XIX
2022

BILLET D'ÉTAT

TUESDAY, 1st NOVEMBER, 2022

BUSINESS OF THE MEETING

1. Policy & Resources Committee - The States of Guernsey Annual Budget Report for 2023, P.2022/89

2. Committee *for* Employment & Social Security - Non-Contributory Benefit Rates for 2023, P.2022/91

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BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **TUESDAY,** the **1st November, 2022** at **9.30 a.m.,** to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. McMahon
Bailiff and Presiding Officer

The Royal Court House
Guernsey

4th October, 2022

P.2022/89

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2023

The States are asked to decide whether, after consideration of the States of Guernsey Annual Budget for 2023, they are of the opinion:-

1. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Ports equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022; and to approve provision within the 2023 Budget for the transfer of £6.2million to Guernsey Ports to fund its 2023 deficit.

2. To extend the period for the withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual as follows:

2023	£3,500
2024	£2,000
2025	£1,000
2026 and subsequent years of charge	£nil

3. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £130,000 to £150,000 and, in the case of such an individual in respect of both qualifying and non-qualifying income, from £260,000 to £300,000; and in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –

   (a) for "£130,000" in both places appearing to substitute "£150,000"; and
   (b) for "£260,000" in both places appearing to substitute "£300,000".

4. To exempt from income tax payments made to sponsors under the Ukraine Sponsorship Scheme.

5. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2023.

6. To introduce penal measures to apply to unauthorised payments made from approved pension schemes, within the meaning of section 150 of the Income Tax (Guernsey) Law, 1975 and retirement annuity schemes and retirement annuity trust schemes approved under section 157A of the Law, in the form of a higher rate of tax at 50% (with the ability for the Revenue Service to abate that liability, if just and reasonable in the circumstances), in the manner set out in paragraph 2.15 of this Report.

7. With retrospective effect to 27 June 2012, and in the manner set out in paragraph 2.18 of this Report, to confirm the disallowance of (i) further transfers or contributions being made into any new exempt pension contract or exempt pension trust within the meaning of section 157E of the Income Tax (Guernsey) Law, 1975; and (ii) the approval of any new such contract or trust.

8. With effect from 1 January 2023, to reduce the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic dwelling, situated in the Bailiwick of Guernsey, allowable under section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as amended, as follows:

	% of Interest Paid eligible for tax relief
2023	75%
2024	50%
2025	25%
2026 and subsequent years of charge	0%

with no such relief in respect of a domestic dwelling available to be carried forward to the first year of letting (should that be after 2026).

9. 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 2023 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;

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

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

(d) "the Income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

FIRST SCHEDULE
Year of Charge 2023

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 £90,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

(a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and

(b) the withdrawable deductions are the following deductions -

- Pension contributions, namely
  - Retirement Annuity Allowance
  - contributions to an approved occupational or personal pension scheme

over £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 individual standard rate on £13,025.
2. **Dependent Relative Allowance***	In respect of each dependent relative - tax at the individual standard rate on £4,225 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £8,800 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,225 the sum of £1 for every pound by which the dependent relative's income exceeds £8,800.
3. **Infirm Person's Allowance***	Tax at the individual standard rate on £4,225
4. **Housekeeper Allowance**	Tax at the individual standard rate on £4,225
5. **Charge of Children Allowance***	Tax at the individual standard rate on £8,850
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.

10. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2022" and to direct that the same shall have effect as an Ordinance of the States.

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).

12. 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 buildings and sites which have planning permission but the development has not been completed within three years.

13. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022" 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, 2022" 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, 2022" and to direct that the same shall have effect as an Ordinance of the States.

16. To endorse increasing the rates and changing the bands of tax imposed on the first registration of motor vehicles (known as First Registration Duty), to result in the rates and bands as set out in the Table in paragraph 2.55 of this Report, effective from 1 January 2023.

17. To approve ordinary revenue expenditure for 2023 totalling £573.1million as set out in the table in paragraph 3.6 of this Report and the revenue expenditure budgets on pages 79 to 96;

18. To approve the following Budgets for the year 2023:

    (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.

19. 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 £1.7million and to allocate funding for delivery of the four priorities of the Government Work Plan framework.

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

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

In accordance with Rule 4(2)(a), the Propositions relate to the Committee's responsibilities for *"fiscal policy, economic affairs and the financial and other resources of the States which includes: preparing the States' budget and submitting it to the States annually*".

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

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

FOREWORD

This is the Budget for 2023 but it is presented against a longer-term backdrop of a significant structural imbalance in States' finances. The expenditure pressures set out in this Budget are indicative of underlying trends and there is little scope for raising additional revenues through the existing tax system.

The 2023 Budget projects a surplus of £33million which may appear at first glance to be a positive position. However, the surplus only takes into account revenue expenditure. It is an unavoidable fact that we must spend funds on capital – both routine replacements of £15-20million per annum plus major investment projects. Although the level of this kind of expenditure will fluctuate from year to year, if we assume that it averages £76million (in line with the 2% of GDP target), this surplus of £33million would become a **deficit** of £43million. This is our structural deficit which is real and present today.

The only way we are able to fund our agreed capital expenditure programme during this term – which the States have agreed and which totals £528million - is by using reserves accumulated in prior years. When these are exhausted, there is no way of replenishing them or of funding our capital expenditure other than by borrowing which would need to be repaid through raising additional income.

The accumulated reserves are invested and generate returns which are credited to General Revenue. The surplus for 2023 includes an estimated £27million of investment income – the majority of which arises from the reserves set aside for capital investment. Once we have spent those reserves, which we are planning to do in the medium term, we will no longer have that accompanying investment income. In addition, the rate of return on our investments can fluctuate significantly due to the volatility in worldwide investment markets. The current forecast for 2022 investment return is £nil. If this proves to be the case in 2023 or there is an investment loss, the operating surplus could easily become a deficit. This emphasises how precarious the States' financial position is becoming.

It is clear from the budget rounds in this term that expenditure pressures are increasing for existing services - even beyond the rises projected in the Funding & Investment Plan. This is particularly marked in the budget of the Committee *for* Health & Social Care where the 2023 recommended Cash Limit of £212million is an increase of £24million (12.7%) over the adjusted 2022 Cash Limit of £188million. This means that the deficit may grow at a faster rate than expected leading to our reserves being depleted sooner. As well as this pressure on the cost of existing services, there is significant demand for expansion to services and the introduction of new ones – this is manifested in the £25.7million of additional expenditure required in 2023 to deliver on the aims of the Government Work Plan and fund previously agreed service developments.

Finally, a number of our unincorporated trading assets are currently operating at a deficit – and we are having to move from a purely 'user-pays' to a partially 'taxpayer-funded' model. This further increases the amount of taxation income required. The States have recently agreed that General Revenue will fund Guernsey Waste's trading deficit and this Budget includes a provision of £6.2million for funding the deficit of the Guernsey Ports. These matters were not included as cost pressures in the Funding & Investment Plan and therefore also increase the size of the deficit.

FOREWORD

The above sets out the position on General Revenue only. In addition, the Social Security Funds are forecasting a deficit, before investment return of £14.5million in 2023.

The Core Investment Reserve is our only long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. In 2020, £50million was transferred from the Core Investment Reserve to part-fund the impact of the COVID-19 pandemic on General Revenue. The States have a policy for the target balance of the Core Investment Reserve being 100% of General Revenue income in order to provide sufficient protection. The balance of the Core Investment Reserve at the end of 2021 was £178.9million which represents 29.4% of the 2023 General Revenue income budget. An amount of approximately £430million would need to be added to this Reserve to attain the target balance of 100% of General Revenue income but appropriations can only be made if the budget moves back into an overall surplus position.

The States are operating a structural deficit today which is only being sustained by the use of reserves built up in the past. This means that actions have to be agreed in the very near future in order to maintain a sustainable financial position. Proposals will be put forward as part of the forthcoming Tax Review and decisions cannot be delayed any further. It is clear that small incremental changes to existing taxation will not address the challenges that are being and will be faced. It is unavoidable – there needs to be a fundamental change in our taxation system giving a significant and ongoing upwards shift in the amount of revenue raised.

The only alternative to raising substantially more through taxation would be commensurate reductions in expenditure. If the States do not agree a package of taxation measures to address the deficit in January 2023, there will need to be proposals to cut expenditure as part of the next Budget – maybe reductions of up to 10%. This would inevitably lead to hard-hitting and unpopular cuts to existing services and remove the capacity to introduce new services.

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

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2023 BUDGET REPORT

Section 1: Overview

Economic Context

1.1 Guernsey's economy has fared well over recent years given the global pressures triggered by the COVID-19 pandemic. The strength of recovery is well established, placing Guernsey in a better position than could have been anticipated twenty-four months ago. Current estimates suggest real growth in Gross Value Added (GVA)[a] of approximately 2% in 2021, which means that the contraction experienced in 2020 has been fully recovered.

1.2 The short-term challenges which frame the 2023 Budget are very different to those faced when compiling the previous two budgets. While some lingering expense remains for the ongoing management of COVID-19, it is no longer a crisis or consuming significant island resources. The immediate challenges now are rising prices and interest rates.

1.3 Globally, there is a convergence of inflation pressures being felt across all aspects of the economy. They may seem remote, but the lingering backlog in global shipping; a surge in worldwide demand after the pandemic; labour shortages; and increases in food and energy prices caused by the Russian invasion of Ukraine are having a real impact on the day-to-day lives of islanders.

1.4 Like the COVID-19 crisis, Guernsey has found itself somewhat insulated from the worst effects of global inflation to date. In this current climate, the Islands' energy sources have proved fortuitous. We have seen price increases, but the current expectation is that the public is unlikely to see the enormous hikes in energy prices experienced by consumers in the UK. The 9% increase in electricity prices in July was planned and facilitates infrastructure investment; and gas prices increased by 16% last October, with further increases likely.

1.5 However, we are not immune to the global inflationary pressures. RPIX in June 2022 rose to 7.0%, after more than a decade of benign inflation during which the measure rarely breached 3%. The interim uplifting in income support rates applied from 1st October will help alleviate the impact for those on the lowest incomes. Guernsey RPIX is not expected to reach the 12% now reported for the equivalent measure in the UK in July although it is likely to rise further in September and possibly December, but it is forecast to fall during 2023. On this basis, this Budget has been compiled with an assumption of Guernsey RPIX at 6% for 2023.

1.6 House prices, both purchase and rental, continue to rise, driven in a large part by our own economic success. Unemployment is low, employment is rising, and firms are actively recruiting, resulting in net migration well above average levels. However, the pressure this is placing on the housing market is becoming a limiting factor and finding suitable affordable housing is now a significant recruitment issue.

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

1.7 In addition, many residents find themselves pressed by increasing housing costs. Rising interest rates, applied by the Bank of England to manage inflation, will be a relief to savers, but they further add to the difficulties of housing costs. Those with fixed rate mortgages will be sheltered until those agreements end but those on variable or tracker rate mortgages and new borrowers will face higher repayments. Renters, particularly those looking for new accommodation, will also be faced with price pressures. Tackling the availability and affordability of housing remains one of the highest priorities of this Assembly.

1.8 Longer term, our challenges remain unchanged. With each passing year more and more of our community retire and the working age population, without compensating migration, shrinks. Between March 2019 and March 2022, the working population shrank by 110 people, despite net immigration averaging more than 300 people per year (which is significantly above the longer-term average level of immigration of 100 people per year).

1.9 The 2023 Budget includes allowance for further significant spending on health services. Some of this reflects agreed changes to States' policy, such as the adoption of wider and more comprehensive drug and treatment policy in line with National Institute for Health and Care Excellence (NICE) guidelines. However, a significant proportion is a reflection of rising demand, especially as a result of the ageing population. It is our policy that, as a community, we will support those in need of care, but we must recognise that care needs resources which come at a significant cost.

1.10 Corporate income tax is once again under scrutiny, and Guernsey continues to participate in technical discussions on proposals from the Organisation for Economic Co-operation and Development (OECD) to reform the international tax framework. The OECD Inclusive Framework Group's proposals are seeking to address the challenges of increased globalisation and the digitalisation of the economy.

1.11 The two-pillar solution focuses on the world's largest Multi-National Enterprises (MNEs), ensuring those with global revenues of at least €750million would pay a minimum effective tax rate on their profits. This is a common approach with jurisdictions now considering whether they will implement these proposals. Pillar One, a minimum standard, also creates new profit allocation rules for MNEs with global turnover in excess of €20billion and profitability in excess of 10%.

1.12 Technical discussions on both pillars continue at an international level and extensive stakeholder engagement and data analysis is being undertaken to understand potential impacts of the various policy options. Whilst it is expected that the proposals will bring in some additional revenues, the level and timing are still uncertain, as these are impacted by MNE behavioural responses and how other jurisdictions implement the proposals.

Government Work Plan

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

1.14 As well as setting out the baseline expenditure[b], the Funding & Investment Plan includes the financial impacts of all work prioritised as part of the Government Work Plan in order to deliver on the four main priorities of this government: responding to the COVID-19 pandemic; managing the effects of Brexit and meeting international standards; delivering recovery actions; and re-shaping government. The total additional funding being recommended for such initiatives in 2023 is £25.7million.

1.15 Overall, the revenues and expenditure projected for 2023 are broadly in line with those estimated in the Funding & Investment Plan Update once adjustment has been made for inflation. The overall position shows a small surplus available to contribute to the many capital investment and infrastructure requirements of the States. However, the surplus is no longer sufficient to cover such requirements which is necessitating, as expected in the Funding & Investment Plan, a draw down from reserves.

1.16 The 2022 update to the Funding & Investment Plan underlined that significant longer-term fiscal issues remain: the need to support health and care services for a larger number of older people; the need for ongoing and sustainable investment in infrastructure; and the vulnerability of the income reliant tax base to a potential decline in the workforce as a result of the changing demographics. These pressures are eroding the limited surplus and pushing the States' finances into a structural deficit.

1.17 A significant proportion of this pressure relates to the cost of delivering existing services to an increasing number of people as a result of the ageing of the population. These pressures are not new or unique to Guernsey and most developed jurisdictions are or will face similar pressures as their populations age. The Funding & Investment Plan included an allowance of £3million per annum to address such demand pressures across health and social care services. This allowance has proved insufficient for 2023 and an increase of £4.3million is now being proposed.

1.18 The Policy & Resources Committee has given consideration to any contribution it might be able to make, through the tax system, to achieving the objectives of the Government Work Plan priority in relation to housing. This Budget proposes a number of measures designed to support the housing market and remove inequalities in the system. The proposals include:

[b] Assumes current services continue as they are, adjusted for projected changes in demand, and includes the financial effect of service developments and policy decisions approved by the States and planned for implementation during the period.

- A scheme to encourage downsizing through relief from Document Duty on the first £400,000 of such conveyances;

- A supplement of additional Document Duty of 2% on all residential property purchases which are not an individual's Principal Private Residence;

- The withdrawal of mortgage interest relief on domestic let property in order to level the playing field;

- A plan to introduce a penal charge, through the TRP system, for unoccupied and derelict property in order to encourage use, development and/or sale; and

- A penal charge, through the TRP system, for sites which have been granted planning permission but where development has not been completed within three years.

1.19 The resolutions of the Government Work Plan 2021-2025 (Billet d'État XV, 2021) included:

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

1.20 The Policy & Resources Committee is proposing (Section 2) the following budget measures which will generate a real-terms increase in revenues of £1.7million per annum:

- Doubling the rates of Vehicle First Registration Duty which raises £950,000;

- An increase of 7.5% in commercial TRP tariffs (raising £300,000 in real-terms);

- An increase in domestic TRP tariffs which averages 8% but with no increase for properties with a TRP rating under 200 (raising £200,000 in real-terms); and

- An increase of 7.5% in the excise duty on Alcohol (raising £250,000 in real-terms).

1.21 However, to provide support to islanders during this period of high inflation and rising interest rates, a one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence is recommended, with the maximum relief available remaining at £3,500 in 2023, instead of reducing to £2,000 as previously agreed. This measure has an anticipated revenue impact of £2million.

1.22 The other budget measures proposed are:

- A 7% increase in Personal Income Tax Allowances, increasing an individual's allowance by £850 to £13,025. This cost of this real-terms' increase in Allowances is being funded by lowering the threshold for withdrawal of personal allowances by £10,000 to £90,000;

- An increase of 15.4% in the Income Tax caps in order to restore their real-value since they were last revised in 2019;

- An increase of 6% in the excise duty on Motor Fuel, in order to maintain its value in real-terms, increasing the duty by 4.6p per litre to 80.9p per litre (70.9p per litre for biodiesel);

- An increase of 11% in the excise duty on Tobacco products, increasing the duty on an average packet of twenty cigarettes by 69p to £6.95; and

- Continuation of gradually increasing the commercial TRP tariffs for the general Office and Ancillary Accommodation category to the same tariff as the other Office and Ancillary Accommodation categories, resulting in an increase of a further 19% - £6.75 per unit.

1.23 The steps taken in this budget to raise additional revenues are a drop in the ocean (£1.7million in comparison to a projected requirement in the medium-term of £80-90million) with the in-year impact of these measures cancelled out by the changes to the mortgage interest relief withdrawal. The Tax Review is approaching its conclusion and proposals will be published for consideration at the January 2023 meeting of the States. The Assembly will need to make difficult decisions about the future management of the States' finances. If this is not done, each successive budget will become more difficult to balance.

Cost of Living pressures

1.24 The 2023 Budget includes specific proposals to provide support to islanders, particularly targeted at lower income households, during this period of high inflation and rising interest rates including:

- A real-terms increase in Personal Income Tax Allowances, meaning a greater amount of earnings will not be subject to income tax;

- No increase in domestic TRP tariffs for properties with a rating under 200, there will be no change in TRP charged on 74% of local market properties;

- A one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence, with the maximum relief available remaining at £3,500 in 2023, instead of reducing to £2,000 as previously agreed. This measure will put up to £300 back in the hands of islanders (£600 for a couple).

1.25 These measures are in addition to those already approved by the States including the interim updating of income support rates and reducing and capping the increases in waste charges.

2023 BUDGET REPORT

Overall Financial Position

1.26 The following table summarises the overall position for 2022 and 2023:

	2023 Budget Estimate £m	2022 Probable Outturn £m	2022 Budget Estimate £m	2021 Actual £m
Revenue Income				
Income Tax	407	384	368	362
Other Taxes	107	102	99	110
Social Security Contributions	32	30	30	-
Miscellaneous Income	36	34	33	36
Revenue Income	**582**	**550**	**530**	**508**
Revenue Expenditure				
Cash Limits	(539)	(495)	(492)	
Budget Reserve	(22)	(19)	(12)	
COVID-19 specific provision	-	(4)	(6)	
GWP / Service Developments	(12)	(14)	(18)	
Savings to be delivered	1	-	3	
Committee Expenditure	**(573)**	**(532)**	**(525)**	**(453)**
Business Support Measures	-	-	(2)	(22)
Revenue Expenditure	**(573)**	**(532)**	**(527)**	**(475)**
Revenue Surplus	**9**	**18**	**3**	**33**
Capital Income–sale of property	3	5	3	-
Investment Return	27	-	17	**43**
Operating Surplus	**39**	**23**	**23**	**76**
Provision for Aurigny loss	-	(1)	(1)	(15)
Provision for Ports loss	(6)	(4)	-	(9)
Surplus	**33**	**18**	**22**	**52**
UNINCORPORATED TRADING ASSETS				
(Loss)	**(9)**	**(9)**	**(8)**	**(12)**

1.27 In 2022, additional revenue income is compensating for a significant reduction in investment income. However, the inclusion of a £4.4million grant to Guernsey Ports means that a budgeted surplus of £22million has decreased to an estimated surplus of £18million.

1.28 Overall, the budgeted surplus for 2023 is a small decrease of £5million on the forecast of £38million included in the Funding & Investment Plan. This is due to the inclusion of a £6.2million provision for a grant to Guernsey Ports. However, this surplus is not sufficient to fund all of the States' expenditure – it covers day to day revenue expenditure but only makes a contribution towards the funds required to fund capital expenditure.

Revenue Income

1.29 The budget for income tax receipts is based on the best information, indicators and forecasts available at that time. There is an inherent difficulty in forecasting income tax receipts as there is a significant time delay between profits and investment income earned and tax liability assessed and paid for all receipts apart from those relating to employment. Although income tax is collected based on interim assessments, the submission of returns and issue of final assessments can be up to two years later than the year of charge and can lead to significant under- or over-payments in the intervening period. This can distort the statistics and lead to inaccuracies in forecasting. This difficulty was exacerbated in the COVID-19 pandemic period where assumptions had to be incorporated regarding the pace of economic recovery and its impact on income tax receipts.

<u>2022 Revenue Income</u>

1.30 Overall, the probable outturn for revenue income is £20million (3.8%) higher than budgeted.

1.31 The probable outturn for income tax receipts is £16million higher than the budget estimate. This is largely from distributions are forecast to be £7million (78%) in excess of budget and receipts from individuals where ETI is £6.6million (2.8%) favourable compared to budget. This is likely a result of higher inflation than had been anticipated when the 2022 budget was prepared and the upward pressure on wages as a result of this and labour supply issues.

1.32 In addition, the probable outturn for Document Duty is £5.5million higher than the Budget Estimate as a result of the continuing strong housing market.

1.33 This improvement in revenue income has been negated by the current estimate that no investment returns will be received in 2022, given the underlying economic and market conditions and their impact on world markets. However, this should be considered in the context of returns in the last three years which have averaged 10% and outperformed inflation by an average of 6% per annum.

<u>2023 Revenue Income</u>

1.34 Overall, revenue income is expected to increase in line with inflation which is consistent with the reflated estimate included within the Funding & Investment Plan. The income tax receipts budget for 2023 includes an allowance for inflation but does not include any allowance for growth. This is considered appropriate given the high level of inflation and the anticipated time-lag between inflationary pressures and wage increases balanced by constraints currently being experienced in the labour market.

2023 BUDGET REPORT

Revenue Expenditure

2022 – Committee expenditure

1.35 Appendix II details the anticipated 2022 Probable Outturn for each Committee compared with budget.

1.36 Overall, expenditure is anticipated to be £4.8million, or just under 1%, below Authorised Budget. However, there are £3million of budgeted savings not being delivered in year.

1.37 In respect of COVID-19 expenditure, the 2022 budget included specific provision of £6million for funding additional costs or reductions in operating income incurred by Committees as a result of the COVID-19 pandemic. The Committee *for* Health & Social Care has been allocated £3.6million from this provision in order to fund:

- Undertaking a mass vaccination programme (£1.9million);
- On-island testing (£1.1million); and
- Travel testing (£670,000).

1.38 The requirement to provide additional funding for travel testing and on-island testing ended during the early part of 2022.

2023 – Committee expenditure

1.39 The total revenue expenditure budget proposed for 2023 is £573.1million, an increase of £48.4million compared to the 2022 budget; which is real-terms growth of over 3% (£17million).

