IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 9th DAY OF NOVEMBER, 2018

The States resolved as follows concerning Billet d'État No XXIV
dated 9th October, 2018

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2019
P.2018/108

I: After consideration of the States of Guernsey Annual Budget for 2019, they are of the opinion:-

1. To immediately transfer the sum of £1.5million from the General Reserve to the Future Guernsey Economic Fund.

2. To approve the immediate establishment of a Brexit Transition Fund within the General Reserve with an allocation of £3million and to delegate authority to the Policy & Resources Committee to approve uses of this Fund.

3. To rescind States resolution 3 of Article VIII of Billet d'État XXI, 2017 entitled 'Overseas Aid & Development Commission: Funding Arrangements and Future Developments'.

4. To approve the immediate establishment of an Overseas Aid & Development Impact Investment Fund within the General Reserve with an allocation of £1million and to delegate authority to the Policy & Resources Committee to approve investment of this Fund.

4A. To direct the Overseas Aid & Development Commission to research and recommend to the States, by no later than April 2019, a range of initiatives which could increase the States of Guernsey's contribution to international development to 0.2%, 0.3%, 0.5% or 0.7% of GDP over the 5-10 year period beginning 1st January 2020 and ending between 31st December 2025 and 31st December 2030.

5. To approve the immediate establishment of a Participatory Budgeting Fund within the General Reserve with an allocation of £1million and to delegate authority to the Policy & Resources Committee to approve uses of this Fund.

5A. To direct the Policy & Resources Committee to prepare draft criteria for the use of the participatory budgeting fund to guide the organisation appointed to manage the allocation of funds and to consult on these with the Committees for Education, Sport & Culture, Health & Social Care and Home Affairs and any other committee of the states that they consider relevant, ahead of the finalisation of the criteria.

6. To note the use of £3.92million of the General Reserve to increase the 2019 budgets of the Committee *for* Education, Sport & Culture (£3.62million) and the Committee *for* Home Affairs (£300,000).

7. To immediately transfer the sum of £12.9million from the General Reserve to the Core Investment Reserve.

8. To amend the Income Tax (Guernsey) Law, 1975 to provide the ability for the Policy & Resources Committee to make Regulations requiring companies carrying on or undertaking relevant activities or other specified activities to have a substantive presence in Guernsey by meeting 'substance requirements' in the manner outlined in section 5, and making provision for the activities subject to substance requirements, the detailed substance requirements applicable, sanctions and enforcement measures, the obtaining and exchange of information and supervision, monitoring and verification of compliance.

9. To amend the Disclosure (Bailiwick of Guernsey) Law, 2007 to enable the disclosure of information by the Guernsey Financial Services Commission to the Director of Income Tax where this would assist the Director in performing her functions.

10. To note that a political commitment will be given, to introduce legislation enabling real-time or close to real-time access to beneficial ownership information by EU tax and law enforcement authorities, on a reciprocal basis, subject to ensuring appropriate data and security safeguarding measures are in place.

11. To note that a political commitment will be given to introduce legislation implementing mandatory disclosure rules by 31 December 2019 aligned to the OECD work on mandatory disclosure rules for the Common Reporting Standard Avoidance arrangements and opaque offshore structures.

12. To amend the Income Tax (Guernsey) Law, 1975 to provide the ability for the Policy & Resources Committee to make Regulations to implement any international tax measure described in section 5, provided that the measure has been specified by Resolution of the States.

13. To extend the company intermediate income tax rate (10%) to income from the regulated activity of operating an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2019.

14. To extend the company intermediate income tax rate (10%) to income from compliance and other related activities provided to regulated financial services businesses, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2019.

15. To amend the Income Tax (Guernsey) Law, 1975 to provide that with effect from 1 January 2019, a company which is treated as non-resident under the terms of a double taxation arrangement with a country or territory where the highest rate at which any company may be charged to tax is 10% or higher will not be considered tax resident in Guernsey for domestic tax purposes, and to make any consequential amendments to the anti-avoidance provisions of the Law as required.

16. To reduce the threshold for withdrawal of personal allowances to £100,000, decelerating the withdrawal ratio to £1 for every £5 a person's calculated income increases above the threshold with effect from 1 January 2019.

17. To increase the Income Tax Cap referred to in paragraph 6.30 of this Report from £110,000 to £130,000 on qualifying income and from £220,000 to £260,000 on worldwide income, updating section 39B(1) and the Sixth Schedule of the Income Tax (Guernsey) Law, 1975 accordingly.

