Committees' current prioritisation intentions for the Tier 1 ideas,
- The indicative implementation timelines for Tier 1 ideas,
- Resourcing availability to undertake the work,
- Possible risks or obstacles to overcome, and
- The confidence levels associated with each Tier 1 idea.

3.28. Following these meetings, the Sub-Committee finalised which initiatives it would include in its recommendations to the Policy & Resources Committee. Section 4 explains which cost reduction ideas the Sub-Committee believes to have the greatest potential to contribute to the £10-16m target (beyond those programmes with cost savings already prioritised by the States).

4. Tier 1 – Ideas Short-Listed for Consideration

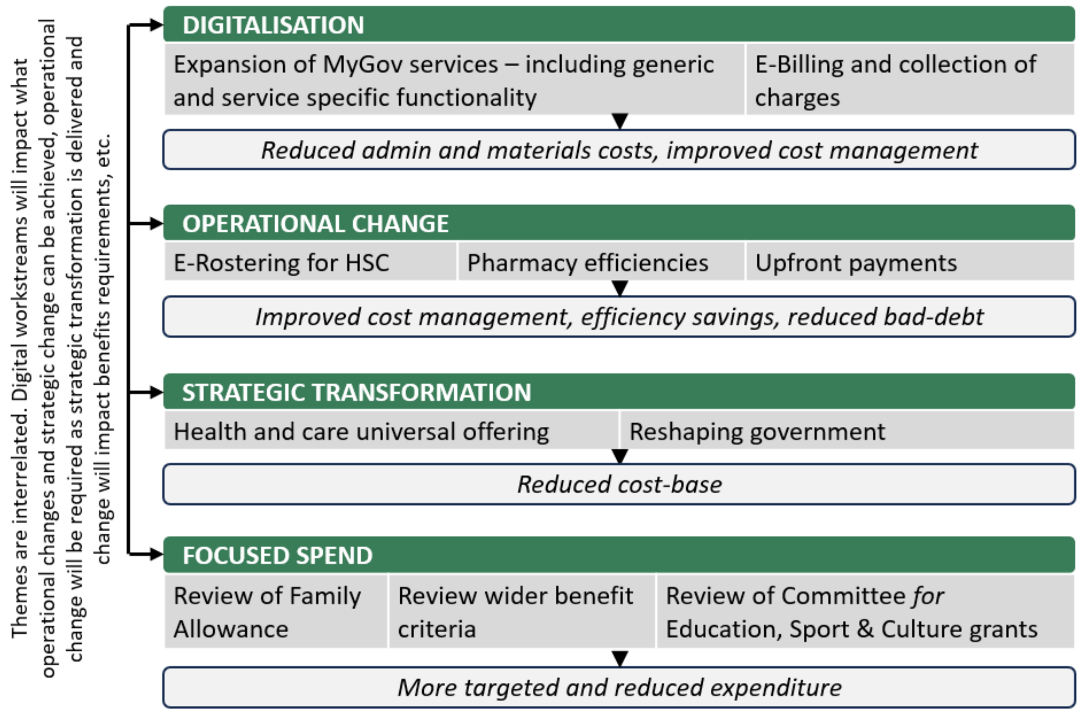
4.1. The States needs to continue to prioritise in-progress transformation programmes (e.g. the Transforming Education Programme, the Revenue Service Programme, property rationalisation, etc.). To deliver a £10-16m target, however, the States will need to act on further savings opportunities.

4.2. Figure 4.1 summarises the ideas considered to have the **greatest potential to deliver cost reductions in the next five years**. Most of these initiatives, however, will require further investigation, public consultation, and political decision-making (in some cases, across multiple Committees). Even if the States supports the ongoing consideration of the Tier 1 initiatives, they cannot, at this stage, be considered as having States agreement or as forming a guaranteed contribution to the cost reduction target.

4.3. Not all the Tier 1 ideas have had final agreement from the mandated Committees, however, the Sub-Committee believes that all those ideas with legitimate cost reduction potential should be made visible to the Policy & Resources Committee and should be given proper consideration for further work by the States. As part of its review, the Sub-Committee has engaged with the Committees and has looked to emphasise the importance of financial discipline and cost reductions – a message that will need to continue to be championed, especially as difficult decisions will be needed to deliver the States' target.

4.4. *Figure 4.1: Tier 1 Initiatives*

Please note that this diagram and its themes are used for illustration only, not as programme suggestions.