1.40 There is additional provision (either within recommended Cash Limits or held in reserve) of £25.7million for delivery of Government Work Plan initiatives and service developments agreed in previous years. Section 3 sets out full details of Committee expenditure budget proposals.

Capital Income

1.41 A number of properties have been sold as part of the rationalisation of the States' estate and further sales are anticipated. The budget includes an allowance for £5.3million of sale proceeds in 2022 and £3million in 2023.

Provision for Aurigny Loss

1.42 Aurigny is projecting a small loss of £1million in 2022 which is in line with the estimate (adjusted) included in the States Trading Supervisory Board's policy letter entitled *"The Aurigny Group – Financial Sustainability"* (Billet d'État XX, 2021). It is anticipated that the airline will return to a break-even position in 2023.

Unincorporated Trading Assets

1.43 The following table details the forecast net profit / (loss) for each of the unincorporated trading assets:

	2023 Budget Estimate £'000	2022 Forecast £'000	2022 Budget Estimate £'000	2021 Actual £'000
Guernsey Ports	(6,172)	(5,263)	(4,748)	(10,077)
Guernsey Waste	(1,958)	(1,963)	(3,276)	(2,543)
Guernsey Dairy	(857)	(494)	(181)	(223)
Guernsey Water	(186)	(1,068)	(545)	(460)
States Works	625	160	649	925
Total (Loss)	**(8,548)**	**(8,628)**	**(8,101)**	**(12,378)**

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

1.45 The COVID-19 pandemic had a severe impact on Guernsey Ports which experienced a significant and sustained reduction in passenger numbers as a result of travel restrictions. Guernsey Ports was not able to commensurately reduce operating expenditure since there was still a requirement for both the Harbour and the Airport to operate.

1.46 The losses incurred by Guernsey Ports over 2020 and 2021 have totally depleted its limited reserves and meant that it was unable to meet its operational cash requirements. Therefore, General Revenue was used to fund a total of £13.9million (£5.3million in 2020 and a further £8.6million in 2021).

1.47 The Policy & Resources Committee agreed to make a loan facility of £4.5million available to the Ports in 2022 while trading recovered to more normal levels. Although passenger numbers have recovered somewhat in 2022, they remain significantly below pre-pandemic levels and it is now expected that a loss of £5.3million will be made in 2022 (with a short-term loan facility requirement of £4.4million). Furthermore, it is now expected that passenger numbers will not recover much further in 2023 and a further loss of £6.2million is forecast.

1.48 Given the prolonged period of recovery and what may be a permanent or long-term impact on passenger numbers, it is apparent that there is little realistic prospect of the Ports being able to repay any further loan facilities. Therefore, the Policy & Resources Committee is **recommending that a transfer equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022 is made from General Revenue to Guernsey Ports and that the States approve provision within the 2023 Budget for the transfer of £6.2million to Guernsey Ports to fund its 2023 deficit** [Proposition 1].

1.49 Clearly, this position is not sustainable and the taxpayer should not be in the position of having to fund a trading asset's losses. Therefore, the Policy & Resources Committee intends to work with the States' Trading Supervisory Board during 2023 to explore the options for future funding models for the Ports, including whether there are realistic options for incorporation or if continued tax-payer funding might be appropriate as a contribution towards the economic value created by the Ports. The Committee will report back on progress and with further recommendations in the 2024 Budget Report.

1.50 The Waste Strategy financial model was based on a user-pays principle designed to break even over its twenty-year timeframe. However, 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, losses were incurred and loan facilities were made available to Guernsey Waste.

1.51 In September 2022, following consideration of a States' Trading Supervisory Board policy letter entitled *"Future Waste Charges"* (Billet d'État XX, 2022), the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97million for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards. For 2023, the forecast trading deficit, before depreciation, is £825,000 and provision of this amount has been included in the States' Trading Supervisory Board's Cash Limit.

1.52 The Policy & Resources Committee has provided a short-term loan facility of up to £1.2million to the Guernsey Dairy, to fund its short-term capital expenditure requirement whilst the Future Guernsey Dairy project is progressed. The policy letter on the Future Guernsey Dairy project (Billet d'État XIII, 2020) set out that investment by the taxpayer in a new facility would allow significant efficiencies to be made in the operation of the dairy, which would enable it to return to a profitable position.

1.53 Although Guernsey Water is forecasting a loss in 2022 and 2023, it is able to fund these from its retained reserves.

Opportunities and Risks to 2023 Financial Position

1.54 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 to assumptions contained within a budget which may culminate in results being slightly, or very, different to the plan.

1.55 In respect of the 2023 Budget there are a number of risks which could result in a materially different outcome:

- The income tax forecasts have assumed nominal growth which maintains their real-terms value. In an environment of high inflation, there is a risk that salaries and profits will not keep pace with inflation and the impact of revenues growing by 1% below inflation would be £4million;

- 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 maintain their real value and that expenditure will grow by a similar amount. In a high inflation environment there may be a mismatch between the nominal increases in income and expenditure (with expenditure rising faster than income) which can lead to a deterioration in the overall position. Each 0.25% mismatch would have a £1.5million impact on the overall surplus.

- The housing market has been strong in both 2021 and 2022 to date with receipts of £32.3million and a forecast £26.7million respectively through a combination of high prices and higher volumes. These receipts were significantly above the average over the five pre-COVID years of £15million. A budget estimate of £25million has been made for 2023 but the actual position could be significantly less should the market slow. This is particularly relevant in the context of the rapid rise in interest rates seen in recent months which appears likely to continue for some time and may restrict the ability of buyers to borrow, potentially negatively impacting both the price and volume of sales. A fall back to pre-COVID levels (2019) could see a reduction of £7million in 2023 revenues.

- The amount of fuel duty collected is a function of both the rate of duty (which it is proposed is increased to 80.9p per litre in 2023) and the volumes sold. Over recent years, fuel duty volumes have been declining due to increased engine efficiency and, more recently, the move to electric vehicles. An allowance for a decline of 5% has been included in the 2023 Budget, but each further 1% decrease would result in a loss of revenue of approximately £200,000.

- The States earn investment returns on their reserves which are now attributed to General Revenue income. Based on an assumed return of inflation plus 2.5% and given the level of reserves, the 2023 budget contains an estimate of £26.6million of investment income. Although, over the long term, the assumption for returns is sound, this can fluctuate significantly over the short term. For example, in 2022 the forecast has been revised from £17.1million down to £nil due to the contraction of, and volatility in, worldwide investment markets and this could become a net loss position. A repeat of such performance in 2023 could completely eradicate the budgeted surplus position.

- Health and Care services are experiencing strong growth in demand for services, the backlog built up during the global pandemic has not yet been addressed and this comes at the same time as a shortage of healthcare professionals able or willing to take up employment in Guernsey resulting in high reliance on short term agency staff. In 2022 this has created cost pressures and led to the Committee forecasting an overspend of £2million. Although efforts have been made to address these pressures through the 2023 budget, each 1% overspend on the Committee *for* Health & Social Care's budget would cost over £2.1million.

1.56 There are also opportunities for the financial position to improve in 2023. A small change to ETI can have a significant impact on revenues with 1% of growth equating to approximately £2.5million. In addition, it is possible that Committees will continue to underspend their authorised budgets.

1.57 A reasonable allowance has been made for contingency within this budget. However, if one or more of the risks above are realised, it may not be possible to manage the overall position in line with this plan. The table below illustrates the budget estimates against a reasonable alternative scenario based on the above variables:

	£'000
2023 budgeted revenue surplus	33
Income Tax revenues growing 1% below inflation	(4)
Document Duty falling to pre-COVID level	(7)
Investment returns being £nil	(27)
Overspend of 1% on Committee *for* Health & Social Care budget	(2)
Illustrative 2023 revenue deficit	**(7)**

Section 2: Income Proposals

Personal Income Tax

2023 Personal Income Tax Allowances

2.1 **It is recommended that an individual's personal allowance is increased by £850 (7%) to £13,025.** This is 1% above the inflation projection and means that an individual whose only source of income is the full-rate States Pension with bank interest of less than £50 will continue to not pay any income tax. The real-terms increase of 1% will result in a decrease in States' income tax revenues of approximately £900,000. It is proposed that this is compensated for by a reduction in the threshold at which the withdrawal of personal allowances for higher earners commences (paragraphs 2.4 to 2.5).

2.2 The personal allowance is recommended to be as follows:

	2023	2022
Personal Allowance	£13,025	£12,175

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

2.3 **The supplementary personal income tax allowances are recommended to increase by 7%** and be as follows[c][d]

	2023	2022
Dependent relative / Housekeeper / Infirm Persons	£4,225	£3,950
Charge of Children	£8,850	£8,275

Withdrawal of Personal Allowances for Higher Earners

2.4 Since 1 January 2019, personal allowances, other allowances and deductions have been withdrawn from individuals whose taxable income exceeds a threshold of £100,000. The withdrawal ratio is a rate of £1 of allowance withdrawn for every £5 that a person's income exceeds the withdrawal threshold. It is estimated that this currently affects 2,500-3,000 individuals and raises an estimated £6million per annum.

2.5 The Policy & Resources Committee is **recommending that, with effect from 1 January 2023, the withdrawal threshold is lowered to £90,000.** This is estimated to increase the number of individuals who are subject to the withdrawal of personal allowances by 700 and raise an additional £900,000 per annum. The maximum impact on an individual will be £400 (£1 in £5 of £10,000 allowance withdrawn at an income tax rate of 20%) and all individuals subject to the withdrawal of allowances (not only those earning between £90,000 and £100,000) will be impacted other than those whose allowances are already fully withdrawn.

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[c] 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.
[d] 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

2.6 In April 2015, following consideration of *"The Personal, Tax, Pensions and Benefits Review"* (Billet d'État IV, 2015), the States agreed the phased withdrawal of the income tax relief provided on mortgage interest in respect of principal private residences by 2025. In accordance with the agreed schedule, the maximum amount of relief available for an individual borrower should reduce from £3,500 in 2022 to £2,000 in 2023.

2.7 However, to provide support to islanders during this period of high inflation and rising interest rates, the Policy & Resources Committee is **recommending a one year pause in the phased withdrawal of tax relief on mortgage interest for a principal private residence, with the maximum relief available remaining at £3,500 in 2023** [Proposition 2].

2.8 This measure will put up to £300 back in the hands of islanders (£600 for a couple), with an anticipated revenue impact of £2million. The Policy & Resources Committee will review the further stages of reductions in the maximum relief to £2,000 in 2024, £1,000 in 2025 and £nil from 2026 onwards as part of the preparation of the 2024 Budget.

Income Tax Caps - General

2.9 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")[e]:

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

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

Note: The Income Tax caps reference a taxpayers income tax liability, not their income.

2.10 There are currently 25-30 individuals who take advantage of these tax caps raising income of £5-6million per annum. In order to restore the real value of these caps, **it is proposed that they are increased with effect from 1 January 2023 to £150,000 (non-Guernsey source income) and £300,000 (relating to worldwide income)**[Proposition 3]**.**

Payments made under the Ukraine Sponsorship Scheme

2.11 In August 2022, the Policy & Resources Committee agreed that payments (£349 per month) can be made, under the "Ukraine Sponsorship Scheme" to help sponsor households with meeting the additional costs they incur. The Policy & Resources Committee is **recommending that payments made to islanders who are sponsors under the Ukraine Sponsorship Scheme are exempt from tax** [Proposition 4].

[e] Income from Guernsey land and property and income derived from Guernsey pension / annuity schemes in relation to triviality or lump sums above the tax free limit are excluded from all Income Tax caps (General, Alderney and linked to open market purchase) and tax on this income is paid in addition to the cap amounts.

Tax-free element of lump sums from pension schemes

2.12 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. **It is recommended that the 2023 limit is maintained at the 2022 limit of £203,000** [Proposition 5].

Introduction of penalties for breaching pension scheme rules

2.13 An individual can claim tax relief for contributions made to pension schemes approved by the Revenue Service in accordance with sections 150 and 157A of the Income Tax (Guernsey) Law. 1975. Conditions of approval are put in place to ensure that the pension scheme provides members with retirement benefits for life. The Revenue Service may withdraw approval of a scheme if the facts concerning the approved scheme, or its administration, do not warrant the continuance of that approval.

2.14 It is **proposed that further penal measures be introduced, in the form of taxing any unauthorised payments at 50%**[f] [Proposition 6] which would, in effect, be an income tax charge levied against the individual who had received the unauthorised payment. This aims to deter such payments from being made (so preventing serious breaches of the conditions for approval). Such income would also be excluded from the tax caps and standard charge (meaning the recipient would pay tax on these payments in addition to any limits on the amount of tax payable that may be in place).

2.15 It is also proposed that the Revenue Service would have the ability to abate the liability to tax by an amount which, having regard to the relevant circumstances, is just and reasonable. It is envisaged that this may be applicable where it is the actions of a trustee or employer, and not the actions of the individual member, which has caused the payment to be made. The legislation would make appropriate provision for appeals and review in respect of these proposals.

Closure of 157E schemes

2.16 In December 2011, the UK Government announced changes to their Qualifying Recognised Overseas Pension Schemes ("QROPS") regime that took effect from 6 April 2012. As these changes meant that many personal pension schemes in Guernsey would lose their QROPS status, the States resolved in March 2012 to introduce a new exempt pension regime, the section 157E scheme. This scheme would give no relief for contributions and correspondingly had no tax charge on benefits paid out.

2.17 The purpose of introducing section 157E was primarily to enable pension schemes to satisfy the conditions to be a QROPS. However, on 4 May 2012, HMRC introduced new regulations which specifically exclude section 157E schemes from being QROPS compliant, so that section of the Law is no longer effective for the purpose intended. All that remains therefore is a risk to domestic tax revenues without any advantages to the financial services industry.

[f] An unauthorised payment is one which is not allowed by the Law, or as a condition of approval, (except for a payment which has been made with the prior agreement of the Revenue Service)

2.18 A Statement was made by the Treasury and Resources Department Minister to the States of Deliberation on 27 June 2012, advising of the Department's intention to bring forward proposals to prevent new section 157E schemes being approved, or any further transfers/contributions being made into existing section 157E schemes. However, the legislation is still to be amended and, whilst no new schemes have been approved since this date, it is therefore **proposed that the Income Tax Law is amended to prevent any new schemes being approved and confirm the disallowance of any further transfers or contributions being made into existing section 157E exempt pension schemes, with retrospective effect to 27 June 2012** [Proposition 7].

Restricting Interest Relief on Domestic Let properties

2.19 Currently, there is no restriction on interest payments that can be claimed against rental income from domestic let property received by individuals, companies, or other entities albeit the relief is limited to the level of income generated from lettings (i.e. it cannot create a loss). By contrast, the availability of mortgage interest relief for a Principal Private Residence is being phased out.

2.20 The Policy & Resources Committee is **recommending that interest relief on let residential properties, situated in the Bailiwick of Guernsey, is also 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** [Proposition 8].

2.21 It is estimated that interest relief on let property is currently claimed by approximately 250 individuals and its complete withdrawal would increase revenues by £180,000 per annum (£45,000 in 2023). However, it is not known how much interest relief is claimed in respect of domestic let properties owned by a company, other vehicle or by non-residents.

Excise Duties

Alcohol

2.22 The *"Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)"* does not give specific direction on the rates of excise duty on alcohol but includes *"While it is recognised that excise duties can go some way to discourage excessive consumption and change consumption, it is acknowledged that it can be somewhat of a blunt instrument when compared to more targeted fiscal policies such as Minimum Unit Pricing (MUP)."*

2.23 The Committee *for* Health & Social Care will be considering whether any changes to the current rates of excise duty should be requested in future years in order to facilitate the introduction of MUP, recognising that MUP would apply to the retail price. However, for public health reasons, the Committee *for* Health & Social Care has requested that the Policy & Resources Committee recommends an increase of inflation plus 1.5% in excise duty rates for all alcohol products.

2.24 The Policy & Resources Committee is recommending **an increase in the duties levied on alcohol of 7.5% from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This is estimated to raise an additional £1.15million per annum (£250,000 in real-terms).

2.25 The 2022 anticipated income from excise duty on alcohol is £16.3million which is lower than 2021 when the impact of the COVID-19 restrictions on travel meant that the opportunity to access duty free alcohol products was significantly reduced for many consumers. The 2023 Budget for income from excise duty on alcohol is £17.5million.

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

Description of Goods	Present Duty	Increase in Duty	Proposed Duty
Beer / Cider (2.8% - 4.9% ABV) – small independent brewery – 1 pint	26.1p	**2.0p**	28.1p
Beer / Cider (2.8% - 4.9% ABV) - 1 pint	52.3p	**3.9p**	56.2p
Spirits (37.5% ABV) – 25mls	38.9p	**2.9p**	41.8p
Spirits (37.5% ABV) – bottle (1 litre)	£15.56	**£1.17**	£16.73
Light wine (5.5% to 15% volume) – 125mls	36.5p	**2.8p**	39.3p
Light wine (5.5% to 15% volume) – bottle (750mls)	£2.19	**17p**	£2.36

<u>Tobacco</u>

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

2.28 The *"Combined Substance Use Strategy for Guernsey and Alderney 2021 – 2026 (Drugs, Alcohol and Tobacco)"* includes *"Increases in the price of tobacco products have helped to reduce the smoking prevalence in Guernsey and Alderney from over 30% in 1988 to 13% in 2018. A year-on-year increase in the tax (RPI plus 5%) applied to tobacco is now embedded in Government policy and should be continued."*

2.29 Therefore, based on an inflation forecast of 6%, the Policy & Resources Committee is recommending **an increase in excise duty in all tobacco products of 11% from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This would increase the excise duty on an average packet of twenty cigarettes from £6.26 to £6.95.

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

2.31 In 2020 and 2021, income of £13.9million and £11.7million respectively, was positively affected by the impact of the COVID-19 restrictions on travel, which meant that the opportunity to access duty free tobacco products was significantly reduced for many consumers. It is estimated that income from Excise Duty on Tobacco will be £6.7million in 2022, which is £1million lower than the Budget of £7.7million, considered to be due to a combination of reduced consumption and diminishing stock levels. The 2023 Budget for income from Excise Duty on Tobacco at £7.7million reflects a combination of increased duty; reduced demand; and a return to more regular stock-holding levels by importers.

Motor Fuel

2.32 The Policy & Resources Committee is recommending that **the excise duty on motor fuel is increased by 6%, from 1 January 2023** as set out in The Excise Duties (Budget) Ordinance, 2022 [Proposition 10]. This would maintain the real-value of the duty by increasing it by 4.6p per litre to 80.9p per litre which is expected to raise an additional £1.2million per annum.

2.33 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 55p per litre from 1 January 2023. The concessionary rate of duty for biodiesel would be 70.9p per litre from 1 January 2023.

2.34 The 2022 anticipated income from excise duty on motor fuel is £20.2million which is £700,000 lower than the budget estimate of £20.9million. The decline in volumes is considered to be as a result of increased efficiency of internal combustion engines; change in driving habits (including in response to the recent high pump prices of fuel); and increasing use of vehicles which do not use motor fuel as energy source. The 2023 Budget Estimate for income from excise duty on motor fuel is set at £20.4million, which allows for a volume decrease of 5% compared to 2022.

2.35 The impact of the reduction in revenues from excise duty on fuel as a result of declining volumes is the subject of an extant Resolution to investigate whether a distance charging model might offer a more sustainable alternative and to conduct a pilot to provide a proof of concept (Billet d'État XII, July 2019). The Committee *for the* Environment & Infrastructure is taking the lead on progressing this resolution and has recently undertaken a tender exercise for the pilot work.

Tax on Real Property ('TRP')

Unoccupied and derelict property

2.36 The Policy & Resources Committee is **recommending endorsement of its intention 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)** [Proposition 11]**.** It is envisaged that "unoccupied" would be defined as, *"for a period of at least six months during the previous calendar year, the property has, for residential, not been occupied as a person's residence and, for commercial, not been in use for the provision of a business or trade, etc."*

2.37 The 2024 Budget Report would include detailed proposals including definitions of occupied and derelict; the enhanced tariff structure; and the policy for any exemptions. At this stage, the Committee is of the view that enhanced rates of five times the current tariffs would be appropriate.

Property which has development permission

2.38 In order to encourage the development of property which has development permission, the Policy & Resources Committee is **recommending endorsement of its intention to include, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission but the development has not been completed within three years** [Proposition 12]. The Committee's intention is that the following would apply:

- Where planning permission has been given for the construction of a new building, that real property can only fall into the category of "development building" for a period of 3 years after the grant of planning permission or for a period of 3 years beginning in 2023 (if such planning permission has already been given); and

- Any real property which after three years of being classed as a "development building" has not been issued with a completion certificate or it has not been confirmed that the building has met the relevant requirements, will fall into the "enhanced rate" category until such certificate or confirmation has been given. There will be a mechanism for planning permission to be 'disclaimed' with the property then being classified within the appropriate standard TRP category.

2.39 As the earliest year in which the "enhanced rates" could be charged is 2026, the 2024 Budget Report will include detailed proposals including a recommendation of the enhanced tariff structure; and the policy for any exemptions. At this stage, the Committee is of the view that a rate of at least five times the "development building" tariff should be considered. The Committee also intends to introduce an equivalent mechanism for the purposes of "approved development sites".

Commercial

2.40 The 2022 Budget for Commercial TRP is £20.9million. **It is recommended that all commercial buildings and land tariffs for 2023 are increased by 7.5%**, [Proposition 13] which will raise approximately £1.6million per annum (£300,000 in real-terms).

2.41 As part of the 2020 Budget, the States agreed that, over a period of five years, the tariffs for the general Office and Ancillary Accommodation category (which largely comprises premises used by professional services and related businesses) are gradually increased to the same tariff as the Office and Ancillary Accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses. The increase in 2023 will be £6.75 per unit in addition to the general increase and would raise an additional £850,000. Therefore, the 2023 estimate for commercial TRP is £23.3million.

2023 BUDGET REPORT

Domestic

2.42 The 2022 Budget for domestic TRP is £10million.

2.43 The distribution of properties by TRP rating is currently:

TRP of Property	Local Market		Open Market		Total	
	Number	%	Number	%	Number	%
<200	15,350	74	300	18	15,650	69
200-299	3,750	18	450	27	4,200	19
300-399	1,100	5	300	19	1,400	6
400-499	450	2	250	14	700	3
500+	300	1	350	22	650	3
TOTAL	**20,950**		**1,650**		**22,600**	

2.44 The Policy & Resources Committee is **recommending that domestic buildings and land tariffs for 2023 are increased as follows** [Proposition 13]**:**

- 0% for properties with a TRP rating of less than 200;
- 10% for properties with a TRP rating of 200 – 299;
- 12.5% for properties with a TRP rating of 300 – 399;
- 15% for properties with a TRP rating of 400-499; and
- 20% for properties with a TRP rating of over 500.

2.45 Overall, this averages at an 8% increase in tariffs and would raise an additional £800,000 per annum (£200,000 in real-terms). Therefore, the estimate for income from domestic TRP in 2023 is £10.8million.