18. To amend the Sixth Schedule of the Income Tax (Guernsey) Law, 1975 to:

    a. clarify that income from land and buildings in Guernsey or Alderney will not be excluded from the income tax cap, when the income is derived from an exempt body;
    b. amend the open market tax cap such that it may be claimed by an individual resident in Guernsey;
    c. extend the permitted period for an individual to purchase an open market property in order to be eligible to claim the open market tax cap from 6 months to 12 months;
    d. enable an individual to claim the Alderney income tax cap in any year of charge from 2016 to 2025.

19. To propose that in future the annual tax-free lump sum limit for a pension scheme is set annually as part of the Budget by Resolution of the States, with the limit for 2019 being set at £198,000.

20. To note that guidance will be issued setting out what is an acceptable contribution to a pension scheme eligible for tax relief as set out in paragraph 6.40 of this Report which will apply from 1 January 2019.

21. To amend the conditions for triviality payments from pension schemes in the Income Tax (Guernsey) Law, 1975 in the manner set out in paragraph 6.41 of this Report:

    a. triviality is increased for members aged 50 or over to £50,000 per scheme taxable at 20% in the year of charge in which it is paid; and
    b. triviality is introduced for schemes in drawdown where either the aggregate value of the fund attributable to the member at the time of the request is no greater than:
        i. £50,000 or
        ii. £100,000 and the individual member has a guaranteed minimum retirement income of £20,000 per annum.

    and to direct the preparation of such legislation as may be necessary to give effect to this decision.

22. To amend the Income Tax (Guernsey) Law, 1975, such that there is a 10% charge on an outward transfer of funds to a UK pension scheme, unless the transfer is made in respect of an individual resident in the UK except where the individual has not been resident in Guernsey at any time.

23. To amend section 40 of the Income Tax (Guernsey) Law, 1975 to introduce an exemption for regulated end of service/gratuity schemes where the beneficiaries are non-resident and all income of the trust is non Guernsey source income apart from Guernsey bank interest.

24. To amend the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 to make it clear that Mortgage Interest Relief is not available if the loan on a principal private residence is from a trust, with effect from 1 January 2019.

25. To amend the Income Tax (Guernsey) Law, 1975 to provide that relief for the underlying tax suffered by a company flows through to the beneficial member on distribution, if the company is either incorporated or controlled in Guernsey, with effect from 1 November 2015.

26. 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 2019 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;

(b) the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;

(c) "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and

(d) "the income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE

Year of Charge 2019

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate. In order to calculate the amount of the allowance, where the taxpayers are married or in a civil partnership, each spouse's income shall be considered separately, in accordance with the table below. All allowances are subject to the following conditions –

(i) the allowances shall be pro-rated for a person who is solely or principally resident in the years of that person'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 a person 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 old age 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 person'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 person's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that person's calculated income is above £100,000 in respect of the relevant tax 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 £1,000 (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 standard rate on £11,000.
2.	**Age-related allowance*^**	Tax at the standard rate on £450 for persons aged 64 years or over at the commencement of the year of charge.
3.	**Dependent Relative Allowance***	In respect of each dependent relative - tax at the standard rate on £3,550 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £7,450 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,550 the sum of £1 for every pound by which the dependent relative's income exceeds £7,450. Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £3,550, or such lesser sum as remains after deducting from £3,550 the sum of £1 for every pound by which the dependent relative's income exceeds £7,450 the sum of £296 for every month in the year of charge for which such Family Allowances are payable.
4.	**Infirm Person's Allowance***	Tax at the standard rate on £3,550
5.	**Housekeeper Allowance**	Tax at the standard rate on £3,550
6.	**Charge of Children Allowance***	Tax at the standard rate on £7,475
7.	**Retirement Annuity Allowance***	Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

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 he 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 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 it were the child of that cohabitee.

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

(5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:

(a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and

(b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and

(c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

Infirm Person's Allowance

(1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:

(a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.

(b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;

(c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) Not more than one allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

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

(a) that the claimant is a widow or widower.

(b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;

(c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;

(d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.

(3) A housekeeper allowance shall not be granted to any individual 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 has been relinquished.

(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 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 has been relinquished.

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

(4) Where an individual has a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.

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

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

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) 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 or the claimant's spouse is a beneficiary.