4.5. Four themes have been identified across the prioritised initiatives. These themes are explored further in sections 4.6 to 4.22.

4.6. Theme: Digitalisation

4.7. Tier 1 includes cost saving initiatives which are reliant on digitalisation. As has been recognised in previous reviews[22] of the organisation and as part of the Government Work Plan[23] ("GWP"), improved digital capability is a key enabler to

[22] Public Service Reform | States of Guernsey (ourfuture.gg)
[23] Government Work Plan - States of Guernsey

cost reduction. The States' digital resources were highlighted as having been a limitation to change and to delivering cost savings by several Committees.

4.8. The States must use technology to their advantage to help cope with the naturally declining workforce and the growing demand in services. The States has recently developed a new digital strategy to help ensure that its digital resources are effective and are focused on priority projects. Improving digital capacity and service provision should support further operational change across the organisation, as well as enabling transformation in some areas.

4.9. The Sub-Committee's review identified a number of savings opportunities dependent on digital change or improvements. The Sub-Committee has chosen to highlight:

- **The expansion of MyGov:** MyGov provides a self-service portal to enable members of the public to engage digitally with States services at any time and in any location. Furthering the development of the portal and increasing the number of services available (generic and service specific) should reduce administration requirements and help to reduce printing and postage costs (a reliance on postal communication in some areas was regularly raised by survey respondents).
- **E-billing and collection of charges**: There is scope to increase the number of States services which issue bills electronically, as well as to promote automatic or online payments of bills. Using technology to support these changes should reduce administration costs.

4.10. <u>Theme: Operational Change</u>

4.11. The time, effort and materials needed to deliver the States' current services can be reduced through changes to processes and service structures. Operational change tends to be incremental and is not based on the full redesign of services – this means that these initiatives are often easier to deliver (although many opportunities have already been acted on as part of past cost reduction programmes).

4.12. Operational changes with relatively low associated savings were included in Tier 3 and Committees were requested to progress the ideas where possible as part of their continuous improvement efforts (any savings can still be allocated to the target). The Sub-Committee, however, has prioritised some operational change initiatives with greater potential savings, these include:

- **Pharmacy Services Efficiencies**: The Committee *for* Health & Social Care is looking to increase efficiencies in pharmacy services, including the introduction of an interface pharmacist to review prescriptions and reduce the prescribing of too many medicines when alternative options may be available. This will be supported by a medicines optimisation strategy to help enhance value for money whilst supporting health outcomes and safety.
- **The introduction of E-Rostering:** eRostering is a technology that uses software to create, manage, and maintain employee schedules electronically. Its use, particularly in health and care services, will allow the organisation to better manage staff costs, as well as reducing administration requirements.
- **Up-front Payments:** By requiring upfront payments, rather than providing an invoice after the fact, many States services will be able to reduce bad debt and support customers to raise any payment issues early.

4.13. It is likely that digitalisation will unlock other opportunities for operational change which have not been scoped at this stage.

4.14. Whilst it is vital that the States continue to recognise and act on possible efficiencies in its services, tactical changes to the States' current ways of working will not be sufficient to significantly reduce the cost base.

4.15. <u>Theme: Strategic Transformation</u>

4.16. More significant savings lie in large-scale change and transformation, changing how services are delivered rather than just improving current processes. Transformational change needs to be done holistically as any changes will have a multi-committee impact and wider reaching implications. For example, changes in access to health and care services may impact the requirement for benefits provided by the Committee *for* Employment & Social Security. It is essential that risks for other services are identified and the impact modelled as part of any changes.

4.17. Whilst the greatest savings are likely to be achieved through a strategic approach, it should be noted that these initiatives generally require the most resource, time, and funding to achieve. It will not be possible for the organisation to rapidly deliver strategic transformation programmes in all services.

4.18. As mentioned, there are multiple transformation programmes already being implemented in the States. The Sub-Committee does not seek to deprioritise any of the transformation programmes included in the GWP, however it has chosen to highlight areas of change which were popular topics in the survey responses and which require further political direction.

- **The health and care universal offer:** It has been recognised that Guernsey's health and care provision has become progressively more unsustainable and the delivery model needs to be adapted to mitigate the impact of increasing demand, reduced service resilience and minimise service risk for the population. The Sustainable Health and Care Services portfolio has been prioritised in the GWP.

  The Sustainable Health and Care Services Portfolio will include work on the universal offer - giving islanders clarity about the range of services they can expect to receive, and the criteria for accessing them.