2.46 The following table illustrates the effect of the increase in TRP rates on different domestic properties for 2023:

TRP of Property	Current (2022) TRP Annual	Increase in TRP Annual	Proposed (2023) TRP Annual
75	£145.50	£nil	£145.50
150	£291.00	£nil	£291.00
200	£448.00	£44.00	£492.00
300	£759.00	£96.00	£855.00
400	£1,128.00	£168.00	£1,296.00
500	£1,550.00	£310.00	£1,860.00
750	£2,325.00	£465.00	£2,790.00
1,000	£3,100.00	£620.00	£3,720.00

Document Duty and Anti-Avoidance Duty

2.47 The 2022 Budget Estimate for income from Document Duty and Anti-Avoidance Duty was £22million. This estimate was higher than the income received prior to 2020 but lower than 2021 as it was not expected that the high level of activity in the housing market would be sustained throughout 2022. However, the housing market has continued to be buoyant, although there are now signs that it is slowing down, and the estimated income in 2022 has been revised to £27.5million.

2.48 There has been an 18% rise in local market housing prices over the past year and the total number of conveyances subject to duty up to August 2022 was 858 (local market) and 61 (open market), compared to 981 (local market) and 68 (open market) up to August 2021 and 779 (local market) and 48 (open market) up to August 2020.

2.49 The level of Document Duty income can be difficult to forecast as it is dependent on both the volume and value of conveyances. The estimate for income from Document Duty and Anti-Avoidance Duty in 2023 is £25million which, although higher than that received prior to 2020, is slightly lower than the 2022 projection. It is not proposed that any changes are made to the general rates or thresholds associated with Document Duty and Anti-Avoidance Duty.

Scheme to encourage ‘down-sizing’

2.50 The Policy & Resources Committee is **proposing introduction of a time-limited scheme of a reduction in Document Duty to incentivise ‘down-sizing’** [Proposition 14]. The first £400,000 of the replacement principal private residence being purchased by the ‘down-sizer’ would be charged at 0% Document Duty subject to the following conditions being met:

- 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: B1.1 to B1.2.5 and B2.1 to B2.2.5);
- The property sold has been the buyer’s ‘Principal Private Residence’ for at least two years; and
- 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 the first in time of the properties being purchased;

2.51 This would reduce the Document Duty payable on the purchase of a property valued at £400,000 and above by £10,875. The scheme would end on 31 December 2024 and provisions will be put in place to refund the difference in duty for conveyances during the period between the date of publication of the Budget Report and the date of the scheme being approved which would have qualified for the reduction. Equivalent provision is proposed to be made in relation to Anti-Avoidance Duty [Proposition 15].

Enhanced rate of Document Duty

2.52 The Policy & Resources Committee is **recommending that a supplement of additional Document Duty of 2% on each band is charged on all residential property purchases which are not to be the Principal Private Residence of the purchaser or a person associated with that individual (i.e. a family member)** [Proposition 14]**.** Equivalent provision is proposed to be made in relation to Anti-Avoidance Duty [Proposition 15].

2.53 There will be provisions to enable refunds of the additional Document Duty or Anti-Avoidance Duty paid if, prior to the date of publication of the Budget Report, a legally binding agreement was entered into for a conveyance to be executed and registered on or after the date that the higher rates come into effect.

Vehicle First Registration Duty

2.54 The 2022 budget estimate for Vehicle First Registration Duty is £950,000. Since it was introduced in 2016, there has been no increase in the rates of First Registration Duty. An increase of approximately 25% would be required in 2023 to restore the real value of the rates, increasing revenues by £250,000. However, it is recommended that the rates are further increased such that income raised is doubled to £1.9million (a real-terms increase of £700,000).

2.55 Following discussion with the Committee *for the* Environment & Infrastructure, which has operational responsibility for administering the First Duty Registration regime and would make the regulations to bring any changes into effect, it is proposed that the increases are applied as set out in the table below, with the higher bands bearing proportionately larger increases:

Band	Diesel Class Vehicles Established CO_2 Emissions (g/km)	Non-Diesel Class Vehicles Established CO_2 Emissions (g/km)	Diesel Class Vehicles Established Engine Size (cc) if CO_2 figure unavailable	Non-Diesel Class Vehicles Established Engine Size (cc) if CO_2 figure unavailable	Duty (current) £	Duty (proposed) £
1	0 to 100	0 to 110	0 to 1000	0 to 1000	0	50
2	101 to 110	111 to 130	1001 to 1150	1001 to 1350	150	185
3	111 to 120	131 to 140	1151 to 1300	1351 to 1500	285	570
4	121 to 130	141 to 150	1301 to 1450	1501 to 1650	420	840
5	131 to 140	151 to 165	1451 to 1600	1651 to 1800	555	1,110
6	141 and over	166 and over	1601 and over	1801 and over	690	1,500
Band	**Motorcycles**	**Vehicles Established Engine Size Figure (cc)**			**Duty (current) £**	**Duty (proposed) £**
1 (New)	N/A	0			0	25
2	N/A	1 to 500			0	50
3	N/A	501 and over			100	100

2.56 Therefore, it is **recommended that the States endorse increasing the rates and changing the bands of tax imposed on the first registration of motor vehicles (known as First Registration Duty), to result in the rates and bands as set out in the above Table, effective from 1 January 2023** [Proposition 16].

Section 3: Expenditure Proposals

3.1 The total 2022 revenue expenditure budget was £526.7million comprising £491.6million allocated to individual Committees; £11.8million held as the Budget Reserve; £8million as a specific COVID-19 provision; £18.5million allocated for service developments; and a £3.2million target for delivery of savings.

3.2 Individual Committee 2023 Cash Limits take account of adjustments for budget transfers between Committees including:

- £21.2million from multiple Committees to Corporate Services following implementation of the Property Target Operating Model including:
    - £7.4million from the Committee *for* Education, Sport & Culture;
    - £250,000 from the Committee *for* Employment & Social Security;
    - £310,000 from the Committee *for the* Environment & Infrastructure;
    - £12million from the Committee *for* Health & Social Care;
    - £980,000 from the Committee *for* Home Affairs; and
    - £220,000 from the Royal Court.
- £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances; and
- £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.

3.3 The recommended Cash Limits, which have been adjusted for cyclical / one-off / phasing-down items in both 2022 and 2023 (net reduction of £5million including £3.2million allocated in 2022 to fund the MYGOV transformation programme), incorporate the following additional allocations within individual Committee Cash Limits:

- £22.7million for cost pressures in relation to inflation or demand for delivery of existing services. £13million of this total relates to health and social care services and £4.9million is in respect of the uprating of non-contributory social security benefits (income support, family allowances and severe disability benefit and carers' allowances);
- £21.3million for the effect of settled pay awards in respect of both 2022 and 2023[g];

[g] The Policy & Resources Committee offered all pay groups a three-year deal covering 2022-2024. For those groups that have accepted the offer, allowance has been made in the recommended Cash Limits for both the 2022 element (5% plus £500) and the 2023 element (which is in line with the June 2022 RPIX of 7%).

- £7.7million for approved service developments which were prioritised in previous Budget Reports or which follow specific States' direction including £4.8million for funding drugs and treatments in receipt of a Technology Appraisal from the National Institute for Health and Care Excellence;

- £5.8million for initiatives or programmes which were approved as part of the Government Work Plan;

- £2million within the Committee *for* Health & Social Care's Cash Limit in order to fund the COVID vaccination programme;

- An increase of £1.1million in the Committee *for* Economic Development's Cash Limit to fund the operational costs of Guernsey Registry which were previously netted off against income received (which will now be accounted for as a gross receipt). This is purely a change in accounting treatment and has no impact on the overall States' financial position

- £825,000 within the Cash Limit of the States' Trading Supervisory Board in order to cover the forecast trading deficit of Guernsey Waste, as agreed by the States following consideration of the policy letter entitled *"Future Waste Charges"* (Billet d'État XIII, 2022); and

- A reduction of £9.1million following decreases in the employers' contribution rates to the pension schemes for public sector employees (Billet d'État XII, 2022).

3.4 Therefore, it is recommended that funding of £539.3million is allocated to Committees in 2023 comprising Non-Formula Led Cash Limits of £469.4million and Formula Led estimates of £69.9million.

3.5 In addition, there is a Budget Reserve of £22million; allocations for service developments and delivery of Government Work Plan initiatives which have not been incorporated into Committee Cash Limits of £12.4million; and planned delivery of £600,000 of savings.

3.6 The recommended Cash Limits for 2023 are set out in the following table and further explanation of the funding allocated to individual Committees is detailed below (Full line by line details of the 2023 budgets are included as Appendix V). For comparative purposes, the 2022 Cash Limits have been restated to take account of Inter-Committee transfers that have been made during 2022.

	Note	2023 Revenue Cash Limit £'000s	2022 Revenue Cash Limit (restated) £'000	2022 Revenue Cash Limit (Original) £'000
Corporate Services	1	68,925	65,885	46,325
Economic Development	2	10,400	8,425	8,425
Education, Sport & Culture	3	82,855	77,490	84,040
Employment & Social Security		12,500	11,585	12,435
Environment & Infrastructure	4	13,175	11,995	12,905
Health & Social Care	5	212,000	188,050	198,100
Home Affairs	6	37,990	33,985	34,965
Policy & Resources		13,100	12,230	12,230
Scrutiny Management		600	550	550
Development & Planning	7	1,615	1,190	1,190
Overseas Aid & Development	8	3,855	3,225	3,225
States' Trading Supervisory		2,500	1,400	1,400
Royal Court		2,635	2,390	2,610
Law Officers		6,675	6,200	6,200
Pooled Budgets		550	500	500
TOTAL NON-FORMULA LED		**469,375**	**425,100**	**425,100**
Policy & Resources – Formula Led		2,025	2,050	2,050
Employment & Social Security - Formula Led	9	67,900	64,450	64,450
TOTAL FORMULA LED		**69,925**	**66,500**	**66,500**
TOTAL CASH LIMITS		**539,300**	**491,600**	**491,600**
Budget Reserve - general		22,000	11,750	11,750
COVID-19 specific provision		-	6,000	6,000
GWP Initiatives / Service Developments		12,400	18,500	18,500
Savings to be delivered		(600)	(3,150)	(3,150)
COMMITTEE EXPENDITURE		**573,100**	**524,700**	**524,700**
Business Support Measures		-	2,000	2,000
REVENUE EXPENDITURE BUDGET		**573,100**	**526,700**	**526,700**

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

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

3.9 The profile of the contract value with Agilisys Guernsey Limited is for higher costs in the early years which will gradually reduce over the term of the contract as Agilisys delivers contractually guaranteed savings. The States agreed to *"direct the Policy & Resources Committee to take account of the ongoing costs when recommending Cash Limits for subsequent years."* Therefore, the recommended 2023 cash limit for Corporate Services includes a £1.2million reduction in the base contract value and £625,000 to fund additional costs as a result of the digitalisation of services

3.10 The recommended Cash Limit incorporates an inflation allowance of £3.7million which includes £1.5million in respect of the contract with Agilisys Guernsey Limited and an additional £1.3million for utility costs.

3.11 **Committee *for* Economic Development (Note 2) –** In accordance with the recovery action of *"Invest in the Finance Sector"* incorporated within the Government Work Plan, there is continuation of the specific allowance of £1million in the Cash Limit to increase the funding for Guernsey Finance (a total additional investment of £3million over three years from mid-2021 to mid-2024).

3.12 **Committee *for* Education, Sport & Culture (Note 3)** – In August 2020 (Billet d'État XVI, 2020), the States approved 'Active 8: A Plan for Sport - 2021-2030' which has a 2023 funding requirement of £198,000 (2022: £538,000) and funding of £100,000 per annum for three years from 2021[h] to support the Guernsey Language. The recommended Cash Limit includes provision for both of these amounts.

3.13 Following the National Association for Special Educational Needs (nasen) report on Special Educational Needs and/or Disabilities provision in Guernsey, the recommended Cash Limit includes non-recurring funding of £170,000 to enable the implementation of specific recommendations. This funding is in addition to the ongoing funding of £634,000 to employ non-teaching Special Educational Need co-ordinators in each school which was included within the 2022 Cash Limit. This is one of the recovery actions in the *"Promote Education, Skills and Learning"* Area of Focus within the Government Work Plan.

3.14 The recommended Cash Limit includes the service development funding allocation of £150,000 for the provision of additional cultural enrichment activities for children in primary schools, as agreed by the States in August 2020 following consideration of the policy letter entitled *"Building a Better Future: Children's Health and Education"* (Billet d'État XVI, 2020) (funded by a reduction in Family Allowance).

3.15 The Committee *for* Education, Sport & Culture has identified several areas where there is a need for targeted activity in order to support those children and young people whose progress and attainment, as well as mental health and wellbeing, was most affected by the pandemic and periods of lockdown. This programme of focused one-off measures is expected to cost £1.3million over 2022-2024 and the recommended 2023 Cash Limit includes specific funding of £625,000.

[h] The Committee *for* Education, Sport & Culture has advised of a delay in the establishment of the Guernsey Language Commission. Therefore, the funding allocated for 2021 has been returned and will instead be made available in 2024.

3.16 The recommended Cash Limit includes a specific additional allocation of £1.04million, in line with the provision made in the Funding & Investment Plan, to enable 'Strategic investment in continuous education improvement' in order to permanently increase the capacity and resilience in education services. The Committee *for* Education, Sport & Culture has advised that this investment is necessary to bring about a more sustainable delivery model able to respond flexibly in the future, be more resilient to disruption, and ultimately to bring about improved outcomes.

3.17 **Committee *for the* Environment & Infrastructure (Note 4)** – in addition to a general inflation allowance of £470,000, the recommended Cash Limit includes additional allowance of £200,000 to address expenditure pressures the Committee is facing in a number of areas and £205,000 for Government Work Plan initiatives of a Nature Commission (2023 is the second year of a three year funding requirement of £140,000 per annum) and £65,000 for projects forming part of the *"Invest in Nature and the Natural Economy"* Area of Focus. The provision for service developments and initiatives prioritised in the Government Work Plan (paragraph 3.37) includes allowance of a further £562,000 for this specific Area of Focus.

3.18 **Committee *for* Health & Social Care (Note 5)** - the recommended Cash Limit includes the service development funding allocations of £1.8million to provide affordable primary health care and dental care for children and teenagers, as agreed by the States in August 2020 following consideration of the policy letter entitled *"Building a Better Future: Children's Health and Education"* (Billet d'État XVI, 2020) (funded by a reduction in Family Allowance) and £250,000 for a diabetic retinopathy screening programme.

3.19 In January 2020, the States considered a policy letter entitled *"Review of the Funding of Drugs, Treatments and Devices"* (Billet d'État I, 2019) and agreed, inter alia, a policy of funding drugs and treatments in receipt of a Technology Appraisal from the National Institute for Health and Care Excellence. The costs were estimated to be £5.6million in Year 1 and £8.3million from Year 2 (to which needs to be added £500,000 as the expected consequential fall in private patient income). The States agreed that the costs of this service development will be met from the Guernsey Health Reserve (which is ring-fenced within the General Revenue Reserve).

3.20 Due to the COVID-19 pandemic, the phased implementation of this policy was delayed and the net additional costs are budgeted to be £4.8million in 2023 which is included within the recommended Cash Limit. There is also an allowance of £150,000 of non-recurring funding to enable the Committee *for* Health & Social Care to report back to the States with a review of the practical operation of the first two years of the policy and consideration of the next stage(s).

3.21 In line with the Government Work Plan, the budget also includes provision of £1.5million for funding initiatives to tackle the waiting list for orthopaedic procedures which has increased as a result of the delays that have arisen through COVID-19. In addition, a non-recurring provision of £2million has been made in respect of Off-Island Treatments due to an increased number of episodes of care and complexity of cases, which is considered to be an impact of COVID-19 pandemic treatment delays. These provisions will both be funded from the Guernsey Health Reserve.

3.22 The baseline projections within the Funding & Investment Plan included *"Allowance of £3million per annum for underlying health cost pressures due to demand on services, primarily in acute off-island treatment and hospital treatment as well as other adult and specialist services."* The Committee *for* Health & Social Care has advised that it is facing budgetary pressures in a number of areas which are significantly in excess of this amount, including progressively rising demand in the Critical Care Unit requiring additional capacity to be made available earlier than anticipated and increased requirements for On-Island and Off-Island Complex placements and care packages.

3.23 Therefore, in addition to an inflation allowance of £4.2million, the Policy & Resources Committee is recommending a 2023 Cash Limit that includes an allowance of £4.4million for addressing these budgetary pressures. In addition, a specific non-recurring funding allowance of £965,000 has been made, as an interim measure, to recognise the particular pressures that are being experienced on the staff accommodation budget, arising from both the number of positions requiring accommodation due to recruitment challenges and the difficulties presented by current market forces with demand exceeding supply leading to an increase in rental prices.

3.24 The recommended Cash Limit of £212million for 2023 is an increase of £24million (12.7%) over the adjusted 2022 Cash Limit of £188million. Given that the budget for the Committee *for* Health & Social Care represents 37% of all General Revenue expenditure such an increase has a significant impact on the overall position. Although, at this stage, some elements are considered to be one-off in nature, there is a possibility that they may become part of the baseline in future.

3.25 In light of experience, the Policy & Resources Committee is of the view that the £3million per annum allowance for underlying health cost pressures will also be insufficient in future years. This assumption will be reviewed in advance of preparation of the 2023 Funding & Investment Plan update. Any increase necessary will in turn increase the structural deficit.

3.26 **Committee *for* Home Affairs (Note 6)** – In addition to an inflation allowance of £130,000, the recommended Cash Limit includes specific additional funding of £1.15million in respect of Government Work Plan initiatives including: managing Brexit - £560,000; enhancing domestic abuse services in line with the updated Domestic Abuse Strategy - £360,000; and developing the justice framework - £215,000.

3.27 **Development & Planning Authority (Note 7)** – The Cash Limit includes £250,000 of the £400,000 funding requirement for the Statutory Review of the Island Development Pan.

3.28 **Overseas Aid & Development Commission (Note 8)** – The Overseas Aid & Development Commission proposed 2023 Cash Limit of £3.855million includes an inflation allowance of £225,000, together with a real-terms increase of £400,000. This is the first tranche of additional funding towards achieving the States resolution from the Overseas Aid & Development Commission's policy letter entitled *"Our Place in the World: The next ten years of overseas aid in Guernsey"* (Billet d'État XIII, 2019) *"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 £400,000 for each of the years up to 2030 inclusive would achieve this target.

3.29 **Formula Led Social Security (Note 9)** – The 2023 estimate includes provision for inflation increases in rates of benefit for claimants of Family Allowance, Severe Disability & Carers' Allowance and Income Support at a total cost of £4.5million. Part of the reduction in expenditure on Income Support resulting from the tailing off of the impact of COVID-19 (£1.3million) has been offset by an increased demand for Severe Disability & Carers' Allowances (£325,000).

3.30 The 2023 estimate also includes £340,000 provision for the financial impact on income support expenditure of the: removal of the benefit limitation (£150,000), increase in the earnings disregard (£120,000) and rise in long-term care co-payments (£70,000); and £100,000 for a real-terms increase in the rates of Carer's Allowance.

Budget Reserve – General

3.31 The Budget Reserve holds an allocation which it is expected will be transferred to individual Committees during the year. It is held centrally instead of being included within recommended Cash Limits as it is not known, with a sufficient level of detail or certainty, the amount which will be required by each Committee. Therefore, each Committee's 'Original Budget' will increase during the year as this funding is released. This will be the case, for example, in respect of pay awards with additional funding allocated to match the settled award thus increasing 'Original Budgets' to become 'Authorised Budgets'.

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

3.33 The 2023 Budget Reserve of £22million includes:

- an allowance for 2022 and 2023 pay awards in respect of groups for which a settlement has not yet been reached (Agenda for Change, Teachers and Lecturers and Guernsey Border Agency staff);

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

- provision for possible in-year requirements including continuation of financial support to dairy farmers; increased costs of providing the Alderney healthcare transferred service; and additional Lieutenant-Bailiff fees in order to respond to increased workload;

- a general provision to cover items such as variations in formula-led expenditure, increase in cost or demand for services in excess of that included in the Cash Limits; and

- a limited amount of funding for other unanticipated / contingency / 'emergency' expenditure where there is a clear business case or demand / cost pressures.

3.34 In respect of the latter three items, it is the expectation that Committees should first comprehensively review their existing budgets in order to reprioritise and accommodate any additional expenditure before seeking additional funding from the Budget Reserve.

Service Developments and Government Work Plan Initiatives

3.35 As part of the Government Work Plan (Billet d'État X, 2022), the Funding & Investment Plan included schedules of costings for delivery of the plan priorities and delegated authority to the Policy & Resources Committee to make specific allowance in recommended Cash Limits. A total of £5.8million of funding for initiatives prioritised as part of the Government Work Plan has been added to 2023 Cash Limits, in addition to the £2million which was added to 2022 Cash Limits.

3.36 The resolutions of the Government Work Plan also included *"To note the continued priority resourcing applied by the States of Guernsey in preparation for the MONEYVAL 2024 inspection as set out in the 'ensure compliance with agreed international agreements/standards' workstream under Priority 2 of the Government Work Plan 2022 framework."* Therefore, in addition to funding of £2million which has been added to base Cash Limits in previous Budget Reports, a specific service development provision of £1.35million is included in the 2023 Budget in order to fund the following additional requirements which have been identified:

- Committee *for* Economic Development: £100,000 for three years (2023-2025) for a contract post of Head of Compliance, Risk and Governance in Guernsey Registry and one-off funding of £300,000 to provide temporary additional capacity and technical / compliance capability in preparation for the Moneyval assessment;

- Committee *for* Home Affairs: £200,000 to enable recruitment to vacancies in the Economic & Financial Crime Bureau, including through use of satellite working and payment of rent allowances; and

- Law Officers: £600,000 of ongoing funding for staffing of a Specialist Economic Crime Unit plus £150,000 of one-off costs to establish this Unit.

3.37 A total provision of £12.4million has been made to cover service developments and initiatives prioritised in the Government Work Plan, including an allowance for those for which Committees have not yet requested funding:

	£'000	£'000
Service Developments (prioritised in 2020 Budget Report)		
Committee *for* Health & Social Care		
Balance of allocation	175	
Committee *for* Home Affairs		
Balance of allocation (Computer Emergency Response Team)	725	
		900
Service Developments – Moneyval		
Committee *for* Economic Development	400	
Committee *for* Home Affairs	200	
Law Officers	750	
		1,350
Government Work Plan Initiatives		
Managing the effects of Brexit and meeting international standards	300	
Recovery actions	5,550	
Reshaping government initiatives (transformation)	3,500	
Revenue impact of capital expenditure	800	
		10,150
TOTAL		**12,400**

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

Savings

3.39 It is anticipated that an additional £600,000 of recurring savings will be delivered in 2023 including £200,000 from procurement initiatives; £200,000 from property rationalisation. This is in addition to the £308,000 agreed reduction in the funding to the grant-aided Colleges which has been incorporated within the Committee for Education, Sport & Culture's recommended Cash Limit.