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

(3) Notwithstanding the provisions of the preceding paragraph 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 computation referred to in the preceding subparagraph, 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 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	Any allowances due to an individual which are greater than the individual's own income may only be transferred to the spouse, if at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple. Provided that, should the marriage or a 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 automatically transferred. 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 in a civil partnership, as the case may be.

	Provided that, should the marriage or a civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable. Where there is an entitlement to transfer of an allowance under this paragraph, that allowance will be automatically transferred.
(ii) transfers between co-habiting couples in receipt of Family Allowance, but not eligible for the charge of children allowance	Where the 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, 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. For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge.

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

With immediate effect:

a	Cigarettes	£364.98 per kilogram
b	Cigars	£364.98 per kilogram
c	Hand rolling tobacco	£346.22 per kilogram
d	Other manufactured tobacco	£300.30 per kilogram
e	Tobacco leaf – unstemmed	£333.37 per kilogram
f	Tobacco leaf – stemmed	£336.71 per kilogram
g	Petrol other than any fuel used for the purpose of air navigation	70.1p per litre
h	Petrol used for the purpose of marine navigation where supplied by an approved trader	47.0p per litre
i	Gas oil	70.1p per litre
j	Biodiesel	70.1p per litre
k	Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	25p per litre
l	Beer, other than beer brewed by an independent small brewery, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	51p per litre
m	Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	41p per litre
n	Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	83p per litre
o	Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	52p per litre
p	Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.04 per litre
q	Beer exceeding 7.5 per cent volume	£1.20 per litre
r	Spirits	£37.44 per litre of alcohol contained in the liquor.

s	Cider brewed by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	25p per litre
t	Cider, other than cider brewed by an independent small cider-maker, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	51p per litre
u	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	41p per litre
v	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	83p per litre
w	Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	52p per litre
x	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	£1.04 per litre
y	Cider exceeding 7.5 per cent volume	£1.20 per litre
z	Light wines not exceeding 5.5 per cent volume	65p per litre
aa	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£2.64 per litre
bb	Other wines	£4.21 per litre

28. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.

29. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2018", subject to the amendments indicated below and to direct that the same shall have effect as an Ordinance of the States.

Amendments

(a) in the Preamble (p. 101) to the Ordinance, immediately after "Law, 2005" insert "and sections 2(1)(b) and 16 of the Wastewater Charges (Guernsey) Law, 2009",

(b) immediately after clause 2 (p. 102) of the Ordinance, insert the following –

"**Consequential amendment**.

2A. The Wastewater Charges (Guernsey) Ordinance, 2014 is amended by inserting, immediately after section 1 of that Ordinance, the following section –

"**Other domestic properties liable to wastewater charges**.

1A. Any property that falls within property reference B1.1.5, B1.2.5, B2.1.5 or B2.2.5 in Part I of Schedule 1 to the TRP Ordinance is prescribed to be liable to the wastewater charges under section 2(1)(b)(ii) of the Law.", and

(c) In the Schedule to the Ordinance in the entries in:

Table (A) "GUERNSEY REAL PROPERTY - GUERNSEY BUILDINGS" relating to B6.2 (in the first column) and Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB) (in the second column), for "£12.55" (in the third column) substitute "£13.55"

30. To agree to introduce increased Tax on Real Property tariffs in 2020 for properties with a TRP rating between 200 and 499 as set out in paragraph 6.80 of this Report.

31. To approve the draft Ordinance entitled "The Document Duty (Rates) (Amendment) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.

32. To approve the draft Ordinance entitled "The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.

33. To delegate authority to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund of up to £8million to fund the programme of organisational and service design.

34. To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Transforming Health and Social Care Services by £1.8million to £5.3million.

35. To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Transforming Education and Training Services by £750,000 to £3.5million.

36. To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Public Service Reform by £500,000 to £2.1million.

36A. In relation to the Transformation and Transition Fund:

a) To note the opinion of the States that the Transformation and Transition Fund must be used to support the development and implementation of agreed transformation programmes.

b) To note that where internal resources are shared amongst Committees or bodies and their time or use is recharged to projects funded from the Transformation and Transition Fund or any other funding source, such recharges are made at the full cost of employing that person (including any direct on-costs) and recognise that all staff members have annual leave, training and development requirements and some administration time.

c) To direct the Policy & Resources Committee to disclose the costs associated with the administration of the Transformation and Transition Fund and the

governance and administration of Public Service Reform in separate lines in the Transformation and Transition Fund annual performance report included within the Policy & Resource Plan update, along with all other expenditure of Committees and Funds.