  In addition, as part of the portfolio, the funding of health and care services will need to be considered, including the ideas below (which were common themes in the survey responses):

  - **Primary care subsidies:** Consideration needs to be given to the universal Health Benefit Grant and the most effective use of this funding, particularly considering the ageing population.

    Residents in Guernsey receive a grant towards the cost of their appointment with a GP (in the surgery or in the Emergency Department) (at £12) or with a nurse or healthcare assistant (£6).

The grants have not been increased in many years and now represent a small percentage of the appointment cost.

It should be noted that, if the Health Benefit Grant were to be removed or reduced, the resulting savings would be reduced through the associated increase in income support costs (as any income support recipients currently receive free primary care) and increased costs for the provision of free services, such as cervical screening, where the grant is currently applied. Any impact on primary care attendance also has the potential to influence health outcomes and long-term secondary care costs.

    - **Changes to prescription charges and exemptions:** The States maintains a "white list" of medicines (drugs) and medical appliances. They are available to residents with a prescription following payment of a prescription charge (currently £4.90 per item). At present, some residents are exempt from prescription charges, including all residents over pension age. The rate of the prescription charge and those who are exempt from it needs to be considered to ensure it appropriately reflects costs and those with the greatest needs are supported.

    - **Means testing:** Consideration of the future funding of health services will need to include how funding is targeted and increasing the contribution provided by those most able to pay. Means testing was a recurring theme amongst the survey responses.

- **Reshaping Government:** A large number of survey responses focused on the Terms and Conditions of States Members, the efficiency of the political process and the number of political seats. Like the Sustainable Health and Care Services Portfolio, Reshaping Government was included in the GWP (under Maintain Public Service Resilience, Security, and Governance).

4.19. Theme: Focused Spending

4.20. Given the growing financial pressures, the States needs to focus its spending on essential government services and on those members of the community most in need. This requires Committees to consider all payments made to external organisations or members of the community. The survey highlighted a number of grants and subsidies where the cost savings potential was high and for this reason, these have been included in Tier 1.

4.21. Tier 1 includes:

- **Benefits Review:** A common suggestion in the public survey was to review the benefits provided by the States. This included options to cap or means test entitlements and to amend other eligibility criteria.

- **Grants Review:** The Committee *for* Education, Sport & Culture issues a range of different grants. It proposed that it review these grants where suitable to ensure they are at appropriate levels.

4.22. The Sub-Committee would like to stress that financial sustainability should be central to the thinking on all spending, including future policy development. It is not sustainable for every new strategy or plan to come with a significant price tag for implementation.

4.23. Estimating Savings

4.24. It has not been possible to accurately estimate the total possible cost reduction from Tier 1 at this stage. Discovery work still needs to be completed for a large number of the initiatives and the scope of the initiatives needs to be confirmed by the relevant decision-makers (in addition, some Committees have expressed a desire to reinvest savings to avoid future cost increases).

4.25. The States' work to deliver savings has not paused whilst the Sub-Committee has carried out its review. For the most part, the projects realising these savings have not been included in the Sub-Committee's Tier 1 proposals as they have already been delivered or are far into their implementation phases. Those initiatives which are realising savings need to remain as priorities and will contribute to the savings target.

4.26. In a bid to prevent real-terms expenditure increases for 2024, all Committees (bar the Committee *for* Health & Social Care) were also requested to deliver annual budget savings of 2.5% (amounting to £6m). Although this savings target was met in part, the reductions were more than offset by Committees requesting additional budget as a result of rising costs for operating their existing services.

4.27. It is unlikely that all Tier 1 initiatives will proceed to implementation and the States target of £10-16m in annual savings is not certain. The States will need to continue to explore and commit to savings initiatives over the five-year cost-reduction programme to reduce the risks associated with individual project's not proceeding and improve confidence levels for savings.

Recommendation 1
The Sub-Committee recommends that the Policy & Resources Committee:

- Present the Tier 1 initiatives to the States and seek to integrate the initiatives into the GWP Strategic Portfolios and committee work plans so that they can be investigated further and, if found to be viable and agreeable, can be implemented.

5. Supporting Cost Reduction Initiatives

5.1. Delivering the desired cost reductions will be challenging and obstacles will be encountered throughout the five-year delivery period. During the Sub-Committee's review, Committees consistently highlighted the existing resource pressures, conflicting priorities, and service demands. Whilst each Tier 1 proposal and existing savings initiative will have its own specific risks, the Sub-Committee has developed a series of recommendations intended to help lessen some of the more universal problems.