The Excise Duties (Budget) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November 2022[a] and in exercise of the powers conferred on them by sections 23C(3) and 23K of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972[b], and all other powers enabling them in that behalf, hereby order:-

Amendment of Fourth Schedule to the Law.

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

"1. Tobacco and tobacco products -

(a)	Cigarettes	£472.54 per kilo
(b)	Cigars	£472.54 per kilo
(c)	Hand rolling tobacco	£458.73 per kilo
(d)	Other manufactured tobacco	£397.90 per kilo
(e)	Tobacco leaf – unstemmed	£441.71 per kilo
(f)	Tobacco leaf – stemmed	£446.14 per kilo

a Article I of Billet d'État No. XIX of 2022.

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

2. Petrol and gas oil -

	(a)	Petrol other than any fuel used for the purpose of air navigation (and subject to b.)	80.9p per litre
	(b)	Petrol used for the purpose of marine navigation	55.0p per litre where supplied by an approved trader except where supplied to an approved trader in which case 80.9p per litre[c]
	(c)	Gas oil	80.9p per litre

3. Other fuels –

Biodiesel	70.9p per litre

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

(a) any computation of the volume of biodiesel shall be made in litres as at 15 degrees Celsius, and

(b) where any colouring matter or substance commonly added for the purpose of improving or modifying the quality or characteristics of biodiesel as a fuel is added to biodiesel prior

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

to its delivery, then the volume of that biodiesel shall be determined by reference to the total volume including such additives.

4. Beer -

(a)	Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	29p 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	61p per litre
(c)	Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	50p 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	99p per litre

(e)	Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	62p 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	£1.24 per litre
(g)	Beer exceeding 7.5 per cent volume	£1.43 per litre

5. Spirits -

Spirits	£44.61 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	29p per litre
(b)	Cider, other than cider produced by an independent small cider-maker,	61p per litre

		exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	
	(c)	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	50p 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	99p per litre
	(e)	Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	62p per litre
	(f)	Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.24 per litre
	(g)	Cider exceeding 7.5 per cent volume	£1.43 per litre
7.	Wines -		
	(a)	Light wines not exceeding 5.5 per cent volume	77p per litre
	(b)	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£3.14 per litre
	(c)	Other wines	£5.02 per litre".

Extent.

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

Repeals.

3. The Excise Duties (Budget) Ordinance, 2021[d] is repealed.

Citation.

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2023.

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d Ordinance No. XXXV of 2021.

The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022

THE STATES, in pursuance of their resolution of the 1st November, 2022[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, 2021[d] are deleted.

Extent.

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

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a Article I of Billet d'État No. XIX of 2022.
b Order in Council No. X of 2006.
c Ordinance No. XXXIII of 2007, this enactment has been amended.
d Ordinance No. XXXVI of 2021.

Citation.

4. This Ordinance may be cited as the Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022.

Commencement.

5. This Ordinance shall come into force on the 1st January, 2023.

SCHEDULE

Section 1

GUERNSEY REAL PROPERTY

TABLE A1

GUERNSEY RESIDENTIAL BUILDINGS

1 Property Reference	2 Property Description/Usage	3 2023 Tariff
B1.1	Domestic (whole unit) Local Market with a plan area of less than 200 assessable units	£1.94
B1.1.2	Domestic (whole unit) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.46
B1.1.3	Domestic (whole unit) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B1.1.4	Domestic (whole unit) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B1.1.5	Domestic (whole unit) Local Market with a plan area of 500 and over assessable units	£3.72
B1.2	Domestic (flat) Local Market with a plan area of less than 200 assessable units	£1.94
B1.2.2	Domestic (flat) Local Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.46
B1.2.3	Domestic (flat) Local Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B1.2.4	Domestic (flat) Local Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B1.2.5	Domestic (flat) Local Market with a plan area of 500 and over assessable units	£3.72
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	98p
B1.5	Domestic (garaging and parking) (non-owner-occupied) Local Market	£1.94
B2.1	Domestic (whole unit) Open Market with a plan area of less than 200 assessable units	£1.94
B2.1.2	Domestic (whole unit) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.46
B2.1.3	Domestic (whole unit) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B2.1.4	Domestic (whole unit) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24

GUERNSEY RESIDENTIAL BUILDINGS (continued)

1 Property Reference	2 Property Description/Usage	3 2023 Tariff
B2.1.5	Domestic (whole unit) Open Market with a plan area of 500 and over assessable units	£3.72
B2.2	Domestic (flat) Open Market with a plan area of less than 200 assessable units	£1.94
B2.2.2	Domestic (flat) Open Market with a plan area of 200 or over up to (and including) 299 assessable units	£2.46
B2.2.3	Domestic (flat) Open Market with a plan area of 300 or over up to (and including) 399 assessable units	£2.85
B2.2.4	Domestic (flat) Open Market with a plan area of 400 or over up to (and including) 499 assessable units	£3.24
B2.2.5	Domestic (flat) Open Market with a plan area of 500 and over assessable units	£3.72
B2.3	Domestic (glasshouse) Open Market	5p
B2.4	Domestic (outbuildings) Open Market	98p
B2.5	Domestic (garaging and parking) (non-owner-occupied) Open Market	£1.94
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)	98p

TABLE A2

GUERNSEY COMMERCIAL BUILDINGS

1	2	3
Property Reference	**Property Description/Usage**	**2023 Tariff**
B4.1	Hostelry and food outlets	£7.45
B4.2	Self-catering accommodation	£4.70
B4.3	Motor and marine trade	£6.45
B4.4	Retail	£13.05
B4.5	Warehousing	£6.95
B4.6	Industrial and workshop	£5.55
B4.7	Recreational and sporting premises	£3.15
B4.8	Garaging and parking (non-domestic)	£6.95
B5.1	Utilities providers	£54.30
B6.1	Office and ancillary accommodation (regulated finance industries)	£50.65
B6.2	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£43.90
B6.3	Office and ancillary accommodation (legal services)	£50.65
B6.4	Office and ancillary accommodation (accountancy services)	£50.65
B6.5	Office and ancillary accommodation (NRFSB)	£50.65
B7.1	Horticulture (building other than a glasshouse)	5p
B8.1	Horticulture (glasshouse)	5p
B9.1	Agriculture	5p
B10.1	Publicly owned non-domestic	Zero
B11.1	Exempt (buildings)	Zero
B12.1	Buildings – Penal Rate	Zero
B13.2	Development buildings (non-domestic)	£7.25

TABLE A3

GUERNSEY RESIDENTIAL LAND

1	2	3
Property Reference	**Property Description/Usage**	**2023 Tariff**
L1.1	Communal (flat) Local Market	27p
L1.2	Communal (flat) Open Market	27p
L3.1	Domestic Local Market	27p
L3.2	Domestic Open Market	27p
L3.5	Domestic Social Housing	Zero

TABLE A4

GUERNSEY COMMERCIAL LAND

1	2	3
Property Reference	**Property Description/Usage**	**2023 Tariff**
L1.3	Hostelry and food outlets	55p
L1.4	Self-catering accommodation	55p
L1.5	Motor and marine trade	55p
L1.6	Retail	55p
L1.7	Warehousing	55p
L1.8	Industrial	55p
L1.9	Recreational and sporting premises	55p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.81
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)	£1.56
L1.11.2	Office and ancillary accommodation (legal services)	£1.81
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.81
L1.11.4	Office and ancillary accommodation (NRFSB)	£1.81
L1.12	Utilities providers	55p
L2.1	Approved development site	£1.81
L3.3	Horticulture	27p
L3.4	Agriculture	27p
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)	55p

The Document Duty (Rates) (Amendment) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November, 2022[a], and in exercise of the powers conferred upon them by section 6(1) of the Document Duty (Guernsey) Law, 2017[b], and all other powers enabling them in that behalf, hereby orders: –

<u>Amendment of the Ordinance.</u>

1. Immediately after section 1 of the Document Duty (Rates) Ordinance, 2017 ("**the Ordinance**"), insert the following sections -

"**<u>Duty payable in respect of acquisition of domestic real property: non-principal private residence.</u>**

1A. (1) The amount of document duty payable in respect of a chargeable transaction within section 2(1)(a) of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following –

(a) 4.25% of any part of the value of the transaction not exceeding £250,000, and

(b) 5.50% of any part of the value of the transaction exceeding £250,000 but not exceeding £400,000, and

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a Article I of Billet d'État No. XIX of 2022.

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

(c) 6.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and

(d) 6.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and

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

(f) 7.50% of any part of the value of the transaction exceeding £2,000,000.

(2) This subsection applies where an interest in real property which falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25 is acquired by any person other than for the purpose of being the principal private residence of -

(a) that person, or

(b) a person who is associated with that person, within the definition set out in section 4 of the Law.

(3) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as

references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(4) The States Policy & Resources Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

Duty payable in respect of acquisition of domestic real property: downsizing of property.

1B. (1) The amount of document duty payable in respect of a chargeable transaction within section 2(1)(a) of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following –

(a) 0.00% of any part of the value of the transaction not exceeding £400,000, and

(b) 4.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and

(c) 4.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and

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

(e) 5.50% of any part of the value of the transaction exceeding £2,000,000.

(2) Subject to subsection (3), this subsection applies where -

(a) the real property ("**the relevant property**") falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25,

(b) the relevant property has been acquired by a person in order to be the principal private residence of that person ("**the relevant person**"),

(c) in order to acquire the relevant property, the relevant person has sold real property which had been that person's principal private residence for a period of not less than two years ("**the previous property**"), and

(d) there is a decrease of at least 25% in the number of assessable units of the plan area of the relevant property in comparison with the number of assessable units of the plan area of the previous property.

(3) The rates set out in section 1(2) shall apply where -

(a) if the previous property was owned by more than one person, the document duty in relation to the acquisition of real property by another person who was an owner (whether jointly or in common) of the previous property has already been assessed by the Greffier in accordance with the rates set out in subsection (1), or

(b) the relevant person has already acquired real property for which the document duty has already been assessed by the Greffier in accordance with the rates set out in subsection (1).

(4) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(5) The States Policy & Resources Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

(6) This section will not apply in relation to a chargeable transaction of real property, the registration of which takes place on or after 1st January 2025.

<u>Declaration under section 5 of the Law</u>.

1C. A declaration made for the purposes of section 5 of the Law must also include a declaration by the person acquiring the real property -

(a) whether, for the purposes of section 1A, subsection (2) of that subsection applies, and

(b) whether, for the purposes of section 1B -

(i) subsection (2) of that section applies, and

(ii) either of the limitations in subsection (3) of that section apply,

and provisions of the Law, including sections 6 and 8, shall be construed accordingly.".

Transitional relief.

2. (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 section 1A of the Ordinance, that which would have been payable if that section had not been enacted, and

(b) for the purposes of section 1B of the 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 3rd October, 2022, 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 31^{st} December, 2022.

(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 3^{rd} October, 2022 and ending on the day on which this Ordinance comes into force.

Extent.

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

Citation.

4. This Ordinance may be cited as the Document Duty (Rates) (Amendment) Ordinance, 2022.

Commencement.

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

The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 1st November, 2022[a], in exercise of the powers conferred upon them by section 4(1) of the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017[b], and all powers enabling them in that behalf, hereby orders: –

Amendment of the Ordinance.

1. Immediately after section 1 of the Document Duty (Anti-Avoidance) (Rates) Ordinance, 2017 ("**the Ordinance**"), insert the following sections –

"**Duty payable in respect of relevant transaction relating to domestic real property: non-principal private residence.**

1A. (1) The amount of document duty payable in respect of a relevant transaction within the meaning of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following percentages of the assessable market value of the significant benefit –

(a) 4.25% of any part of such value not exceeding £250,000, and

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a Article I of Billet d'État No. XIX of 2022.

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

(b) 5.50% of any part of such value exceeding £250,000 but not exceeding £400,000, and

(c) 6.00% of any part of such value exceeding £400,000 but not exceeding £750,000, and

(d) 6.25% of any part of such value exceeding £750,000 but not exceeding £1,000,000, and

(e) 6.50% of any part of such value exceeding £1,000,000 but not exceeding £2,000,000, and

(f) 7.50% of any part of such value exceeding £2,000,000.

(2) This subsection applies where a relevant transaction confers a significant benefit in relation to the property which falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25 other than for the purpose of being the principal private residence of –

(a) the transferee, or

(b) a person who is associated with the transferee, within the definition set out in section 3 of the Law.

(3) For the purposes of this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as

references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(4) The Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

<u>Duty payable in respect of relevant transaction relating to domestic real property: downsizing of property.</u>

1B. (1) The amount of document duty payable in respect of a relevant transaction within the meaning of the Law, which is not an exempt transaction but where subsection (2) applies, shall be the aggregate of the following percentages of the assessable market value of the significant benefit –

(a) 0.00% of any part of such value not exceeding £400,000, and

(b) 4.00% of any part of the value of the transaction exceeding £400,000 but not exceeding £750,000, and

(c) 4.25% of any part of the value of the transaction exceeding £750,000 but not exceeding £1,000,000, and

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

(e) 5.50% of any part of the value of the transaction exceeding £2,000,000.

(2) Subject to subsection (3), this subsection applies where –

(a) the property ("**the relevant property**") falls into any of property references B1.1 to B1.2.5 and B.2.1 to B.2.25,

(b) the relevant property has been acquired by the transferee to be the principal private residence of the transferee,

(c) in order to acquire the relevant property, the transferee has sold real property which was the transferee's principal private residence for a period of not less than two years ("**the previous property**"), and

(d) there is a decrease of at least 25% in the number of assessable units of the plan area of the relevant property in comparison with the number of assessable units of the plan area of the previous property.

(3) The rates set out in section 1 shall apply where –

(a) if the previous property was occupied by more than one person, the document duty in relation to the acquisition of real property by another person who was an occupier of the previous property has already been assessed in accordance with the rates set out in subsection (1), or

(b) the transferee has already acquired a significant benefit in relation to another property for which the document duty has already been assessed by the Greffier in accordance with the rates set out in subsection (1).

(4) For the purposes of section 1A and this section, references to "**assessable units**", "**plan area**" and "**property reference**" shall be construed as references to those terms as defined in the Taxation of Real Property (Guernsey and Alderney) Ordinance, 2007.

(5) The Committee may publish guidance in relation to this section, which must be taken into account by the Greffier when assessing the appropriate rate of duty properly payable.

(6) This section will not apply in relation to the execution of a chargeable transaction which takes place on or after 1st January 2025.".

<u>Transitional relief.</u>

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

(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 duty paid and -

(a) for the purposes of section 1A of the Ordinance, that which would have been payable if that section has not been enacted, and

(b) for the purposes of section 1B of that 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 transaction**" means -

(i) a chargeable transaction which is executed within the transitional period further to a qualifying agreement, or

(ii) a chargeable transaction which is executed after the expiration of the transitional period but -

(A) such execution is effected further to a qualifying agreement, and

(B) 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 3rd October, 2022, 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, 2022.

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

(a) "**a qualifying transaction**" means a chargeable transaction which is executed within the transitional period, and

(b) "**the transitional period**" means the period commencing on 3rd October, 2022 and ending on the day on which this Ordinance comes into force.

Extent.

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

Citation.

4. This Ordinance may be cited as the Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022.

Commencement.

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

FISCAL POLICY FRAMEWORK

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

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

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

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

The 2023 Budget has been prepared in accordance with direction set out in the Funding & Investment Plan (included within the Government Work Plan 2022; Billet d'État X, 2022) which included the utilisation of reserves to support the government priorities and capital programme until 2025. A better outturn than anticipated in 2021 and slower progression of the capital programme means that the balance on the General Reserve is significantly higher than expected in 2022. These improvements mean that there is now unlikely to be a need for any new external borrowing in this term to fund the capital portfolio. However, execution of the GWP will still result in the majority of the States' financial reserves being exhausted over the remainder of this term. The need to utilise these reserves is itself a symptom of a growing structural deficit. The Government Work Plan 2022 included:

> *"The revised projections indicate a surplus before capital expenditure over the Plan period which will fall from £25m in 2022 to £5m by 2025. The shrinking surplus comes about because of the demand pressures on public service expenditure, particularly in relation to health and care services, coupled with strain on revenues as a result of a reduction in the working population and the introduction of secondary pensions.*
>
> *These small surpluses are not sufficient to fund the necessary investment in island infrastructure. They are too small even to fund the everyday replacement of equipment and vehicles, renewal of roads and investment in property assets, classed as Minor Capital.*
>
> *The underlying position remains a structural deficit beyond this term which, for General Revenue, is estimated to be approximately £50m when the long-term infrastructure funding needs are factored in. In addition, the States are running a deficit on the social security schemes, in particular the States' pension, which have a long-term funding requirement of £34m a year.*
>
> *Therefore, the overall structural deficit remains in line with previous forecasts of £80-90m."*

Therefore, although the States' finances are balanced in the medium-term through the utilisation of reserves, the evidence of the structural deficit means that Principle 1 is not being complied with.

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

The forecast revenue surplus for 2023, after provision for funding losses from the unincorporated trading assets, is £33million or 6% of revenue income.

However, this surplus is not sufficient to cover the full capital provision in accordance with Principle 6. If an assumption of capital spend of 2% of GDP is added the resulting deficit reaches £43million or 7% of revenue income. If the full extent of the £120million capital spend outlined in the GWP for 2023 is incorporated this increases the deficit to £87million or 15% of revenue income

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

A revenue surplus is forecast for 2022 and 2023. However, in neither year is the surplus sufficient to cover anticipated capital requirements. Overall, 2022 and 2023 are therefore likely to result in a deficit position, particularly given the anticipated investment returns for 2022 and 2023 in the context of a global bear market. This will need to be resolved by 2026 in order to comply with Principle 3. Proposals being developed as part of the Tax Review and wider government policies around population and the cost of public services are seeking to address this.

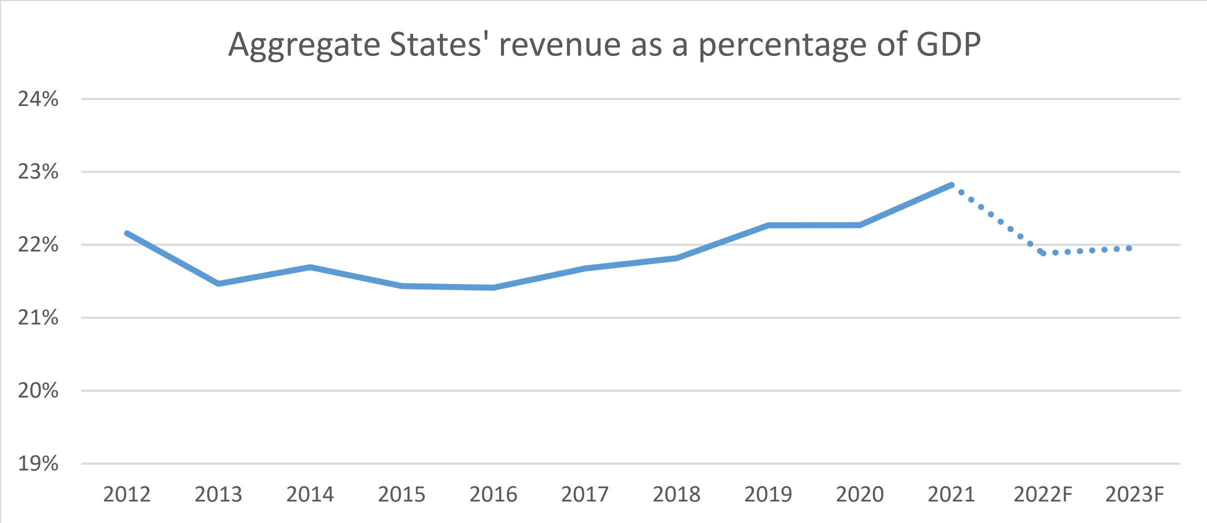
Principle 4: Measures to address any identified or anticipated deficit must be incorporated in the States Medium Term Financial Plan

The Funding & Investment Plan included proposals for managing States' finances until 2025 through a combination of utilising reserves and issuing debt. The ongoing work on the Tax Review together with projects looking at cutting expenditure or promoting economic growth will need to deliver a more sustainable solution.

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

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

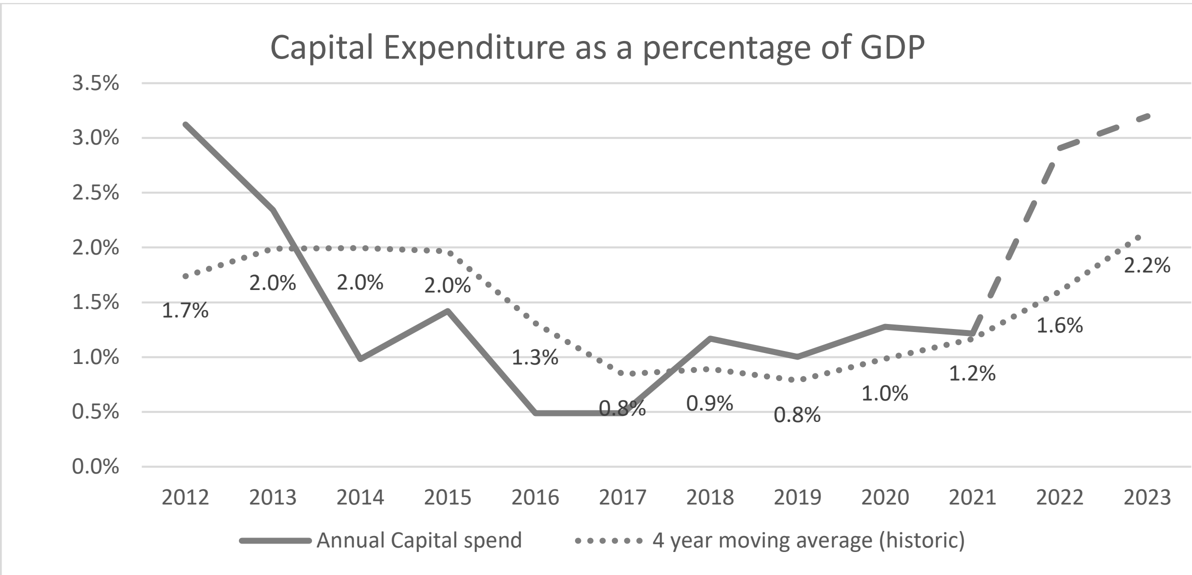
Following an increase in aggregate revenues relative to GDP in 2021, driven in part by the exceptionally strong document duty receipts, revenues as a percentage of GDP are expected to return to approximately 22% of GDP.



Principle 6: Total capital expenditure over any States term should be maintained at a level which reflects the need for long- and medium-term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four year period and 2% per year averaged over any 8 year period

The States have historically struggled to meet ambitious spending commitments on capital. Due to the disruption arising from the pandemic, there was less capital spending in 2020 and 2021 than planned.