36B. To agree that, while it is within the mandate of the Policy & Resources Committee to prepare the annual Budget of the States and thus to recommend the creation of any special Funds within the General Reserve (such as the Brexit Transition Fund or the Transformation and Transition Fund) which it considers necessary to support the achievement of States' objectives, it is in the interests of good governance and effective coordination that the decision-making process in respect of the use of such Funds or Reserves should be scrutinised by the Scrutiny Management Committee in accordance with its mandate.

36C. To agree that projects led by the Policy & Resources Committee and funded through a special Fund within the General Reserve should benefit from independent challenge and scrutiny in the same way as those led by other Committees and States' bodies and that this is the role of the Scrutiny Management Committee under the system of Government adopted in 2016 following approval of the States Review Committee's recommendations.

37. To approve the cash limits for ordinary revenue expenditure for 2019 totalling £404.72million as set out in paragraph 8.8 of this Report.

38. To approve that returns of capital from the States' trading assets and capital income in 2019 be transferred to the Capital Reserve.

39. To transfer the sum of £54.5million from General Revenue to the Capital Reserve on 1 January 2019.

40. To authorise the Policy & Resources Committee, to whom the States have delegated authority to approve the use of the Future Guernsey Economic Fund (previously the Economic Development Fund), to delegate (and subsequently to modify or withdraw) that authority in whole or in part, subject to such terms, conditions, limitations or restrictions as that Committee thinks fit, and without prejudice to the power of that Committee to continue to exercise that authority, to the Committee *for* Economic Development.

41. To agree that from 2019 onwards the Committee *for* Employment & Social Security's Policy Letter on the uprating of Non-Contributory Benefits shall be prepared and issued as a Policy Letter separate to the Policy & Resources Committee's Policy Letter on the States of Guernsey Annual Budget, but debated at the same States Meeting; and to direct the States' Assembly & Constitution Committee to make any necessary changes to the rules of procedure to enable this.

42. To agree that with effect from and following submission to the States of the States' Accounts for the year ended 2018, the proposition relating to the Accounts in question shall be *"to agree with the Policy & Resources Committee's approval of the States of Guernsey Accounts for the year ending [insert year]"*

43. To agree that the mandate of the Policy & Resources Committee be amended so that

its existing function specified in item (b) 3. of the "Duties & Powers" of "preparing the States' accounts and submitting them to the States annually" is expanded to "preparing the States' Accounts and submitting them to the States annually or arranging for the States' Accounts or any part of them to be prepared and submitted to the States by such other Committee of the States as the Committee, following consultation and agreement with the committee in question, may determine."

44. To amend part (b) 10. of the "Duties and Powers" contained within the mandate of the Policy & Resources Committee to read: "recommending the appointment of external auditors to the States.

44A. To direct the Policy & Resources Committee to recommend to the States, at the earliest opportunity, the establishment, constitution and terms of reference of an Audit Committee which shall, inter alia, advise the Policy & Resources Committee on the appointment of external auditors.

45. To note that Guernsey Waste will be established, from 1 January 2019, as a trading business unit, forming part of the States' Trading Supervisory Board, to carry out operational functions of the Waste Disposal Authority including administering the Solid Waste Trading Account.

46. To rescind States resolution 3 of Article I of Billet d'État II, 2014 entitled 'Public Services Department: Implementation of the Solid Waste Strategy' and to delegate authority to the States' Trading Supervisory Board to approve revenue expenditure from the Solid Waste Trading Account and opening capital votes for any solid waste project with a value not exceeding £2million, funded from the Solid Waste Trading Account.

47. To endorse the decision of the Policy & Resources Committee to make available a temporary overdraft facility for 2019 of £15million to Aurigny Limited.

48. To authorise the Policy & Resources Committee to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2019 of a maximum of £15million.

49. To approve the following Expenditure Budgets for the year 2019:

(a) Policy & Resources Committee
(b) Committee *for* Economic Development
(c) Committee *for* Education, Sport & Culture
(d) Committee *for* Employment & Social Security
(e) Committee *for the* Environment & Infrastructure
(f) Committee *for* Health & Social Care
(g) Committee *for* Home Affairs
(h) Scrutiny Management Committee
(i) Development & Planning Authority
(j) Overseas Aid & Development Commission
(k) States' Trading Supervisory Board
(l) Royal Court
(m) Law Officers
(n) Pooled Budgets
(o) States of Alderney

49A. To note the existing operational process that requires permission for any inter-committee transfers or any budget transfers in respect of savings, to be given by both parties to the transfer before the Treasury can effect any changes.