5.2. <u>Oversight and Reporting</u>

5.3. The identified cost reduction options are distributed across multiple States Committees. As it stands, no single Committee will have a complete view of progress and risks, or of any opportunities for collaboration. It is recommended that an oversight group is established as a sub-committee of the Policy & Resources Committee to monitor the delivery of the £10-16m target.

5.4. Whilst the terms of reference for the sub-committee would be developed and agreed by the Policy & Resources Committee, it is intended that it:

- **Monitor progress** towards the £10-16m target – including maintaining an up-to-date view of those initiatives progressing, those which are no longer expected to contribute to the target, and any new initiatives which should be prioritised,
- **Champion cost reduction initiatives**, and their associated requirements, and support States Committees to resolve any risks to savings (particularly through collaboration between Committees),
- **Identify options for collaboration or cross-committee working and share lessons between service areas** based on its States-wide view of the cost reduction initiatives,
- **Provide assurance** and act as a critical friend as needed,
- **Report any major risks** to the cost reduction target to the Policy & Resources Committee as soon as possible, and
- **Provide an annual update** to the Policy & Resources Committee to be included in the budget report.

5.5. To provide effective oversight and reporting, the sub-committee would need to include representation from the three key Committees associated with the Tier 1 projects; the Committee *for* Employment & Social Security, the Committee *for* Health & Social Care and the Committee *for* Education Sport & Culture, whilst being chaired by a representative of the Policy & Resources Committee.

5.6. The sub-committee would not have decision-making powers regarding individual cost reduction initiatives. The relevant Committees would own and lead projects within their mandate, including any advice to the States and decisions not to progress. The oversight sub-committee would be in place to ensure that the target is closely monitored, to support Committees as best it can, and to help ensure that savings initiatives are coordinated.

Recommendation 2
The Sub-Committee recommends that the Policy & Resources Committee:

- Constitute a new sub-committee to provide oversight to the £10-16m target for the five-year delivery period. This is not intended as a continuation of the Reducing the Cost of Public Services Sub-Committee.

5.7. It is anticipated that the sub-committee would meet on a quarterly basis to consider progress towards the £10-16m target. If risks to the target are identified, ad-hoc meetings may be required to support remedial action/escalate issues to the Policy & Resources Committee as soon as possible.

5.8. Prioritisation

5.9. The States' resources are limited. Funding and staff time need to be directed towards those projects which address urgent matters and resolve critical pressures, including the sustainability of the States' finances. In many cases, the Tier 1 initiatives require initial investment and considerable human resource before any benefits realisation. Whilst some of the Tier 1 actions are already being explored, many are not yet resourced or funded.

5.10. The States determines its priorities through the GWP[24] and Committees are directed to organise their work in line with the GWP and through the associated committee work plan. Whilst the GWP will not be formally updated again this term, it is recommended that Tier 1 initiatives are integrated into the three Strategic Portfolios in the GWP ('Public Service Resilience, Security and Governance', 'Housing Infrastructure and the Economy', and 'Sustainable Health and Care Services') and into committee work plans. In addition, it is recommended that those cost saving projects already prioritised in the GWP be retained as priorities in the future (if they are not yet complete).

[24] Government Work Plan - States of Guernsey

Recommendation 3
The Sub-Committee recommends that the Policy & Resources Committee:

- Include the Tier 1 initiatives and the Sub-Committee's work in the Committee's handover to its successor and recommend that their further investigation form part of the GWP and the committee work plans proposed at the start of next term.

5.11. By forming part of the GWP, initiatives can be considered in the context of wider States' concerns and challenges (alongside financial pressures). In this framework, they can be scheduled to reduce wider resource pressures. Other workstreams, however, may need to be suspended or stopped to prioritise cost reduction initiatives.

5.12. If prioritisation is going to be successful, it is vital that the next term's GWP is achievable and affordable. Progress on this term's GWP (whilst sustained) was often slower than anticipated. Pressing service delivery needs, alongside continued external pressures (which, given the size of the organisation, often require the same resources), limited the capacity of States' services. For Tier 1 initiatives, and other savings initiatives, to be delivered in a reasonable timeframe, they need to form part of a realistic GWP which recognises the importance of delivering cost reductions.