As outlined in the Funding & Investment Plan, capital spend is anticipated to increase significantly in 2022 and 2023. If the amount outlined in that Plan's medium case is achieved (equivalent to a forecast 3.1% of GDP) this will increase the rolling 4-year average spend to 2.2% - above the 1.5% target level. Over 8 years capital expenditure will average 1.5% of GDP, remaining below the 2% longer term target level.



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

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

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

	2022		**2023**	
	£m	**% of Forecast GDP**	**£m**	**% of Forecast GDP**
Direct Liabilities				
States of Guernsey Bond	330	9.2%	330	8.6%
Revolving Credit Facility (maximum £100m)	25	0.7%	25	0.7%
Indirect and contingent liabilities				
Cabernet Ltd (loan for aircraft purchase, maximum £51m)	38	1.1%	36	0.9%
Total	**393**	**11.0%**	**391**	**10.2%**

The States have authorised the Policy & Resources Committee to continue with the Revolving Credit Facility or enter into new external borrowing facilities up to a total maximum of £200million. However, the better than anticipated outturn for 2021 means that no further borrowing is anticipated for this term. High inflation and GDP growth will both have the effect of eroding the value of debt. If no further debt is issued the value of debt relative to GDP should continue to decline over the remainder of this political term

2022 EXPENDITURE

The following table details the anticipated 2022 Probable Outturn for each Committee[a] compared with budget:

2022	Original Budget £'000s	Authorised Budget £'000s	Probable Outturn £'000s	Anticipated (Over) / Underspend £'000s
Corporate Services	43,171	63,982	62,380	1,602
Corporate Services - Transformation	3,154	3,154	3,154	-
Economic Development	8,425	9,262	9,183	79
Education, Sport & Culture	84,040	78,762	78,333	429
Education, Sport & Culture - Transformation	-	2,401	2,401	-
Employment & Social Security	12,435	18,249	17,972	277
Environment & Infrastructure	12,905	13,274	13,515	(241)
Health & Social Care	198,100	203,861	205,819	(1,958)
Home Affairs	34,965	36,056	35,096	960
Policy & Resources	12,230	14,190	13,183	1,007
Scrutiny Management	550	571	571	-
Development & Planning	1,190	1,299	1,247	52
Overseas Aid & Development	3,225	3,227	3,227	-
States' Trading Supervisory	1,400	2,199	2,199	-
Royal Court	2,610	2,572	2,512	60
Law Officers	6,200	6,441	6,441	-
Pooled Budgets	500	523	523	-
TOTAL NON-FORMULA LED	425,100	460,023	457,756	2,267
Payments to States Members	2,050	2,050	1,994	56
Employment & Social Security	64,450	64,456	62,090	2,366
TOTAL FORMULA LED	66,500	66,506	64,084	2,422
CASH LIMITS	**491,600**	**526,529**	**521,840**	**4,689**
Budget Reserve	11,750	743	8,118	(7,375)
COVID-19 specific provision	6,000	2,375	-	2,375
GWP / Service Developments	18,500	6,358	1,258	5,100
Savings	(3,150)	(2,452)	559	(3,011)
TOTAL COMMITTEE EXPENDITURE	**524,700**	**533,553**	**531,775**	**1,778**

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

During 2022, there have been a number of adjustments to Authorised Budgets following budget transfers between Committees including:

- £21.2million from multiple Committees to Corporate Services following implementation of the Property Target Operating Model including:
  - £7.4million from the Committee *for* Education, Sport & Culture;
  - £250,000 from the Committee *for* Employment & Social Security;
  - £310,000 from the Committee *for the* Environment & Infrastructure;
  - £12million from the Committee *for* Health & Social Care;
  - £980,000 from the Committee *for* Home Affairs; and
  - £220,000 from the Royal Court.

- £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances;

- £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.

During 2022, the following amounts have been transferred into individual Committee Authorised Budgets from provisions made within the 2022 budget:

- £12.1million of service developments for which the States approved provision in the 2020 and 2021 Budget Reports;

- £9.7million of funding which has been transferred between the Budget Reserve and Committees in respect of pay awards which have been settled since preparation of the 2022 budget;

- £6.5million of grant-funding for Affordable Housing Developments;

- £4.8million of other transfers from the Budget Reserve to Committees;

- £3.6million of COVID-19 specific expenditure (vaccine programme, on-island testing and travel testing); and

- £2.8million from the Guernsey Health Reserve comprising £2.2 million for additional Off-Island Treatments due to an increased number of episodes of care and complexity of treatments, which is considered to be an impact of COVID-19 pandemic treatment delays and £600,000 for two specific complex cases.

In addition, the overall expenditure budget has decreased by £3.5million in respect of the reduction in the employers' contribution rates to the pension schemes for public sector employees (Billet d'État XII, 2022) from August 2022.

Non-Formula Led Expenditure

Non-Formula Led expenditure is expected to be net £2.3million below Authorised Budget with forecast underspends in multiple Committees of £4.5million being offset by expected overspends of £2.2million. The major variances are forecast in the following Committees:

- Corporate Services – underspend of £1.7million including as a result of lower than budgeted spend on repairs and maintenance due to unavailability of contractors;

- Committee *for* Home Affairs – underspend of £1million due to a combination of staff vacancies in a number of service areas and higher income generated from work permits and naturalisation applications;

- Policy & Resources – underspend of £1million due to staff vacancies arising from recruitment difficulties; and

- Committee *for* Health & Social Care – overspend of £2million primarily as a result of challenges in the areas of recruitment, agency staff cover and staff accommodation.

Formula Led Expenditure

The forecast underspend of £2.4million in Formula Led expenditure is due to:

- Income Support - £1.5million due to claim numbers being lower as the Island has recovered from COVID-19 faster than anticipated, offset by the in-year cost of £530,000 for the interim uprating of rates;

- Family Allowance - £500,000 as the savings from the policy changes to remove the allowance once a child reaches their 18th birthday and from families earning over £120,000 per annum have been greater than forecast; and

- Legal Aid - £350,000 as applications have been lower than anticipated.

Budget Reserve

The forecast use of the Budget Reserve is higher than provided due to the pay award offer being greater than the provision made, partially offset by the reduction in the employers' contribution rates to pension schemes. In addition, there have been a small number of in-year items including: a donation of £500,000 to support the people of Ukraine; £486,000 of financial support to dairy farmers; £442,000 to fund Guernsey Waste's forecast trading deficit before depreciation; and £400,000 to enhance the seasonal flu vaccination programme.

COVD-19 provision

The Committee *for* Health & Social Care has been allocated £3.6million from the £6million provision included in the 2022 Budget in order to fund:

- Undertaking a mass vaccination programme (£1.9million);

- On-island testing (£1.1million); and
- Travel testing (£670,000).

The requirement to provide additional funding for travel testing and on-island testing ended during the early part of 2022.

GWP / Service Developments

The 2022 Budget included provision of £18.5million for funding Government Work Plan and other approved service developments. It is expected that a total of £13.4million will be released into Committee budgets in 2022 with the balance of £5.1million being unspent in-year due to delays in commencing implementation of initiatives.

Savings Target

The 2022 budget anticipated that £3.2million of recurring savings would be delivered including £1.7million (net of £1million of recurring revenue costs) from the MYGOV programme as part of public service reform and £500,000 from Procurement initiatives.

In addition to the £307,000 agreed reduction in the funding to the grant-aided Colleges, which was incorporated within the Committee *for* Education, Sport & Culture's 2022 Cash Limit, the current projection is that net savings of £150,000 will be realised in 2022. This is lower than budgeted due to delays in projects and costs being higher than originally estimated.

SUMMARY OF BUDGET PROPOSALS - INDIRECT TAXATION

Duty on Tobacco

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

Duty on Alcohol

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

Duty on Fuel

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

Document Duty

2023	Temporary reduction to encourage down-sizing. Increase in rates for residential property purchases which are not an individual's Principal Private Residence
2020-2022	No change
2019	Duty on bonds set to 0% with compensatory increases in rates for conveyances; introduction of a higher band for conveyances for the proportion of the property value which exceeds £2million
2018	No change
2017	Change to a graduated based system of calculating duty
2015-2016	No change
2014	Increase in thresholds and temporary rate reductions for lower bands
2013	No change
2012	No change

Tax on Rateable Value / Taxation of Real Property

2023	0%-20% increase 7.5% increase	Domestic – average of 8% increase but no increase on lower-rated properties Commercial
2022	4% increase	
2021	1.5% increase	
2020	10.2% increase 10% increase	Domestic Commercial
2019	10% increase 5% increase	Domestic Commercial
2018	10.2% increase 5% increase	Domestic Commercial
2017	10.5% increase 5% increase	Domestic Commercial
2016	10% increase 2.5% increase 5% increase	Domestic Retail Commercial (other than retail)
2015	15% increase 5% increase 10% increase	Domestic Retail Commercial (other than retail)
2014	5% increase	
2013	3% increase	
2012	20% increase 3% increase	Domestic Commercial

SUMMARY OF DELEGATED AUTHORITIES

The Policy & Resources Committee has delegated financial authority to:

- Approve opening of capital votes for all schemes in the capital portfolio or to enter into alternative delivery arrangements, subject to the overall capital portfolio being delivered within a total of £568million (Billet d'État XV, 2021);

- Approve opening capital votes for other capital projects including urgent projects, minor capital expenditure and strategic property purchases of up to £2million and for emergency capital projects without limit;

- Make transfers from the Budget Reserve approved by the States (up to the amount available within the Reserve) (Budget 2015, Billet d'État XXII, 2014);

- Approve transfers of funding from the Budget Reserve and General Revenue Reserve to Committee budgets over the period 2021-2025 for: managing the effect of Brexit and meeting international standards (ongoing expenditure); Recovery actions (one-off and ongoing expenditure); revenue impact of capital expenditure (ongoing expenditure); and reshaping government initiatives (transformation) (one-off expenditure) (Billet d'État XV, 2021 and Billet d'État X, 2022);

- Decide whether to transfer the real-terms investment returns from the Core Investment Reserve to the Capital Reserve [General Revenue Reserve] (Budget 2018, Billet d'État XX, 2017);

- Approve loans from the States of Guernsey Bond to States owned entities including subsidiaries thereof, trading accounts and funds, the Guernsey Housing Association, the Alderney Housing Association, the Ladies College and / or to sporting organisations or playing field authorities to support the provision of sporting facilities (Billet d'État XVI, 2020);

- Approve uses of the Participatory Budgeting Fund (2019 Budget, Billet d'État XXIV, 2018); and

- Continue with a £200million short-term borrowing facility or to enter into new external borrowing facilities up to a total maximum of £200million for a period of up to 40 years (Billet d'État XV, 2021).

Principal Committees have delegated authority in respect of revenue expenditure within their authorised budgets.

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

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

INCOME AND EXPENDITURE ACCOUNT

2021 Actual £'000s	2022 Original Budget £'000s	Income and Expenditure by Category	Note	2023 Budget £'000s
		Income		
361,513	368,000	*Income Taxes*	1	407,250
110,052	99,250	*Other Taxes*	2	107,000
-	29,600	*Social Security Contributions*		32,000
36,097	33,400	*Miscellaneous Income*	3	35,950
507,662	530,250	General Revenue Income		582,200
47,513	48,266	Committee Operating Income (including transfers)		53,561
555,175	578,516	**Total Income**		635,761
		Less Expenditure		
262,166	266,932	*Pay*	4	290,210
153,883	206,434	*Non-Pay*	5	232,726
83,693	66,500	*Formula-Led*	6	69,925
-	(3,150)	*Savings Target*		(600)
499,742	536,716	Revenue Expenditure		592,261
-	18,500	Government Work Plan / Service Developments		12,400
-	17,750	Budget Reserve		22,000
22,434	2,000	COVID-19 Business and Personal Support		-
32,999	3,550	**Revenue Surplus**		9,100
2	3,000	Capital Income - Sale of Property		3,000
42,872	17,100	Investment Return		26,600
75,873	**23,650**	**Net Surplus**		**38,700**
14,731	1,400	Provision for Aurigny Loss		-
8,622	-	Provision for Guernsey Ports Loss		6,200
52,520	**22,250**	**Transfer to General Revenue Reserve**		**32,500**

Note: In June 2019 (Billet d'État X), the States considered the Policy & Resources Committee's policy letter entitled *"Reform of Health Care Funding"* and agreed the proposals to bring the governance of all health services provision unambiguously under the mandate of the Committee *for* Health & Social Care. The intention is to make the provision and funding of health services more transparent, effective and efficient. The revenues continue to be collected via the social security contributions system, but, with effect from 2022, the contributions previously directed towards the Guernsey Health Service Fund are credited to General Revenue.
These revised arrangements come into effect on 1 January 2022 and had the following effect on the 2022 General Revenue budget:

- Revenue income - increased by £29.6million;
- Formula Led expenditure by the Committee *for* Employment & Social Security - decreased by £16.5million; and
- Revenue expenditure by the Committee *for* Health & Social Care - increased by £53.7million.

INCOME AND EXPENDITURE ACCOUNT

2021 Actual £'000s	2022 Original Budget £'000s	Income and Expenditure by Service Area	2023 Budget £'000s
507,662	530,250	Revenue Income	582,200
2	3,000	Capital Income - Sale of Property	3,000
42,872	17,100	Investment Return	26,600
550,536	550,350	**Total Income**	611,800
		Net Revenue Expenditure	
45,713	46,325	*Corporate Services*	68,925
8,006	8,425	*Committee for Economic Development*	10,400
84,190	84,040	*Committee for Education, Sport & Culture*	82,855
93,796	76,885	*Committee for Employment & Social Security*	80,400
12,617	12,905	*Committee for the Environment & Infrastructure*	13,175
147,749	198,100	*Committee for Health & Social Care*	212,000
32,165	34,965	*Committee for Home Affairs*	37,990
13,164	14,280	*Policy & Resources Committee - Core Services*	15,125
474	550	*Scrutiny Management Committee*	600
923	1,190	*Development & Planning Authority*	1,615
2,169	3,225	*Overseas Aid & Development Commission*	3,855
1,780	1,400	*States' Trading Supervisory Board*	2,500
2,427	2,610	*Royal Court*	2,635
6,263	6,200	*Law Officers*	6,675
493	500	*Pooled Budgets*	550
300	-	*States of Alderney*	-
-	18,500	*Government Work Plan / Service Developments*	12,400
-	17,750	*Budget Reserve*	22,000
-	(3,150)	*Savings Target*	(600)
452,229	524,700	**Total Cash Limits**	573,100
22,434	2,000	*COVID-19 Business and Personal Support*	-
75,873	**23,650**	**Net Surplus**	**38,700**
14,731	1,400	Provision for Aurigny Loss	-
8,622	-	Provision for Guernsey Ports Loss	6,200
52,520	**22,250**	**Transfer to General Revenue Reserve**	**32,500**

Note: There have been the following transfers between Committees in 2022:

- £21.2million (2021: £19.8million) from multiple Committees to Corporate Services following implementation of the Property Target Operating Model comprising:
  - £7.4million (2021: £6.7million) from the Committee *for* Education, Sport & Culture;
  - £250,000 (2021: £220,000) from the Committee *for* Employment & Social Security;
  - £310,000 (2021: £290,000) from the Committee *for the* Environment & Infrastructure;
  - £12million (2021: £11.5million) from the Committee *for* Health & Social Care;
  - £980,000 (2021: £850,000) from the Committee *for* Home Affairs; and
  - £220,000 (2021: £220,000) from the Royal Court;
- £2.8million from Corporate Services to the Committee *for* Education, Sport & Culture (£850,000) and the Committee *for* Health & Social Care (£1.95million) in respect of certain relocation expenses and rent allowances; and
- £1.2million to Corporate Services from the Committee *for* Employment & Social Security (£600,000) and Committee *for the* Environment & Infrastructure (£600,000) in respect of services now being provided through the Customer Hub.

NOTES

1. Income Taxes

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
290,257	300,000	Individuals	329,250
57,616	59,000	Companies (including Banks)	63,000
13,640	9,000	Distributed Profits	15,000
361,513	**368,000**	**Income Taxes**	**407,250**

2. Other Taxes

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Customs - Excise and Import Duties	
3,916	4,225	*Beer*	4,500
932	1,100	*Cider*	1,000
18,914	20,900	*Motor Fuel*	20,400
5,625	4,375	*Spirits*	4,675
11,689	7,700	*Tobacco*	7,700
6,648	6,750	*Wine*	7,250
370	350	*Import duties*	475
48,094	45,400		46,000
28,766	30,900	Tax on Real Property	34,100
32,341	22,000	Document Duty	25,000
851	950	Vehicle First Registration Duty	1,900
110,052	**99,250**	**Other Taxes**	**107,000**

NOTES

3. Miscellaneous Income

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
19,427	19,950	Housing Rental Income	21,150
10,614	9,700	Company Fees	11,075
3,079	3,050	Property Rental Income	3,125
1,800	300	States' Trading Companies' Dividends	-
268	250	Royalties	450
909	150	Other Income	150
36,097	**33,400**	**Miscellaneous Income**	**35,950**

4. Pay Costs by Pay Group

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
92,757	95,620	Established Staff	107,994
78,457	78,557	Nurses and Medical Consultants	84,193
46,628	47,613	Teachers, Lecturers and Learning Support Assistants	48,813
17,022	18,592	Public Service Employees	20,381
8,966	9,208	Police Officers	9,961
3,876	4,133	Border Agency Officers	3,941
3,688	3,770	Prison Officers	4,146
3,542	3,581	Fire Officers	3,905
2,537	2,497	Home Support Staff	2,980
1,803	1,761	Crown Officers and Judges	1,826
2,890	1,600	Other Pay Groups	2,070
262,166	**266,932**	**Pay Costs by Pay Group**	**290,210**

NOTES

5. Non-Pay Costs by Expenditure Category

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Staff Non Pay Costs	
3,900	3,577	*Recruitment*	5,083
1,725	2,575	*Training*	2,777
507	535	*Other Staff Costs*	575
6,132	6,687		8,435
		Support Services	
1,773	2,127	*Advertising Marketing and PR*	2,518
221	249	*Audit Fees*	303
415	346	*Bank Charges*	418
3,247	1,563	*Communications and IT*	2,027
5,252	4,064	*Consultants Fees*	3,133
30,855	56,806	*Contracted Out Work*	63,620
66	-	*Incidental and Other costs*	-
1,315	1,122	*Postage, Stationery and Printing*	1,181
3,403	3,391	*Risk Management and Insurance*	3,773
46,547	69,668		76,973
		Premises	
1,014	744	*Equipment, Fixtures and Fittings*	827
4,081	4,052	*Rents and Leasing*	4,144
15,229	17,210	*Repairs, Maintenance and Servicing*	16,197
5,160	5,538	*Utilities*	6,980
25,484	27,544		28,148
		Third Party Payments	
122	170	*Benefit Payments*	160
31,839	34,179	*Grants and Subsidies*	37,430
31,961	34,349		37,590
		Transport	
1,422	1,378	*Vehicles and Vessels*	1,664
		Supplies and Services	
23,697	29,113	*Services*	34,257
18,640	37,695	*Supplies*	45,659
42,337	66,808		79,916
153,883	**206,434**	**Non-Pay Costs by Expenditure Category**	**232,726**

NOTES

6. Formula-Led Costs by Expenditure Category

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Policy & Resources Committee	
1,923	2,050	*Payments to States Members*	2,025
		Committee *for* Employment & Social Security	
46,627	47,200	*Income Support Scheme*	49,700
17,687	-	*Guernsey Insurance Fund Grant*	-
8,592	6,950	*Family Allowance*	6,950
7,262	7,800	*Severe Disability Benefit & Carers' Allowances*	8,750
1,602	2,500	*Legal Aid*	2,500
83,693	**66,500**	**Formula-Led Costs**	**69,925**

CORPORATE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Category	2023 Budget £'000s
5,962	6,849	**Operating Income**	8,291
		Non Formula-Led Expenditure	
19,257	20,090	Pay costs	34,848
		Non Pay costs	
3,992	3,711	*Staff Non Pay costs*	1,102
25,451	25,411	*Support Services*	25,668
1,961	2,932	*Premises*	13,097
-	300	*Third Party Payments*	-
17	18	*Transport*	77
997	712	*Supplies & Services*	2,424
32,418	33,084		42,368
45,713	**46,325**	**Total Net Expenditure by Category**	**68,925**

Notes:

Following implementation of the Property Target Operating Model, there have been transfers into Corporate Services from multiple Committees in 2022 of £21.2million (2021: £19.8million).

In 2022, transfers of £2.8million have been made from Corporate Services to the Committee *for* Education, Sport & Culture and the Committee *for* Health & Social Care in respect of certain relocation expenses and rent allowances.

In 2022, transfers of £1.2million have been made to Corporate Services from the Committee *for* Employment & Social Security and the Committee *for the* Environment & Infrastructure in respect of services now being provided through the Customer Hub.

CORPORATE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Service Area	
		Non Formula-Led Expenditure	
		Corporate Functions	
523	534	*Assurance & Risk*	574
2,167	1,931	*Chief Executive's Office*	1,857
619	605	*Communications & Media*	811
314	350	*Data & Analysis Services*	663
726	749	*Data Protection*	791
2,711	2,746	*Finance*	3,134
7,389	7,042	*Human Resources*	4,779
18,006	17,517	*Information Systems & Services*	19,009
2,971	3,100	*Insurance*	3,400
1,010	1,010	*Procurement*	1,081
3,875	4,657	*Property Services*	28,162
2,448	2,795	*Shared Services Centre / Customer Hub*	4,475
109	135	*Tribunals & Reviews*	189
42,868	43,171		68,925
2,845	3,154	Transformation	-
45,713	**46,325**	**Net Expenditure by Service Area**	**68,925**

COMMITTEE *for* ECONOMIC DEVELOPMENT

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
728	1,255	**Operating Income**	1,316
		Non Formula-Led Expenditure	
3,092	3,308	Pay costs	4,323
		Non Pay costs	
15	52	*Staff Non Pay costs*	88
2,732	2,937	*Support Services*	3,671
175	172	*Premises*	315
2,597	2,878	*Third Party Payments*	2,943
48	67	*Transport*	70
75	266	*Supplies & Services*	306
5,642	6,372		7,393
8,006	**8,425**	**Net Non Formula-Led Expenditure by Category**	**10,400**

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Service Area	
295	291	Central Services	422
383	141	Civil Aviation Office	353
		Finance & Economic Development	
506	629	*Finance Sector Development*	645
1,276	1,599	*Business Innovation & Skills*	1,711
1,782	2,228		2,356
2,512	2,791	Grant & Support Schemes	2,793
-	-	Guernsey Registry	1,280
		Marketing & Tourism	
1,133	1,118	*Consumer & Communications*	1,164
68	23	*Guernsey Information Centre*	30
2	73	*Quality Development*	80
641	653	*Strategic Marketing*	318
301	441	*Trade & Media Relations*	770
2,145	2,308		2,362
208	47	Office of the Public Trustee	47
274	318	Sea Fisheries	340
407	301	Strategic Projects	447
5,494	5,634		7,607
8,006	**8,425**	**Net Expenditure by Service Area**	**10,400**

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Category	2023 Budget £'000s
5,082	6,218	**Operating Income**	6,235
		Non Formula-Led Expenditure	
62,962	63,937	Pay costs	64,645
		Non Pay costs	
566	620	*Staff Non Pay costs*	1,346
2,543	999	*Support Services*	2,750
4,987	5,807	*Premises*	1,713
14,625	14,501	*Third Party Payments*	14,559
213	235	*Transport*	248
3,376	4,159	*Supplies & Services*	3,829
26,310	26,321		24,445
84,190	**84,040**	**Net Non Formula-Led Expenditure by Category**	**82,855**

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £7.4million (2021: £6.7million).