50. To approve the following Budgets for the year 2019:

(p) Corporate Housing Programme
(q) Solid Waste Trading Account
(r) Guernsey Registry
(s) Ports
(t) Guernsey Water
(u) States Works
(v) Guernsey Dairy
(w) States Capital Investment Portfolio – Operating Costs
(x) Superannuation Fund Administration
(y) Committee *for* Employment & Social Security – Contributory Funds

51. In respect of Pooled Budgets:

(a) To direct the Policy & Resources Committee to provide a sufficiently detailed statement of expenditure and income [i.e. the item headed "Pooled Budget" at page 143 of Appendix II of the Budget] within the Budget and the Accounts of the States of Guernsey, for each Pooled Budget, to achieve the clarity anticipated in paragraph 8.52 of the Budget; including, at a minimum, a clear indication of the type and extent of the resources contributed to the pool by each contributing States Committee and/or external body; and

(b) To agree, in respect of paragraph 8.58 of the Budget, that Pooled Budgets shall only be formed by a resolution of the States on a proposal included in the annual Budget Report or in a separate policy letter.

52. In respect of the relationship between the civil service and the States of Deliberation:

a) To note that this was most recently set out in Billet d'État XII, 2015, which in paragraph 6.4.22 stated, inter alia, that: "more formal means should be established to provide for the President of a Principal Committee to convey to the Chief Executive that the Committee is losing confidence in a senior officer or in the level of support it receives", although "it would not be appropriate for a Principal Committee or a President thereof to become embroiled in the performance management of individual civil servants". In addition that "the Chief Executive and other senior officers must obtain the views of the President of a Principal Committee, and through them the members thereof, when appointing and appraising senior staff in the service of that Principal Committee";

b) To note that Rule 56(3) of the Rules of Procedure states, by resolution of the States, that "the senior officers of a Committee are accountable to that Committee in respect of policy direction";

c) To note that an inappropriately-structured civil service would be as detrimental to the ability of the States of Deliberation and its Committees to fulfil their

mandates and functions as an inappropriately-resourced civil service would be. Therefore, the States have a legitimate political interest in the structure of the civil service.

Having regard to a), b) and c) above and recognising that the organisational design requirements of each Office of the Committee may differ, to direct the Policy & Resources Committee within its mandated rôle as employer and within its responsibility "to ensure that public funds and other resources are used to best advantage, including through co-operative and flexible working practices", to assure restructuring of any Offices of the Committee and other parts or offices of the civil service is carried out in liaison jointly between the Policy & Resources Committee and the relevant Committees, with due respect given to the principle that the responsibility for organising the public service, ensuring that it is fit for purpose, lies with the Chief Executive, accountable to the Policy & Resources Committee.

53. To direct the Policy & Resources Committee to investigate the possibility of introducing a scheme for providing loans to organisations which are not part of, or wholly owned by, the States for projects that support the delivery of the priorities set out in the Policy & Resource Plan in the wider community interest and report back to the States with recommendations, if appropriate, to change the policy for on-lending of the bond proceeds.

54. To rescind Resolution 8 of Article XIII, Billet d'État XX 2014 ('Culture and Leisure Department – Channel Islands Lottery – Administration Arrangements, Forfeited Prize Account and 2011-2013 Reports and Accounts) and in Resolution 3 of Article XIII, Billet d'État XX 2014, after the word "identity" to add "or to fund initiatives designed to help and support individuals experiencing gambling problems locally.

55. To agree to a review of the governance and operation of the Seized Assets Fund to be carried out jointly by the Policy & Resources Committee and the Committee for Home Affairs, consulting with HM Receiver General and other interested parties as appropriate and direct the Committees to report back to the States no later than December 2019 with recommendations for the future governance and operation of the Fund.

56. To direct the Policy & Resources Committee to review the Budget setting process in consultation with all committees of the States and consider how the process might be improved for the 2020 Annual Budget in order to ensure greater transparency and information-sharing in the interests of good governance and effective coordination.

S. M. D. ROSS

HER MAJESTY'S DEPUTY GREFFIER