Recommendation 4:
The Sub-Committee recommends that the Policy & Resources Committee:

- As part of any handover, recommend that the States apply rigorous prioritisation to their work next term, including consideration of cost reduction needs.

5.13. Immediate Support

5.14. The States' goal is to deliver £10-16m of annual savings in five years. It is not possible, therefore, to wait until the next term for work on Tier 1 saving initiatives to begin. Whilst some areas have allocated funding and form part of the GWP; many Tier 1 initiatives are not fully resourced.

5.15. The Sub-Committee is aware of a number of budget submissions made to the Policy & Resources Committee to resolve resource pressures, including resource for health and care transformation and digitalisation. It is recommended that the Policy & Resources Committee coordinate these resources to help ensure that further work on Tier 1 initiatives can be carried out and the initiatives can be validated or ceased in a timely manner. It is necessary that the Tier 1 initiatives have access to multi-disciplinary resources (including, for example, finance, project management and policy resource) to fill resource gaps and build momentum.

Recommendation 5:
The Sub-Committee recommends that the Policy & Resources Committee:

- Coordinate resource requests to ensure that resources are applied to the Tier 1 initiatives to enable them to be explored further and/or delivered as soon as possible.

5.16. It should be noted that many projects will need subject matter expertise and access to experienced service area staff rather than new resources. Resources may need to be redeployed to make this experience available. Whilst this may not be desirable, and in some cases not possible, it is vital for the States to recognise the importance of reducing the organisation's cost base and Committees should allocate resources accordingly.

6. Cost Recovery

6.1. Cost recovery is concerned with recouping a portion of or all costs associated with a particular service provided by the States to the public. Where services are used by a sub-group of the community, it is common for these public services to be provided for a fee or charge which switches costs from taxpayers to specific service users.

6.2. The Sub-Committee is aware that the Policy & Resources Committee does not support the allocation of further income generation to the cost reduction target; however, the Sub-Committee's review noted some fees and charges that had not been recently reviewed and identified updates to the States' Fees and Charges Directive which could improve cost recovery.

6.3. The Fees and Charges Directive has since been reviewed and updated to reflect the greater centralisation of budgets over recent years (costs which would previously have been included within individual Committee budgets). Committees have low visibility of central costs, but they are a meaningful part of the cost of delivering public services. The revised Directive includes an updated approach to the absorption of overheads relevant to all services, such as HR, Finance and IT, to be applied to all eligible fees and charges. The Directive was piloted when the Development & Planning Authority ("DPA") completed a recent review of fees and charges. The results of this review have been reflected in the DPA's budget submission for 2025.

6.4. Any wider changes in fees and charges resulting from the new directive and from the ideas submitted to the Sub-Committee will need to be considered in the round and alongside any changes to taxes and other revenue raising measures. They will also need to be introduced incrementally and proportionately, rather than as sudden large increases. It is recommended, however, that the Policy & Resources Committee adopt the Directive and that a regular review of fees and charges be coordinated across the organisation.

6.5. Over time, it is anticipated that these revisions to fees and charges setting and monitoring will ensure that States' services more accurately recover their costs and, where appropriate, funding is sourced from the user rather than wider taxpayers.

Recommendation 6:
The Sub-Committee recommends that the Policy & Resources Committee:

- Apply the revised Fees and Charges Directive across the organisation (taking into consideration the need for incremental and holistic changes to fees and charges) and coordinate the ongoing cyclical review of fees and charges.

7. Conclusion

7.1. The States is in the process of improving services and delivering savings. Existing transformation programmes are expected to deliver cashable benefits over the next few years, whilst continuous improvement initiatives take place each year to help control the States' budget. To reach the cost saving target of £10-16m, however, much further work will be required.

7.2. The Sub-Committee has recommended a number of new ideas and highlighted existing initiatives with the potential to realise financial benefits. Further work, however, is required to confirm the possible cost savings and risks associated with each initiative in order that Committee and the States can make the informed decisions.

7.3. The initiatives will need to be considered in the round with the States' revenue raising proposals, other change programmes and the business-as-usual responsibilities of the States. It is essential, however, that the organisation prioritise work which will deliver cost reductions if it is to reduce its cost base and help lessen the financial pressures associated with the ageing population.

7.4. Cost savings will need to be a key prioritisation criterion and the States will need to adequately fund and resource initiatives if savings are to be realised. This will need to include whole-system, strategic change (such as the development of the universal offer) if significant cost reductions are to be made. Change at this level will require the States and Committees to be prepared to make difficult decisions over the next five years and beyond.