A transfer has been made from Corporate Services in 2022 of £850,000 in respect of certain relocation expenses and rent allowances.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Service Area	2023 Budget £'000s
		Beau Sejour	
823	770	*Net expenditure*	1,029
(700)	(700)	*Less transfer from Channel Islands Lottery (Guernsey) Fund*	(700)
123	70		329
4,164	3,663	Central Services	4,422
381	523	Cultural Activities & Events	532
		The Guernsey Institute	
8,473	8,577	*College of Further Education*	8,983
628	628	*Guernsey Training Agency*	628
1,135	1,256	*Institute of Health & Social Care Studies*	1,252
10,236	10,461		10,863
4,006	4,033	Higher Education	4,235
		Museums & Libraries	
1,602	1,604	*Grants to Libraries*	1,755
274	275	*Island Archive Service*	295
1,296	1,301	*Museums Service*	717
3,172	3,180		2,767
5,195	5,444	School & Pupil Support Services	6,065
		Schools	
3,762	3,521	*Grants to Colleges*	3,372
2,147	2,112	*Pre-School*	2,402
17,397	18,625	*Primary Schools*	16,962
767	821	*School Music Service*	777
20,585	20,648	*Secondary Schools*	18,007
7,351	7,550	*Special Schools*	7,714
2,146	2,174	*Voluntary Schools*	1,984
54,155	55,451		51,218
1,004	1,215	Sports	534
1,754	-	Transformation	1,890
84,190	**84,040**	**Net Expenditure by Service Area**	**82,855**

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Category	2023 Budget £'000s
179	20	**Operating Income**	28
		Non Formula-Led Expenditure	
4,035	4,610	Pay costs	4,396
		Non Pay costs	
21	42	*Staff Non Pay costs*	49
302	664	*Support Services*	917
4,841	5,403	*Premises*	5,464
2,914	1,273	*Third Party Payments*	1,300
31	49	*Transport*	55
61	414	*Supplies & Services*	347
8,170	7,845		8,132
12,026	12,435	**Non Formula-Led Expenditure by Category**	12,500
		Formula-Led Expenditure	
80,168	61,950	*Third Party Payments*	65,400
1,602	2,500	*Supplies & Services*	2,500
81,770	64,450	**Formula-Led Expenditure by Category**	67,900
93,796	**76,885**	**Total Net Expenditure by Category**	**80,400**

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £250,000 (2021: £220,000).

A transfer has been made to Corporate Services in 2022 of £600,000 in respect of services now being provided through the Customer Hub.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Service Area	2023 Budget £'000s
		Non Formula-Led Expenditure by Service Area	
1,770	2,102	Administration of Social Security & Legal Aid	1,620
1,113	1,619	Benefits & Grants	1,665
578	951	Central Services	1,027
83	88	Disability & Inclusion	96
260	632	Employment Relations Service	611
301	394	Health & Safety Executive	424
610	275	Housing Strategy & Planning	306
5,173	5,761	Social Housing Buildings Maintenance	6,080
593	613	Social Housing Tenancy Management	671
1,545	-	Grants to Guernsey Housing Association	-
12,026	12,435	**Net Non Formula-Led Expenditure by Service Area**	12,500
		Formula-Led Expenditure	
		Legal Aid	
975	1,641	*Civil Legal Aid*	1,640
627	859	*Criminal Legal Aid*	860
1,602	2,500		2,500
-	-	Concessionary TV Licences for the Elderly	
8,592	6,950	Family Allowance	6,950
7,262	7,800	Severe Disability Benefit & Carers' Allowances	8,750
17,687	-	Guernsey Insurance Fund Grant	-
46,627	47,200	Income Support Scheme	49,700
81,770	64,450	**Formula-Led Expenditure by Service Area**	67,900
93,796	**76,885**	**Total Net Expenditure by Service Area**	**80,400**

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
2,722	3,239	**Operating Income**	3,463
		Non Formula-Led Expenditure	
3,061	3,245	Pay costs	3,009
		Non Pay costs	
8	16	*Staff Non Pay costs*	41
8,199	8,908	*Support Services*	9,555
2,313	2,223	*Premises*	2,143
1,073	1,074	*Third Party Payments*	1,128
56	49	*Transport*	161
629	629	*Supplies & Services*	601
12,278	12,899		13,629
12,617	**12,905**	**Net Non Formula-Led Expenditure by Category**	**13,175**

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £310,000 (2021: £290,000).

A transfer has been made to Corporate Services in 2022 of £600,000 in respect of services now being provided through the Customer Hub.

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Service Area	2023 Budget £'000s
379	495	Central Services	402
80	81	Alderney Breakwater	90
		Agriculture, Countryside & Land Management	
1,794	1,679	*Agriculture & Veterinary Services*	1,809
888	908	*Coastal Services*	953
887	889	*Parks, Gardens & Nature Trails*	934
684	475	*Other Environmental Services*	575
4,253	3,951		4,271
212	261	Energy & Infrastructure	285
		Traffic & Highway Services	
2,867	3,157	*Highway Services*	3,476
541	867	*Integrated Transport Strategy*	920
(478)	(365)	*Licensing & Traffic Services*	(1,013)
4,763	4,458	*Passenger Transport*	4,744
7,693	8,117		8,127
12,617	**12,905**	**Net Expenditure by Service Area**	**13,175**

COMMITTEE *for* HEALTH & SOCIAL CARE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
23,402	21,211	**Operating Income**	23,959
		Non Formula-Led Expenditure	
117,605	116,133	Pay costs	117,296
		Non Pay costs	
676	872	*Staff Non Pay costs*	4,253
3,767	26,910	*Support Services*	29,928
9,030	8,984	*Premises*	4,299
4,454	8,025	*Third Party Payments*	9,837
712	682	*Transport*	750
34,907	57,705	*Supplies & Services*	69,596
53,546	103,178		118,663
147,749	**198,100**	**Net Non Formula-Led Expenditure by Category**	**212,000**

Notes:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £12million (2021: £11.5million).

A transfer has been made from Corporate Services in 2022 of £1.95million in respect of certain relocation expenses and rent allowances.

COMMITTEE *for* HEALTH & SOCIAL CARE

2021 Actual £'000s	2022 Original Budget £'000s	Net Expenditure by Service Area	2023 Budget £'000s
		Central Services	
278	293	*Accommodation Management*	323
951	1,313	*Clinical Governance*	1,286
793	2,280	*Contract Management & Procurement*	2,046
2,855	2,626	*Corporate & Strategy*	6,576
14,891	15,213	*Estates & Facilities*	4,335
296	411	*Systems & Performance Management*	394
20,064	22,136		14,960
		Community Services	
39,757	40,466	*Adult Services*	41,496
13,162	13,444	*Children's Services*	15,168
5,409	5,381	*Complex Placements*	6,090
2,561	2,484	*Extra Care Housing*	2,775
60,889	61,775		65,529
		Primary Care Services	
-	3,350	*Consultation Grants*	4,544
-	20,750	*Prescription Subsidies*	21,803
-	24,100		26,347
		Public Health & Strategy	
2,948	3,779	*Community Health & Wellbeing*	4,003
680	701	*Drug and Alcohol Strategy*	692
1,193	1,542	*Medical Public Health*	1,824
714	693	*Public Health Management*	796
8,613	-	*COVID-19 Response*	2,000
14,148	6,715		9,315
		Secondary Care Services	
38,393	41,510	*Acute Hospital Services*	46,180
8,985	12,823	*Acute Off Islands Treatment*	17,063
1,599	1,449	*Health Care Management*	1,620
2,515	2,588	*St John Ambulance & Rescue*	2,896
-	24,171	*Specialist Medical Benefit*	27,037
51,492	82,541		94,796
778	833	Office of the Children's Convenor	838
378	-	Transformation	215
147,749	**198,100**	**Net Expenditure by Service Area**	**212,000**

COMMITTEE *for* HOME AFFAIRS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
2,676	2,496	**Operating Income**	2,662
		Non Formula-Led Expenditure	
29,329	31,565	Pay costs	35,213
		Non Pay costs	
647	1,006	*Staff Non Pay costs*	1,092
1,369	1,302	*Support Services*	1,518
1,489	1,528	*Premises*	733
97	108	*Third Party Payments*	109
287	223	*Transport*	236
1,623	1,729	*Supplies & Services*	1,751
5,512	5,896		5,439
32,165	**34,965**	**Net Non Formula-Led Expenditure by Category**	**37,990**

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Service Area	
616	781	Administration and Central Services	1,148
536	439	Domestic Abuse Strategy	811
1,364	3,140	Economic & Financial Crime Bureau	3,356
156	171	Emergency Planning	179
(19)	(20)	Gambling Control	(20)
3,872	3,924	Guernsey Fire and Rescue Service	4,252
1,111	960	Joint Emergency Services Control Centre	1,050
17,570	18,249	Law Enforcement	19,303
(182)	(166)	Population Management	(173)
5,686	5,821	Prison Service	6,328
1,455	1,666	Probation Service	1,756
32,165	**34,965**	**Net Expenditure by Service Area**	**37,990**

Note:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £900,000 (2021: £850,000).

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
1,685	1,325	**Operating Income**	1,337
		Non Formula-Led Expenditure	
8,072	8,990	Pay costs	9,798
		Non Pay costs	
17	61	*Staff Non Pay costs*	131
914	966	*Support Services*	1,021
4	8	*Premises*	-
3,766	3,010	*Third Party Payments*	3,083
-	1	*Transport*	1
153	519	*Supplies & Services*	403
4,854	4,565		4,639
11,241	12,230	**Net Non Formula-Led Expenditure by Category**	13,100
		Formula-Led Expenditure	
1,923	2,050	Third Party Payments	2,025
1,923	2,050	**Formula-Led Expenditure by Category**	2,025
13,164	**14,280**	**Total Net Expenditure by Category**	**15,125**

POLICY & RESOURCES COMMITTEE – CORE SERVICES

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		<u>**Net Expenditure by Service Area**</u>	
		Non Formula-Led Expenditure	
2,755	2,000	*Alderney Air Routes PSO*	2,000
206	191	*Central Services*	207
1,246	1,532	*External Affairs*	1,533
3,982	4,891	*Revenue Service*	5,404
918	986	*Policy & Strategy*	1,101
1,249	1,725	*Treasury*	1,878
10,356	11,325		12,123
45	58	Commonwealth Parliamentary Association	67
840	847	HE Lieutenant Governor	910
11,241	12,230		13,100
		Formula-Led Expenditure	
1,923	2,050	Payments to States Members	2,025
13,164	**14,280**	**Net Expenditure by Service Area**	**15,125**

SCRUTINY MANAGEMENT COMMITTEE

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
		Non Formula-Led Expenditure	
470	470	Pay costs	490
		Non Pay costs	
-	2	*Staff Non Pay costs*	5
1	61	*Support Services*	76
-	4	*Premises*	15
3	13	*Supplies & Services*	14
4	80		110
474	**550**	**Net Non Formula-Led Expenditure by Category**	**600**

DEVELOPMENT & PLANNING AUTHORITY

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
1,485	1,322	**Operating Income**	1,374
		Non Formula-Led Expenditure	
2,257	2,335	Pay costs	2,563
		Non Pay costs	
7	57	*Staff Non Pay costs*	45
121	84	*Support Services*	341
-	1	*Premises*	1
15	17	*Transport*	18
8	18	*Supplies & Services*	21
151	177		426
923	**1,190**	**Net Non Formula-Led Expenditure by Category**	**1,615**
		Net Expenditure by Service Area	
59	62	Building Control	81
(190)	84	Planning Control	112
374	441	Planning Support	506
680	603	Policy & Conservation	916
923	**1,190**	**Net Expenditure by Service Area**	**1,615**

OVERSEAS AID & DEVELOPMENT COMMISSION

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
		Non Formula-Led Expenditure	
35	30	Pay costs	33
		Non Pay costs	
1	-	*Staff Non Pay costs*	-
1	10	*Support Services*	10
2,132	3,180	*Third Party Payments*	3,806
-	5	*Supplies & Services*	6
2,134	3,195		3,822
2,169	**3,225**		**3,855**

STATES' TRADING SUPERVISORY BOARD

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
1,374	2,213	**Operating Income**	2,322
		Non Formula-Led Expenditure	
1,703	2,093	Pay costs	2,303
		Non Pay costs	
60	74	*Staff Non Pay costs*	105
703	975	*Support Services*	1,043
430	198	*Premises*	239
-	-	*Third Party Payments*	825
38	29	*Transport*	38
220	244	*Supplies & Services*	269
1,451	1,520		2,519
1,780	**1,400**	**Net Non Formula-Led Expenditure by Category**	**2,500**
		Net Expenditure by Service Area	
1,440	1,060	Alderney Airport	1,283
340	340	Central Services	392
-	-	Guernsey Waste	825
1,780	**1,400**	**Net Expenditure by Service Area**	**2,500**

ROYAL COURT

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
2,022	1,935	**Operating Income**	2,186
		Non Formula-Led Expenditure	
3,798	3,755	Pay costs	4,170
		Non Pay costs	
21	49	*Staff Non Pay costs*	50
216	245	*Support Services*	273
231	239	*Premises*	105
3	-	*Third Party Payments*	-
5	7	*Transport*	10
175	250	*Supplies & Services*	213
651	790		651
2,427	**2,610**	**Net Non Formula-Led Expenditure by Category**	**2,635**
		Net Expenditure by Service Area	
864	880	Bailiff's Office	986
272	391	Client Services	230
1,020	985	Court Services	1,039
271	354	Parliament	380
2,427	**2,610**	**Net Expenditure by Service Area**	**2,635**

Note:

Following implementation of the Property Target Operating Model, a transfer has been made to Corporate Services in 2022 of £220,000 (2021: £220,000).

LAW OFFICERS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
196	183	**Operating Income**	188
		Non Formula-Led Expenditure	
5,998	5,871	Pay costs	6,573
		Non Pay costs	
101	125	*Staff Non Pay costs*	128
228	196	*Support Services*	202
22	45	*Premises*	24
-	1	*Transport*	-
110	145	*Supplies & Services*	136
461	512		490
-	-	*Less funding from the Seized Asset Fund*	(200)
6,263	**6,200**	**Net Non Formula-Led Expenditure by Category**	**6,675**

POOLED BUDGETS

2021 Actual £'000s	2022 Original Budget £'000s		2023 Budget £'000s
		Net Expenditure by Category	
		Non Formula-Led Expenditure	
492	500	Pay costs	550
		Non Pay costs	
1	-	*Premises*	-
493	**500**	**Net Non Formula-Led Expenditure by Category**	**550**
		Net Expenditure by Service Area	
		Children and Young People's Plan	
493	500	*Multi-Agency Support Hub*	550
493	**500**	**Net Expenditure by Service Area**	**550**

GUERNSEY AIRPORT

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income by Category	
			Income	
323	414	276	*Advertising, picketing etc*	433
209	626	623	*Airport development charge*	657
306	704	780	*Car parking fees*	739
1,126	2,175	1,635	*Rents*	2,285
3,326	6,988	7,180	*Traffic receipts*	7,338
187	194	190	*Recovery from Alderney Airport*	203
5,477	11,101	10,684		11,655
			Expenditure	
(7,980)	(8,325)	(8,702)	**Pay costs**	(9,031)
			Non Pay costs	
(154)	(242)	(275)	*Staff Non Pay costs*	(305)
(1,461)	(1,527)	(1,617)	*Support Services*	(1,799)
(1,292)	(1,454)	(1,512)	*Premises*	(1,837)
(105)	(138)	(99)	*Transport*	(146)
(2,734)	(2,682)	(2,722)	*Supplies & Services*	(2,888)
(5,746)	(6,043)	(6,225)		(6,975)
(8,249)	(3,267)	(4,243)	**Operating deficit before depreciation**	(4,351)
(1,467)	(1,092)	(1,090)	Depreciation and impairment	(1,092)
(9,716)	**(4,359)**	**(5,333)**	**Deficit for the year**	**(5,443)**
			Net income / (expenditure) by Service Area	
(2,193)	(1,826)	(1,942)	Administration	(2,284)
323	404	267	Advertising, picketing etc	424
(2,306)	(2,353)	(2,598)	Aerodrome Fire Service	(2,537)
(2,636)	(3,223)	(3,307)	Airport infrastructure	(3,596)
(2,326)	(2,772)	(2,874)	Airport security	(3,107)
306	704	779	Car parking fees	739
(4,265)	(4,358)	(4,449)	Navigational services	(4,651)
187	193	190	Recovery from Alderney Airport	203
1,126	2,350	1,888	Rents	2,463
3,535	7,614	7,803	Traffic receipts	7,995
(8,249)	(3,267)	(4,243)	**Operating deficit before depreciation**	(4,351)
(1,467)	(1,092)	(1,090)	Depreciation and impairment	(1,092)
(9,716)	**(4,359)**	**(5,333)**	**Deficit for the year**	**(5,443)**

GUERNSEY AIRPORT

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Capital expenditure	
(279)	(150)	(271)	Miscellaneous capital works	(350)
-	(496)	(304)	IT projects and equipment	(696)
(458)	(970)	(512)	Equipment, machinery and vehicles	(997)
(737)	(1,616)	(1,087)	**Routine capital expenditure**	(2,043)
(3,642)	(3,256)	(1,459)	Hold Baggage Project	-
3,555	3,256	1,546	Transfer from General Revenue	-
(824)	**(1,616)**	**(1,000)**	**Net capital expenditure**	**(2,043)**

GUERNSEY HARBOURS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income by Category	
8,233	9,764	10,387	Income	10,313
(4,131)	(4,530)	(4,734)	Pay costs	(4,933)
			Non Pay costs	
(32)	(111)	(104)	*Staff Non Pay costs*	(108)
(18)	(78)	-	*Peripheral activities*	(14)
(1,413)	(1,171)	(1,910)	*Support Services*	(1,519)
(1,231)	(2,335)	(1,884)	*Premises*	(2,526)
(46)	(99)	(44)	*Transport*	(104)
(423)	(479)	(159)	*Supplies & Services*	(488)
(3,163)	(4,273)	(4,101)		(4,759)
939	961	1,552	**Operating surplus before depreciation**	621
(1,124)	(1,300)	(1,436)	Depreciation	(1,300)
(185)	**(339)**	**116**	**Surplus / (deficit) for the year**	**(679)**

GUERNSEY HARBOURS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net income / (expenditure) by Service Area	
1,967	3,196	3,759	Commercial Port operations	3,282
(18)	861	945	Property	903
555	1,577	1,831	Leisure	1,633
(1,536)	(4,638)	(4,943)	Non-Commercial Port operations	(5,159)
(29)	(35)	(40)	Ships Registry	(38)
939	961	1,552	**Operating surplus before depreciation**	621
(1,124)	(1,300)	(1,436)	Depreciation	(1,300)
(185)	**(339)**	**116**	**Surplus / (deficit) for the year**	**(679)**
			Capital Expenditure	
(247)	(1,235)	(320)	Miscellaneous capital works	(1,137)
(113)	-	(293)	IT projects and equipment	-
(498)	(820)	(584)	Equipment, machinery, vehicles and vessels	(820)
(858)	**(2,055)**	**(1,197)**	**Capital expenditure**	**(1,957)**

PORTS HOLDING ACCOUNT

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Operating surplus/(deficit) before depreciation	
(8,249)	(3,267)	(4,243)	Guernsey Airport	(4,351)
939	961	1,552	Guernsey Harbours	621
(7,310)	(2,306)	(2,691)		(3,730)
(176)	(50)	(46)	Investment return and interest	(50)
			Capital expenditure	
(4,379)	(4,872)	(2,546)	Guernsey Airport	(2,043)
(858)	(2,055)	(1,197)	Guernsey Harbours	(1,957)
(5,237)	(6,927)	(3,743)	Total capital expenditure	(4,000)
(12,723)	**(9,283)**	**(6,480)**	**Deficit for the year**	**(7,780)**
(3,069)	**(16,135)**	**1,585**	**Balance at 1 January**	**(3,439)**
(12,723)	(9,283)	(6,480)	Deficit for the year before depreciation	(7,780)
17,467	3,256	1,546	Contributions from General Revenue	
(90)	(162)	(90)	Loans repaid	(162)
1,585	**(22,324)**	**(3,439)**	**Balance at 31 December**	**(11,381)**

GUERNSEY WATER

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net income by service area	
			Income	
			Water supplies	
3,846	3,928	4,034	*Measured*	4,271
1,721	1,754	1,784	*Unmeasured*	1,853
			Wastewater	
6,436	6,664	6,785	*Measured*	7,294
3,091	3,113	3,167	*Unmeasured*	3,304
1,301	1,204	1,242	*Cesspit emptying charges*	1,337
(13)	184	184	*Grant from General Revenue*	184
343	184	224	Surplus on other trading activities	226
16,725	17,031	17,420		18,469
			Expenditure	
			Operating expenses	
(444)	(482)	(513)	*Asset Management*	(517)
(1,280)	(1,294)	(1,396)	*Pumping Stations*	(1,467)
(4,014)	(3,721)	(4,283)	*Sewers*	(4,333)
(336)	(383)	(440)	*Tactical Support*	(552)
(522)	(443)	(570)	*Water Distribution*	(639)
(1,734)	(1,572)	(1,718)	*Water Production*	(1,747)
			Management expenses	
(913)	(909)	(904)	*Customer Services*	(877)
(1,377)	(1,546)	(1,524)	*Management and General*	(1,596)
(1,071)	(1,188)	(1,240)	*Support Services*	(1,313)
(464)	(469)	(457)	*Water Quality and Risk Management*	(446)
(12,155)	(12,007)	(13,045)		(13,487)
4,570	5,024	4,375	**Operating surplus before depreciation**	4,982
(4,850)	(5,193)	(4,997)	Depreciation / impairment of assets	(4,800)
20	-	-	Gain on disposal of fixed assets	-
(260)	(169)	(622)	**Operating surplus/(deficit) for the year**	182
(200)	(376)	(446)	Net interest payable	(368)
(460)	(545)	(1,068)	**Deficit for the year**	(186)

GUERNSEY WATER

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Capital expenditure	
(14)	(40)	-	Land	-
(3,601)	(5,540)	(4,314)	Infrastructure	(4,386)
(59)	(175)	(175)	Buildings	(175)
(233)	-	(59)	Motor vehicles	(189)
(6)	(600)	(316)	Office equipment	(306)
(146)	(215)	(207)	Intangibles	(212)
(4,059)	**(6,570)**	**(5,071)**	**Routine capital expenditure**	**(5,268)**

GUERNSEY WASTE

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income by Category	
			Income	
			Operating Income	
1,840	1,919	1,600	*Bag Charges*	1,527
2,442	2,604	2,645	*Household Fixed Charge*	2,780
1,351	1,431	1,370	*Commercial Gate Fees*	1,511
1,010	1,217	1,250	*Mont Cuet*	1,483
1,719	1,936	2,762	*Inert Waste*	2,579
406	314	548	*Household Waste Recycling Centre*	616
435	490	453	*Other*	520
9,203	9,911	10,628		11,016
			Expenditure	
(455)	(530)	(485)	**Pay Costs**	(538)
			Non Pay Costs	
(5)	(3)	(4)	*Staff Non Pay Costs*	(4)
(6,811)	(8,046)	(7,541)	*Support Services*	(8,105)
(329)	(330)	(335)	*Premises*	(358)
(2)	(2)	(2)	*Transport*	(2)
(2,207)	(2,308)	(2,703)	*Supplies & Services*	(2,834)
(9,354)	(10,689)	(10,585)		(11,303)
(606)	**(1,308)**	**(442)**	**Operating deficit before depreciation**	**(825)**
-	-	442	Grant from General Revenue	825
(1,929)	(1,956)	(1,937)	Depreciation	(1,958)
(2,535)	**(3,264)**	**(1,937)**	**Operating deficit for the year**	(1,958)
(8)	(12)	(26)	Net interest payable	-
(2,543)	**(3,276)**	**(1,963)**	**Deficit for the year**	**(1,958)**

GUERNSEY WASTE

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s	Capital expenditure	2023 Budget £'000s
-	(60)	-	IT projects and equipment	-
(15)	(100)	(33)	Equipment, machinery and vehicles	(90)
(15)	**(160)**	**(33)**	**Routine capital expenditure**	**(90)**

Note:

The Waste Strategy financial model was based on breaking even over its twenty-year timeframe and decreasing volumes of general waste were forecast over the medium term. However, 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, losses are being incurred. In September 2022, following consideration of a States' Trading Supervisor Board policy letter entitled "Future Waste Charges" (Billet d'État XX, 2022), the States agreed that General Revenue should fund Guernsey Waste's accumulated losses before depreciation of £2.97million for 2019, 2020 and 2021 combined and for General Revenue to fund the forecast trading deficit from 2022 onwards. For 2022, the forecast trading deficit, before depreciation, is £825,000 and provision of this amount has been included in the States' Trading Supervisory Board's Cash Limit.