APPENDIX 1

Reducing the Cost of Public Services Sub-Committee Terms of Reference

Terms of Reference

1. Background

Following the debate on the Tax Review, the States resolved to:

> *"Direct the Policy & Resources Committee to establish a Sub-Committee working with Principal Committees, the States' Trading Supervisory Board and wider States Members, and after effective engagement with the community, to identify and review essential community services and to consider whether structural change, cessation, outsourcing and/or commissioning of those services could deliver significant savings having regard to:*
>
> - *the relevance of universal offers in the provision of services;*
> - *value for money and the opportunities for potential efficiencies in service delivery;*
> - *the operating models for the States' trading assets;*
>
> *and to incorporate these into a medium-term plan for delivering overall cost reductions of at least £10m-£16m over five years to be considered by the States by the end of 2024."*

2. Objectives

The States have set a target for savings of £10m-£16m over 5 years. This is interpreted to be a target of £16m per annum of recurring revenue expenditure savings by the end of the five year period.

The definition of savings is:

- All savings should be recurring in nature and enable revenue budgets to be reduced.
- The value of an annual saving can only be adjusted to annual budgets once, albeit delivery may straddle two or more calendar years.
- Cost avoidance and non-financial benefits are not included in this exercise

In light of previous cost cutting exercises undertaken by the States, any recommended cost reductions are fully expected to be accompanied by changes to service provision.

3. Scope

All Committee expenditure is in scope. However, given the limited timescale and sheer number of services, services will be targeted which are able to have a material impact on the cost of public services – the 'targeted services'.

The scope specifically includes States Trading Entities, under the mandate of the States Trading Supervisory Board (not incorporated entities), with a particular focus on those entities which are relying on the States for ongoing financial support.

The expenditure on benefits from the contributory funds is also in scope.

Recognising that this does not reduce the cost of services, options for charging for services that are currently free and/or increasing existing charges will be in scope.

Capital expenditure is not in scope for this review.

4. Approach

Once the 'targeted services' have been agreed, the Sub-Committee will work with Principal Committees, the States Trading Supervisory Board and other Committees of the States, which are responsible for the expenditure of public money assigned under their mandates, to identify opportunities for achieving cost savings through:

- Stopping services, either in full or part.
- Restructuring service provision, such as by amalgamation of services.
- Redesigning service provision.
- Restricting access to services.
- Reducing standards or levels of services (but staying within acceptable levels).
- Introducing/changing charging for services – this is not the primary focus of the exercise which is principally to reduce costs but opportunities may be worth exploring

Consideration will be given as to whether service provision can be undertaken at a lower cost outside of the States, including taking account of transferring/ownership of risk, via:

- Partnerships, such as with the 3rd sector.

- Outsourcing/commissioning, such as via grants or 3rd party contracts.

The Sub-Committee will set a framework for engagement with the local community to secure valuable contributions taking account of:

- The optimum approach to achieve desired inputs.
- The timing of engagement in relation to the timescales of the exercise.
- Other planned community engagement to help synchronise expense and effort.

5. Timescale and Reporting

The Sub-Committee will provide regular progress updates to the Policy & Resources Committee.

In order to enable recommendations to be made to the States for implementation from 2025 onwards, the Sub-Committee will report to the Policy & Resources Committee with its findings and recommendations by the end of March 2024.

6. Membership and Responsibilities

The Sub-Committee will be made up of:

Deputy Dave Mahoney (Chairman)
Deputy Sasha Kazantseva-Miller
Deputy Carl Meerveld
Deputy Simon Vermeulen

In addition, two Non-States Members will be Members of the Sub-Committee:

Mr Dave Beausire and one other to be agreed.

The Sub-Committee will not have any decision-making responsibilities as to changes to service provision.

The Sub-Committee is expected to work collaboratively with other Committees and seek consensus to recommendations made. Where that is not possible, then recommendations without Committee support should made be clear.

7. Resources.

Internal resources to support the Sub-Committee will be made available along with administrative services.

A starting budget of £50,000 (subject to P&R approval) to fund any additional resource requirements, such as the engagement of Subject Matter Experts. Any funding above this level will also require the approval of Policy & Resources Committee.

8. Meetings

Meetings will be scheduled monthly but there is likely to be a need for extra meetings from time to time, such as to conduct reviews with Committees.

States of
Guernsey