STATES WORKS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income by Service Area	
			Income	
1,507	1,516	1,522	Engineering	1,599
3,222	3,090	3,460	Highways	3,815
1,887	1,929	1,969	Land Management	2,067
2,993	2,981	3,141	Sewage Collection	3,465
1,236	1,333	1,102	Stores, Fleet & Garage	1,244
3,584	3,633	3,730	Waste Management Services	4,208
2,309	2,506	2,674	Household Waste Recycling Centre and Waste Transfer Station	2,931
286	326	285	Other	311
17,024	17,314	17,883		19,640
			Expenditure	
			Management Expenses	
(1,268)	(710)	(792)	*Administration Expenses*	(980)
(1,995)	(2,187)	(2,282)	*Salaries, wages and superannuation*	(2,415)
			Operating Expenses	
(6,894)	(7,087)	(7,305)	*Labour*	(7,860)
(4,183)	(4,361)	(5,114)	*Materials*	(5,560)
(515)	(519)	(527)	*Transport and plant*	(540)
(238)	(269)	(231)	*Building maintenance*	(237)
(15,093)	(15,133)	(16,251)		(17,592)
1,931	2,181	1,632	**Operating surplus before depreciation**	2,048
(1,427)	(1,552)	(1,271)	Depreciation	(1,448)
207	20	15	Gain on disposal of fixed assets	25
90	-	-	Fair value movement on investment property	-
801	649	376	**Operating surplus for the year**	625
124	-	(216)	Net interest receivable/(payable)	-
925	**649**	**160**	**Surplus for the year**	**625**
			Capital expenditure	
(2)	(300)	(665)	Office equipment	(178)
(53)	(600)	(191)	Site developments	(564)
(874)	(1,661)	(287)	Vehicles, plant, tools and equipment	(3,205)
(929)	**(2,561)**	**(1,143)**	**Routine capital expenditure**	**(3,947)**

GUERNSEY DAIRY

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income by Service Area	
			Sales	
1,959	2,371	2,123	*Dairy products*	2,424
6,577	6,685	6,820	*Liquid milk*	7,191
16	15	15	Sundry income	15
8,552	9,071	8,958		9,630
			Expenditure	
			Cost of Sales	
(54)	(44)	(70)	*Dairy product ingredients*	(67)
(4,439)	(4,528)	(4,700)	*Milk*	(5,135)
(216)	(150)	(150)	*Milk working loss*	(150)
(73)	(55)	(100)	*Freight*	(84)
(602)	(600)	(650)	*Packaging materials*	(695)
(982)	(1,042)	(1,028)	*Production wages*	(1,072)
(6,366)	(6,419)	(6,698)		(7,203)
			Expenses	
(25)	(79)	(45)	*Advertising and promotion*	(80)
(64)	(51)	(65)	*Cleaning materials*	(72)
(310)	(297)	(366)	*Fuel, light, power, water and rates*	(439)
(58)	(120)	(58)	*General administration costs*	(61)
(191)	(191)	(220)	*Laboratory expenses*	(153)
(42)	(25)	(30)	*Motor vehicle expenses*	(32)
(45)	(48)	(50)	*Other expenses*	(52)
(350)	(517)	(534)	*Professional fees*	(750)
(347)	(450)	(375)	*Repairs, maintenance and insurance*	(544)
(671)	(699)	(692)	*Salaries and wages*	(752)
(2,103)	(2,477)	(2,435)		(2,935)
(8,469)	(8,896)	(9,133)		(10,138)
83	175	(175)	**Operating surplus / (deficit) before depreciation and interest**	(508)
(282)	(326)	(289)	Depreciation / impairment of assets	(321)
(199)	(151)	(464)	**Operating deficit for the year**	(829)
(24)	(30)	(30)	Net interest payable	(28)
(223)	**(181)**	**(494)**	**Deficit for the year**	**(857)**

GUERNSEY DAIRY

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Capital expenditure	
(15)	(282)	(247)	Equipment, Machinery and Vehicles	(590)
(41)	(461)	(126)	Miscellaneous Capital Works	(264)
(56)	(743)	(373)	**Routine capital expenditure**	(854)

Note :
The Policy & Resources Committee agreed to make an overdraft facility of £1.2million available to Guernsey Dairy, to be used exclusively to fund urgent short-term capital expenditure requirements.

SUPERANNUATION FUND ADMINISTRATION

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Expenditure by Category	
			Pay costs	
412	523	424	*Established Staff*	583
412	523	424		583
			Non Pay costs	
255	215	255	*Consultants Fees*	265
95	133	83	*Support Services*	155
350	348	338		420
762	**871**	**762**	**Total Expenditure by Category**	**1,003**
			Capital Expenditure	
27	35	49	ICT System	-
27	**35**	**49**	**Routine Capital Expenditure**	**-**

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY
CONTRIBUTORY FUNDS

2021 Actual £'000s	2022 Original Budget £'000s	2022 Probable Outturn £'000s		2023 Budget £'000s
			Net Income / (Expenditure) by Category	
			Income	
190,930	170,000	176,561	*Contribution Income*	193,640
17,317	-	-	*States Grants*	-
208,247	170,000	176,561		193,640
			Benefit Expenditure	
(163,041)	(166,405)	(165,314)	*Social Insurance*	(178,145)
(49,224)	-	-	*Health Insurance*	-
(22,718)	(23,545)	(22,042)	*Long-term Care Insurance*	(24,500)
(234,983)	(189,950)	(187,356)		(202,645)
			Administration	
(2,183)	(2,429)	(2,430)	*Pay Costs*	(1,815)
(1)	-	-	*Staff Non Pay costs*	-
(3,814)	(2,560)	(2,560)	*Support Services*	(3,478)
(14)	(36)	(65)	*Premises*	(7)
(1)	(3)	(3)	*Transport*	(1)
(121)	(77)	(47)	*Supplies & Services*	(89)
(6,134)	(5,105)	(5,105)		(5,390)
(73)	(120)	(120)	Depreciation	(120)
(32,943)	**(25,175)**	**(16,020)**	**Operating Deficit Before Investing Activities**	**(14,515)**
			Net Income / (Expenditure) by Service Area	
(31,650)	(33,195)	(26,174)	Guernsey Insurance Fund	(26,021)
(7,444)	-	-	Guernsey Health Service Fund	-
6,151	8,020	10,154	Long-term Care Insurance Fund	11,506
(32,943)	**(25,175)**	**(16,020)**	**Operating Deficit Before Investing Activities**	**(14,515)**
			Routine Capital Expenditure	
-	(200)	(250)	Miscellaneous Capital Works	(200)
(33)	(75)	(80)	Equipment, Machinery and Vehicles	(75)
(1,658)	(2,000)	(900)	IT Projects and Equipment	(1,600)
(1,691)	**(2,430)**	**(1,230)**	**Net Routine Capital Expenditure**	**(2,430)**

THE LADIES' COLLEGE (Senior School)

2020/2021 Actual £'000s	2021/2022 Budget £'000s		2022/2023 Budget £'000s
		Net Income by Category	
		Income	
3,326	3,688	Fees	4,019
159	38	Miscellaneous Income	123
1,555	1,365	States Grant	1,251
5,040	5,091		5,393
		Expenditure	
10	8	Art	6
8	6	Audit Fee	9
77	102	Books and Stationery	108
313	372	Depreciation	332
48	60	Examination Fees	60
158	117	Equipment and resources	142
112	152	General Administrative Expenses	110
16	17	Laboratory and Design and Technology Expenses	25
75	117	Maintenance of Buildings, Grounds and Equipment	129
24	31	Marketing and Development Expenses	32
27	26	Rates, Taxes and Insurance	32
55	56	Recruitment and Relocation	40
3,758	3,961	Salaries and Wages	4,242
25	45	Sports, conferences, field trips etc.	47
16	20	Staff training	20
93	94	Utilities	101
4,815	5,184		5,435
225	(93)	**Revenue Surplus / (Deficit) for the year**	(42)
22	10	Fundraising donations received	-
(38)	(40)	Bank Interest payable	(40)
4,481	4,526	Balance b/f from previous year	4,097
4,690	**4,403**	**Balance c/f to next year**	**4,015**

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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2023

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Non-contributory Benefit Rates for 2023', dated 3rd October 2022, they are of the opinion:

1. To set the income support requirement rates at the rates set out in Tables 3 and 4 of the Policy Letter, from 6th January 2023.

2. To remove the income support limit of weekly income for a person living in the community, with effect from 6th January 2023.

3. To set the income support limits of weekly income for people residing in residential homes, nursing homes, EMI (dementia care) accommodation, and the Guernsey Cheshire Home at the rates set out in Table 6 of the Policy Letter, from 6th January 2023.

4. To set the income support earnings disregard at £40 per week, from 6th January 2023.

5. To set the income support disregards for carer's allowance and other benefits and income at the amounts set out in Table 7 of the Policy Letter, from 6th January 2023.

6. To set the income support capital limits, which also apply in respect of access to social housing, at the amounts set out in Table 8 of the Policy Letter, from 6th January 2023.

7. To set the personal allowances payable to persons in Guernsey and Alderney residential or nursing homes who are in receipt of income support and to persons in United Kingdom hospitals or care homes who are in receipt of income support at the amounts set out in Table 10 of the Policy Letter, from 6th January 2023.

8. To set the maximum rent allowances at the amounts set out in Table 11 of the Policy Letter, from 6th January 2023.

9. To set the rate of family allowance at £15.80 per week, from 2nd January 2023.

10. To set the rates and annual income limit for severe disability benefit and carer's allowance at the rates and limit set out in Table 12 of the Policy Letter, from 2nd January 2023.

11. To set the payment tariffs under the Mesothelioma Compensation Scheme at the rates set out in Table 16 in Appendix 4 to the Policy Letter, from 1st January 2023.

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

NON-CONTRIBUTORY BENEFIT RATES FOR 2023

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

3rd October 2022

Dear Sir

1. Executive summary

1.1. The Committee *for* Employment & Social Security ('the Committee') has undertaken its annual review of the non-contributory benefits for which it is responsible. Non-contributory benefits are those funded entirely through General Revenue, which comes from tax income and not from Social Security contributions. These benefits include income support, family allowance, severe disability benefit and carer's allowance. In addition, the Work2Benefit Scheme, school uniform allowance, educational maintenance grants, the free TV licence scheme for persons aged over 75 in receipt of income support and the mesothelioma compensation scheme, are administered by the Committee and funded through General Revenue.

1.2. The Committee recommends that the rates of family allowance and severe disability benefit be increased in 2023 by 7.0%, being the annual rate of 'core' inflation (RPIX) for the year ending 30th June 2022. This is in line with the usual uprating policy for non-contributory benefits. The Committee also recommends that the rate of carer's allowance be increased in 2023 by 10%.

1.3. On 8th September 2022, the States considered a Policy Letter from the Committee entitled 'Emergency Uprating of Income Support Rates'[1] which set out measures to address higher than usual inflation throughout 2022. The States resolved to approve an interim uprating of income support rates, including requirement rates, the limit of weekly income (known informally as the 'benefit limitation') and the maximum rent allowances. The proposals in

[1] Emergency Uprating of Income Support Rates (Billet d'État XIV of 2022, Article I).

this Policy Letter that relate to income support take into account the interim uprating measures which will take effect from 7th October 2022.

1.4. The Committee has undertaken a review of the research into an updated Minimum Income Standard (MIS) for Guernsey, completed in 2021 by Loughborough University's Centre for Research in Social Policy (CRSP). The Committee has used the updated MIS, subject to proportionate amendments to ensure its suitability for benefit purposes, to rebase the list of goods and services from which the income support requirement rates are derived. The rebased requirement rates have been uplifted in line with inflation to generate proposed new requirement rates.

1.5. The Committee has also reviewed other limits and disregards with a view to ensuring that the Income Support Scheme is fit to meet the needs of Islanders. Amongst other more minor changes, the Committee recommends that the weekly earnings disregard be increased from £35.00 to £40.00. This proposed increase reflects the movement in the cost of living since the current amounts were set in July 2018. The Committee also recommends that the limit of weekly income for a person living in the community be removed on the basis that it creates severe financial hardship, which can have profound and lifelong consequences for those impacted by it, particularly children.

2. Income Support

Rebasing income support requirement rates using the 2021 MIS

2.1. The amount of income support that a person can receive is determined by 'requirement rates' which are based on household size and the age and number of dependent children within the household. The requirement rate is intended to cover all daily living expenses (including, but not limited to, food, clothing, household goods and services) with the exception of housing costs which are covered by a separate rent allowance or, in the case of homeowners, an allowance linked to mortgage interest payments. More information about requirement rates can be found at Appendix 1.

2.2. Since the inception of the Income Support Scheme in July 2018, the requirement rates have been derived from the overall weekly cost of set lists of essential goods and services. These lists are known as 'baskets of goods' and were compiled as part of an independent study carried out by Loughborough University's Centre for Research in Social Policy (CRSP). The research, which sets out a Minimum Income Standard (MIS) specific to Guernsey, was first conducted locally in 2010.

2.3. MIS research produces budgets for different household types, based on what members of the public think people need to participate fully in society. The outcome of the 2010 research and subsequent 2011 report was reviewed, amended, and adjusted for inflation by the Social Welfare Benefits Investigation Committee (SWBIC) to be used as the basis on which the first income support requirement rates were set[2].

2.4. In 2019, following consideration of the Policy Letter entitled 'Non-contributory Benefit Rates for 2020'[3] the States resolved to direct the Committee to take measures to update the Guernsey MIS with a view to using the results of the study to inform requirement rates.

2.5. Research to produce a new, updated MIS for Guernsey was completed in June 2021 and the final report was received by the Committee in September 2021.

2.6. In its Policy Letter entitled 'Non-contributory Benefit Rates for 2022[4], the Committee reported that, as expected, MIS budgets had increased over time. Furthermore, in some cases, the contents of the baskets of goods had also changed over the preceding decade. The Committee concluded that:

> "…the updated MIS research demonstrates that the current income support requirement rates, being based on 2011 goods and services, are outdated and require correction."

2.7. As there was insufficient time to use the findings of this research to inform the requirement rates for 2022, the Committee proposed, and the States resolved, to increase income support rates for 2022 by 2.3%, this being the annual rate of inflation as at the end of June 2021. This proposal was in line with the standard uprating policy for income support. The Committee committed itself, in that Policy Letter, to finishing the work necessary to examine the contents of the updated baskets of goods and assess their appropriateness as a basis for the income support requirement rates for 2023 onwards.

2.8. The goal of this rebasing exercise was not to arrive at a specific set of income support requirement rates that were higher or, indeed, lower than current rates. It was, instead, to revisit the very basis of those rates and ensure that each one was linked to a set of goods and services that were both essential to achieve a minimum acceptable standard of living, and appropriate for a social welfare system which must be both socially just and financially sustainable.

2.9. The outcome of the rebasing exercise demonstrated that, in some cases, the adjusted MIS baskets of goods supported a very minor real-terms decrease in the long-term requirement rates for certain categories of persons. However, it also demonstrated that some of the requirement rates, – particularly those

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2 These came into force on 6th July 2018.
3 Non-contributory Benefit Rates for 2020 (Billet d'État XXI of 2019, Article II).
4 Non-contributory Benefit Rates for 2022 (Billet d'État XXI of 2021, Article II).

paid on a short-term basis (i.e. for the first six-months of a person's claim) and those paid in respect of some age categories of children – no longer provided an income which was sufficient to achieve a minimum acceptable standard of living. This exercise reflected steps taken by SWBIC in the development of proposals for the first income support requirement rates.

2.10. The reason why the rebasing exercise resulted in both increases and minor decreases to the different requirement rates is twofold. Firstly, the updated MIS research produced baskets of goods which better reflected present-day ways of living for individuals of all ages. These changes were not homogenous across each research group (e.g. single working age adults, pensioners, families, etc). Secondly, the annual uprating process for income support since July 2018 has applied the annual rate of RPIX to each of the requirement rates. As RPIX represents an average of inflation factors across different categories of goods and services, some deviation from actual prices is unavoidable and will vary between requirement rate categories depending on the exact composition of the basket of goods on which the rate is based. The Committee intends to investigate other methods for uprating income support requirement rates in a more granular way in the future.

2.11. In its Policy Letter entitled 'Emergency Uprating of Income Support Rates'[5], the Committee noted that RPIX in Guernsey was increasing faster than usual. Between 1st July 2021 and 30th June 2022, RPIX increased by 7.0%. In comparison, RPIX increased by 2.3% during the preceding year ending 30th June 2021. Indeed, it is entirely possible that, by the time the States considers this Policy Letter, the annual change in RPIX may have increased further. At the time of writing, inflation forecasts[6] indicate that RPIX might peak between 8% and 9% late in 2022.

2.12. The Committee is conscious of the disproportionate impact this rise in inflation will have on Guernsey's lowest income households. It is of the opinion that to continue to base income support requirement rates on outdated baskets of goods from 2010 would force many of the most vulnerable members of Guernsey's society to live in 'intolerable poverty'[7].

2.13. To further inform its position, the Committee conducted a focus group with income support recipients. It also consulted with some of the local third-sector organisations that provide support to low-income households in

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5 Emergency Uprating of Income Support Rates (Billet d'État XIV of 2022, Article I).

6 Guernsey Quarterly Inflation Forecast – Quarter 3 2022 (https://www.gov.gg/CHttpHandler.ashx?id=156982&p=0).

7 In its 2016 Policy Letter entitled 'Comprehensive Social Welfare Model' (Billet d'Etat VII, Volume II, Article IX), SWBIC used a definition of poverty which referred to: "The income of an individual below which Guernsey as a society (represented by the States) considers it to be intolerable for that individual to be expected to live."

various ways. In all cases, feedback received indicated an increasing level of financial hardship among local families on low incomes.

2.14. The Guernsey Welfare Service (GWS), which operates a foodbank, said:

> "For a few years leading to 2020, we assisted a fairly static 450-460 households a year. In 2020, that figure rose by 23% to 560 and in 2021 it rose further to 584, a total increase of 28%. Compared to usage at this point last year, our 2022 figures are 9% up."

2.15. In its report, the GWS attributed cost of living increases and increasing private rents as the principal reasons why a greater number of households have sought support.

2.16. Based on feedback from the focus group, the Committee noted that some income support claimants were being forced to choose between paying rent or utility bills, and between buying food or replacing children's clothing and footwear. The Committee considers it to be unacceptable that some families are living in poverty, and are thereby excluded from many of the opportunities enjoyed by their peers.

2.17. The Committee therefore proposes that income support requirement rates be rebased using the baskets of goods derived from the 2021 MIS research, following the Committee's adjustments. It is of the opinion that this is an important measure to support low-income households by ensuring that income support rates are based on the most up to date lists of essential goods and services.

2.18. The Committee is strongly of the opinion that this approach to rebasing income support requirement rates represents the best balance of interests between income support claimants and taxpayers, noting that many people in receipt of income support do pay income tax.

2.19. For comparison purposes, Tables 1 and 2 overleaf set out the 'MIS-adjusted' income support requirement rates before inflation, alongside current requirement rates, the rates that will apply from 7th October 2022 and the 'full MIS' totals before the Committee's adjustments were made.

2.20. For clarification purposes:

- 'MIS-adjusted' refers to the cost of a weekly household budget based on the 2021 MIS 'baskets of goods' as adjusted by the Committee to create a list of goods and services that is considered appropriate as a basis for income support. These adjustments also include the removal of provisions already made elsewhere under income support, such as the rent allowance and school uniform grant.

- 'Full MIS' refers to the cost of a weekly household budget based on the 2021 MIS 'baskets of goods', less only provisions already made elsewhere under income support.

2.21. Further information about income support and MIS can be found at Appendix 1 and Appendix 2.

Table 1 – MIS-adjusted weekly long-term income support requirement rates (before inflation), shown alongside current requirement rates to 6th October 2022 and the 'full MIS' totals (before inflation)

	Rates to 6th October 2022	'Full MIS' total	MIS-adjusted rates
Householders:			
Cohabiting/married couple	£326.47	£375.10	**£322.90**
Single householder	£197.18	£247.77	**£194.21**
Non-householder:			
18 or over	£148.26	£172.09	**£147.87**
Member of a household:			
11 and over	£115.60	£155.44	**£113.44**
5 – 10	£86.86	£114.69	**£86.30**
Under 5	£58.13	£108.34	**£75.34**

Table 2 – MIS-adjusted weekly short-term income support requirement rates (before inflation), shown alongside current requirement rates to 6th October 2022 and the 'full MIS' totals (before inflation)

	Rates to 6th October 2022	'Full MIS' total	MIS-adjusted rates
Householders:			
Cohabiting/married couple	£198.96	£262.39	**£226.92**
Single householder	£113.88	£176.46	**£136.03**
Non-householder:			
18 or over	£86.85	£120.76	**£103.82**
Member of a household:			
11 and over	£81.11	£141.48	**£99.60**
5 – 10	£61.00	£109.39	**£77.95**
Under 5	£40.90	£98.02	**£63.92**

Impact of inflation

2.22. The goods and services in the updated MIS 'baskets of goods' were priced in the summer of 2021, meaning that the MIS-adjusted rates set out in Tables 1 and 2 do not reflect the current cost of living. Instead, they offer a like-for-like comparison with the income support requirement rates applied from 7th January 2022 to 6th October 2022. For the avoidance of doubt, the 2022 requirement rates that applied for the first nine months of 2022 serve as a baseline of comparison.

2.23. The Committee proposes that income support requirement rates for 2023 be based on the MIS-adjusted figures and uplifted by 7%, this being the rate of inflation between 1st July 2021 and 30th June 2022. The only exception to this level of increase is the inclusion for household waste disposal, which is based directly on the cost of the standing annual charge and pay-as-you-throw stickers. The proposed rates are set out in Tables 3 and 4 below and overleaf.

Table 3 – Proposed weekly long-term income support requirement rates, shown alongside current requirement rates[8] and the rates that will apply from 7th October 2022

	Rates to 6th October 2022	**'Rates from 7th October 2022**	**Proposed 2023 rates**
Householders:			
Cohabiting/married couple	£326.47	£342.79	**£345.50**
Single householder	£197.18	£207.04	**£207.80**
Non-householder: 18 or over	£148.26	£155.67	**£158.22**
Non-householder: Rent allowance	£80.50	£84.50	**£86.00**
Member of a household:			
11 and over	£115.60	£121.38	**£121.38**
5 – 10	£86.86	£91.20	**£92.34**
Under 5	£58.13	£61.04	**£80.61**

8 Rates for 2022 in this case mean those applied between 7th January 2022 and 6th October 2022, not the interim, emergency rates from 7th October 2022.

Table 4 – Proposed weekly short-term income support requirement rates, shown alongside current requirement rates and the rates that will apply from 7th October 2022

	Rates to 6th October 2022	'Rates from 7th October 2022	Proposed 2023 rates
Householders:			
Cohabiting/married couple	£198.96	£208.91	**£242.80**
Single householder	£113.88	£119.57	**£145.55**
Non-householder:			
18 or over	£86.85	£91.19	**£111.09**
Non-householder:			
Rent allowance	£80.50	£84.50	**£86.00**
Member of a household:			
11 and over	£81.11	£85.17	**£106.57**
5 – 10	£61.00	£64.05	**£83.41**
Under 5	£40.90	£42.95	**£68.39**

2.24. The cost of applying the MIS-adjusted income support requirement rates, before inflation, is estimated to be in the region of £55,000 per year.

Limit of weekly income

2.25. In the majority of cases, a household's net income, including any income support, equals their total personal and family requirements, including their rent. However, in some cases, a household's net weekly income (i.e. the combination of net earnings and benefits) is capped by the 'limit of weekly income' (informally known as the 'benefit limitation'). The limit of weekly income for people living in the community is due to increase from £930 to £980 (5%) with effect from 7th October 2022 as part of the package of emergency uprating measures.

2.26. The limit of weekly income does not affect those households with a total requirement below this level. A relatively small proportion of households in receipt of income support have a total requirement of £980 per week or more. As at 20th August, this was roughly 1.17% of all income support claims. The vast majority of these households have income from other sources (e.g. earnings or family allowance), meaning that the amount of income support received is less, or far less in some cases, than the limit. There is sometimes a misconception that many claimants will receive £980 per week in benefit. This is certainly not the case – in fact, less than 0.1% of claimants receive £980 per week in income support.

2.27. The limit of weekly income is softened, to some extent, by not taking into account in the income support means test any family allowance above the limit of weekly income. In addition, all claimants with earnings, including those capped by the limit of weekly income, benefit from the 'earnings disregard' whereby up to £35.00 of earnings per week are disregarded in the calculation of resources available to a single claimant and up to £70 is disregarded if the claimant's partner is also working. This means that, in some cases, claimants with a total requirement above the limit of weekly income have sufficient income to meet their needs.

2.28. Ignoring the effect of the adjustment for family allowance and the earnings disregard, a household with an income of £980 per week will not receive any financial assistance through income support, irrespective of how much their income falls short of their identified requirement.

2.29. Several times over the years, the limit of weekly income has been increased above inflation in order to reduce the number of households forced to live on less income than the States determines is necessary through annual approval of the requirement rates. 5% increases were applied from 5th February 2021 and from 7th January 2022, and a further 5% increase will be applied from 7th October 2022.

2.30. Table 5 below shows how many families have a total requirement above the limit of weekly income that will take effect on 7th October 2022 (i.e. £980), as at 20th August 2022.

Table 5 – Number of families and children of those families with a total requirement above the limit of weekly income

Weekly income limit	**Number of claims with 3-7+ children affected by the cap**						**Total claims**	**Total children**
	2	**3**	**4**	**5**	**6**	**7+**		
£980 (current)	0	1	8	9	2	2	22	109

2.31. As explained in paragraph 2.27, ignoring family allowance above the limit of weekly income and taking into account the fact that some earnings are disregarded, means that fewer claimants have insufficient resources to meet their total requirement. Figure 1 overleaf sets out a detailed example of the circumstances of an income support claimant with requirements in excess of the limit of weekly income. It shows the effect of the adjustments made for family allowance and earnings, as well the shortfall still experienced by the household.

Figure 1 – Breakdown of the income support means test in relation to a family with a total requirement above the weekly income limit

Household requirement	
Rent allowance	£374.41
Couple householder	£342.79
Child aged 5-10	£91.20
Child aged 5-10	£91.20
Child aged 5-10	£91.20
Child aged 5-10	£91.20
Total:	**£1,082.00**

Household income	
Earnings	£587.99
Carer's allowance	£91.90
Family allowance	£59.20
Total:	**£739.09**
Household income disregarded	
Earnings disregard	**(£35.00)**
Carers allowance disregard	**(£35.00)**
Total:	**(£70.00)**
Total assessable household income	
Income	£739.09
Disregards	(£70.00)
Total:	**£669.09**

As the tables on the left show, this family obtains a portion of income from earnings. In this two-parent household, one adult works and the other acts as a carer.

Because this family's requirement is above the weekly income limit of £980.00, the family allowance amount can be disregarded in full.

This means that, in total, the family's limit of weekly income can be regarded as £1,039.20 (£980 limit + £59.20 family allowance).

As such, the requirement (£1,082.00) still exceeds this adjusted limit. This creates a **weekly shortfall of £42.80** in the family's income when compared to its defined requirement.

The total income support top-up that the household can receive is therefore calculated by deducting its total assessable household income of £669.09 from the adjusted limit of weekly income of £1,039.20.

Income support top-up (including winter fuel allowance*): **£407.17**

Income support top-up (excluding winter fuel allowance*): **£370.11**

Weekly shortfall: **£42.80**

*Winter fuel allowance is paid to householders in receipt of income support for 26 weeks from the last week in October until the last week in April of the year following.

2.32. The above example is a real Guernsey family which is forced to live well below its identified requirements. In all such cases, the weekly income limit impacts not just the lead claimant, but also their partner and children.

2.33. Previous thinking about the limit of weekly income sought to find a balance between restricting the cost of income support to the taxpayer and still meeting the basic requirements of most Islanders. It also aimed to ensure that a person could not arrange their circumstances so that they might receive an income from benefits that was beyond their earning capacity. However, the Committee is of the view that the limit of weekly income does not achieve this balance. Table 5 shows that the number of income support recipients with a defined requirement above the weekly income limit is low. This greatly limits the saving to the taxpayer when considered in the context of overall income support expenditure. However, the impact on households of persistently having a level of income below their defined requirement is often severe. Furthermore, because the limit of weekly income only affects families, children are often forced to bear the brunt of this policy, along with their parents.

2.34. In addition, not all families are treated equally under the current limit of weekly income. Due to the fact that housing costs are not applied independently of the weekly limit, sometimes families with similar circumstances may find that their weekly shortfalls are vastly different. Take, for example, two families of similar size and composition (and, therefore, requirement rate). If both families live in social housing, the property they occupy would have been allocated to them based on whichever property was available at the time that they reached the top of the waiting list. That is to say, the property the family is allocated (and the level of rent charged) is wholly outside of the family's control.

2.35. Due to the fact that the rent for social housing properties is based on the size and additional attributes of each property (i.e. outside space, parking, or additional bathrooms), two social housing properties with the same number of bedrooms but different additional attributes might have different weekly rents. Because rent is included when calculating a household's total requirement, the limit of weekly income has a greater impact on families that occupy a property with a higher Standard Weekly Rent. For example, if one family's weekly rent is £363.34 and the other's is £299.94, a difference of £63.40 per week, this might result in one family being capped by the limit of weekly income and the other not. This is not a hypothetical example, but rather a comparison of two real Guernsey families' circumstances. A further breakdown of this example is provided at Appendix 3.

2.36. The Committee considers that it is inappropriate that a system that already disadvantages some income support claimants should cause further hardship among families with otherwise similar circumstances.

2.37. Indeed, recipients of income support who attended the aforementioned focus group meeting were strongly of the view that the limit of weekly income actively created financial hardship. One focus group participant said that they consistently relied on support from others to afford even the most basic essentials, including nappies for their youngest child, because their income support payment was capped so far below their defined requirement.

2.38. It is important to note that sharing their experiences was a difficult and often emotional experience for focus group participants. Their financial circumstances are a source of constant worry, stress, and negative self-image. Even the simplest request from their children often caused anxiety amongst parents, who stated that they worried that their children would ask for even small treats, such as ice creams during the summer, because they did not have available funds to make this type of modest purchase. One parent stated that most people would never understand the distress of searching the house for loose change simply to buy milk or other essentials.

2.39. These situations are common amongst income support recipients whose income is capped, and they occur despite claimants' best efforts to budget, find the cheapest items in shops, and generally closely manage their families' finances. The Committee noted that participants who attended the focus group meeting frequently highlighted how difficult it was to take proactive steps to break the cycle of hardship. One income support claimant said that, after having paid their standard household bills:

> "I now have about £100.00 left in the bank to last the rest of the month, and it is only 1 week after payday."

2.40. Claimants agreed that this had a disproportionate impact on their children. Indeed, the consensus view was that their children displayed an awareness of the financial hardship their family experienced. Participants explained that, for the most part, their children had never been on a trip outside the Bailiwick and rarely celebrated birthdays or received even low-cost Christmas presents on time, if at all. Parents mentioned being unable to pay for even a modest, low-cost birthday party for their children, something many other families take for granted. Focus group participants felt that it did not go unnoticed that their children were the only ones amongst their peers to not invite friends to celebrations.

2.41. The Committee is strongly of the view that there is no justification for applying a limit of weekly income that forces some families to choose between the most basic day-to-day necessities and to forgo modest additional purchases entirely. In one case, this meant an income support claimant choosing between buying food for their family and replacing a pair of broken shoes for one of their children.

2.42. In a letter to the Committee, the Board of Every Child Matters said:

> "Adults in a family are prioritising their children's health and wellbeing over their own which leads some to go without meals."

2.43. The Committee considers it intolerable that, in many cases, the limit of weekly income leads parents to go without essential items or adequate nutrition in order to feed their children[9]. The assertion made by Every Child Matters was substantiated by focus group participants, who stated that they skipped meals or went without necessary provisions in an attempt to provide for their children. The impact on parents' mental and physical health of such an ongoing financial struggle cannot be overstated. Indeed, local data from 2014-2019[10] indicated that income support recipients made, on average, 37% more doctor or nurse appointments than people who did not receive the benefit[11].

2.44. The Committee is strongly of the view that this situation cannot be allowed to persist and, indeed, potentially become more severe as the cost of living continues to rise. In a letter to the Committee, one focus group participant wrote:

> "Me and my husband […] have both worked pretty much since the get-go of leaving secondary school. My husband works as a [REDACTED FOR CONFIDENTIALITY] and I work as a hair stylist […] Some of my clients are people that have very high-end careers: doctors, lawyers, surgeons, accountants, believe it or not even one of your wonderful deputies. However, little do these people know […] that me and my family are classed as one of the poorest in Guernsey. I love my career as a hairstylist, nothing beats seeing the smile on someone's face after a transformation.
>
> Lately it just feels, with rising costs of living, that every day is a real struggle. The bank balance just goes to zero within a week or two of getting paid because the bills are so high […] I dread going food shopping because it's just less and less that we can afford to buy. And I can't emphasize how much this is having a detrimental impact on everyday life for us.

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9 The Board of Bright Beginnings estimates that around 20% of the children they provide childcare/pre-school provision for receive free meals funded by the service.

10 Guernsey Indicators of Poverty Report 2020.

11 For the purposes of the report, income support recipients also in receipt of health related benefits were excluded, as they may require more frequent visits with a healthcare professional, therefore affecting the ratio.

For anyone to truly understand how it feels to just break down and cry on the odd occasions because all I do is worry about finances, they would really have to be in that situation themselves."

2.45. Financial hardship is most profoundly felt by children through comparison with their peers. In addition, focus group participants expressed concern that they would be judged by others for being unable to provide for their children despite their best efforts to do so. There was significant concern that they would be deemed neglectful of their children by others who did not have experience of relying on income support.

2.46. In addition to the damage this causes through deprivation, negative self-image, and loss of opportunities, such a system also causes additional reliance on welfare systems. Families who are forced to find ways to live with their income capped below their requirement level continuously prioritise some essential monthly outgoings over others. The payments that cannot be made create debts, trapping families in a cycle of financial hardship that becomes increasingly difficult to break. Recipients of income support whose benefit is capped find that they are largely unable to help themselves out of poverty, despite meeting their work requirements and being as frugal as possible. This increases their reliance on the income support they do receive, thereby perpetuating a deeply concerning cycle of poverty.

2.47. Indeed, the impact of persistent poverty should not be viewed without consideration of its wider social ramifications. The knock-on effect of ongoing deprivation is likely to be felt across a variety of States and public services. Data analysed by the Social Metrics Commission (SMC)[12] in a report measuring poverty in the UK[13] highlighted, among other examples, stark interactions between poverty and both educational outcomes and health and wellbeing.

2.48. Analysis of data from 2018/2019 showed that, of the people living in poverty in the UK, 20% lived in a family with no formal qualifications. This was compared to just 8% of people who did not live in poverty. In terms of overall wellbeing, 34% of people in poverty lived in a household with at least one adult with poor self-reported mental health. For people not in poverty, this figure was 24%.

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12 The SMC is an independent Commission formed and led by Baroness Stroud. It was brought together to 'develop a new approach to poverty measurement that both better reflects the nature and experiences of poverty that different families in the UK have, and can be used to build a consensus around poverty measurement and action in the UK.' (About - Social Metrics Commission).

13 Measuring Poverty 2020.

2.49. Concerningly, the SMC also found that, while 22% of the total population lived in poverty, this rose to 33% of all children. Of those children in poverty, 53% lived in a family where the youngest child was under 5 years of age. This indicates not only that children are disproportionately impacted by poverty, but that, in many cases, cycles of deprivation begin at an extremely young age.

2.50. Replicating research of this scale in a Guernsey context would be a large undertaking, however, there is evidence to suggest that families living in poverty in Guernsey would be at risk of the same social, health, and educational outcomes. In the 2018 Guernsey and Alderney Wellbeing Survey[14], it was reported that 39% of people lived in households that found it difficult to pay household bills. Of the respondents who reported low mental wellbeing, 61% were those who reported struggling to pay bills, compared to 39% of the overall population.

2.51. Further, 49% of people living in affordable housing[15] reported low mental wellbeing, compared to 25% of private renters and 12% of homeowners. 52% of people living in affordable housing reported experiencing large amounts of stress in the previous 12 months, compared to 44% of private renters and 32% of homeowners. 34% of people living in affordable housing reported feeling excluded from activities compared to 18% of private renters and 9% of homeowners.

2.52. In view of this, the Committee proposes that the limit of weekly income for people living in the community be removed. The estimated cost of removing the limit of weekly income, based on the current income support requirement rates (payable until 6th October 2022), is £162,000 per annum for existing claimants. The cost of implementing the proposed requirement rates (before inflation) and removing the limit of weekly income is in the region of £217,000 per annum. Some additional households may become eligible, or decide to claim, as a result of the removal of the benefit limitation. It is not possible to estimate the potential cost of these new claims but the Committee is satisfied that any increase in claims would be gradual, rather than an immediate surge. The Policy & Resources Committee has advised the Committee that it supports this proposal.

2.53. It is important to note that this proposal does not mean that there will be no cap at all on the amount of income support a household can receive. The requirement rates and maximum rent allowances will remain in place and will control the level of benefit available to all income support claimants. In addition, since 2014 it has been a requirement of eligibility for income

14 Guernsey and Alderney Wellbeing Survey 2018

15 Rented from Housing or the Guernsey Housing Association; or a household in a partial ownership scheme.

support (named ‘supplementary benefit’ at that time) that the person claiming the benefit (if under pensionable age) and any relevant dependants[16] of any claimant are in full-time remunerative work[17], or are acting in compliance with ‘work requirements’. Work requirements are measures determined by the Administrator for the purpose of facilitating or enabling an individual to become, or continue to be, engaged in full-time remunerative work (e.g. attending regular work-focussed meetings with an Employment Advisor or attending a work or training placement).

2.54. Other limits of weekly income are applied on an infrequent basis for people residing in residential homes, nursing homes, EMI (dementia care) accommodation, and the Guernsey Cheshire Home, who do not satisfy the five-year residence requirements for long-term care benefit, and may, therefore, need to rely on income support. The Committee proposes that these limits are increased by 7%, this being RPIX for the year ending 30th June 2022.

2.55. The 2022 limits of weekly income and those proposed to be applied from 6th January 2023, are set out in Table 6 below.

Table 6 – Income support limits of weekly income

	Rates to 6th October 2022	**Rates from 7th October 2022**	**Proposed rates from 6th January 2023**
Community	£930.00	£980.00	**N/A**
Residential homes	£600.00	£600.00	**£640.00**
Nursing homes, EMI residents and Guernsey Cheshire Home	£860.00	£860.00	**£920.00**

Earnings disregard

2.56. The earnings disregard is the amount of a person’s earnings that can be disregarded when calculating their entitlement to income support. It was set, upon SWBIC’s recommendation, at a flat rate of £35.00 per week, with effect from 6th July 2018. The disregard is reduced accordingly if a person earns less

16 “Relevant dependant” means a dependant who has not attained pensionable age, but who is over school leaving age and no longer in full-time education.

17 A person is engaged in full-time remunerative work if the person works for a minimum of 35 hours a week and is remunerated at a rate that is at least equal to the minimum wage. The Committee may by regulations prescribe modifications and exceptions to, and exemptions from, the eligibility criteria set out in section 1(1) of the Income Support (Guernsey) Law, 1971.

than £35.00 in a week. The annual cost of the earnings disregard is approximately £1.7m.

2.57. Due to the nature of the disregard being applied to the first £35.00 earned, beyond that it does not act as an incentive for claimants to increase their earning potential, for example, through securing a higher paid role or working overtime. This is because, until a person earns sufficient income to come off benefit entirely, every additional pound they earn results in an equal reduction in the amount of income support received.

2.58. The Committee recognises that the earnings disregard has its origins in the supplementary benefit scheme, which largely supported claimants for whom work was unlikely because of age, incapacity, disability, or caring responsibilities. Income support, which superseded supplementary benefit, helps not only these claimants but also hundreds of people in work.

2.59. Work is mandatory for those income support claimants who have capacity to do so. The earnings disregard has not been considered fit for the purpose of incentivising work for several years. In 2018, the States resolved:

> 3. "To note that the Committee *for* Employment & Social Security will return to the States with a Policy Letter addressing the future of the benefit limitation, earnings disregard and personal allowances by March 2019."[18]

2.60. The Committee has not progressed this work due to other priorities. The earnings disregard is a complex topic, and alternative ways of incentivising work for people in receipt of income support must be carefully considered and costed before a recommendation is made. The Committee will return to the States regarding this matter in due course.

2.61. In the meantime, the Committee acknowledges that the value of the disregard has not increased since the inception of the income support scheme in July 2018.

2.62. If the amount of the earnings disregard had been increased by the annual rate of inflation (RPIX) each year from July 2018, its value would have increased by 16.9% to £40.93. For ease of application and understanding, it is preferable to set the disregard at a rounded value and the Committee recommends that, for 2023, the earnings disregard is increased to £40.00 per week.

2.63. The annual cost of increasing the earnings disregard, if the proposed 2023 income support requirement rates are also approved, is estimated to be £237,000. The cost of raising the disregard when applied against current

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18 Non-contributory Benefit Rates for 2019 (Billet d'État XXIII of 2018, Article X).

requirement rates (payable until 6th October 2022) is estimated to be £222,000.

Other disregards

2.64. As well as earnings, a small part of some other sources of income are also disregarded for the purposes of income support calculations. These include some disablement benefits (i.e. industrial disablement benefit and war & disability pensions) referred to as the 'benefits disregard', as well as small amounts of other income. In addition, £35.00 of carer's allowance can be disregarded, however, this disregard cannot be applied in addition to an earnings disregard as carer's allowance is treated as part of earnings.

2.65. The Committee proposes that, as with the earnings disregard, these disregards are all increased in line with the movement in RPIX since the current rate was set, rounded to the nearest five pounds, as set out in Table 7 below.

2.66. Note that the maximum amount that can be disregarded does not exceed £40.00 in total. If the States resolve to increase the disregards for 2023, an amendment will be made to The Income Support (Implementation) Ordinance, 1971, to raise the maximum total disregard from £20.00 to £40.00.

Table 7 – Current and proposed values of other income support disregards for 2023

	Current value (year rate was set in brackets)	Movement in RPIX since current value was set	2023 value if increased by movement in RPIX since date set	Proposed disregards for 2023 (rounded)
Carer's allowance disregard	£35.00 (2018)	16.9%	£40.92	**£40.00**
Benefits disregard	£20.00 (2001)	87.5%	£37.50	**£40.00**
Other income disregard	£10.00 (2001)	87.5%	£18.75	**£20.00**

Capital limits

2.67. Currently, the capital limit for an individual to receive financial assistance through income support varies depending on the composition of the household claiming benefit. The capital limits have not changed since income support was implemented in July 2018.

2.68. As a result, the Committee proposes that the capital limits for income support, which also apply in respect of access to social housing, be increased by 16.9%, that being the movement in RPIX since the current limits were set, rounded to the nearest £1,000, as set out in Table 8 below.

Table 8 – Current and proposed income support capital limits for 2023

	Current capital limit (since 6th July 2018)	**2023 value if increased by movement in RPIX since date set**	**Proposed capital limit for 2023 (rounded)**
Single person	£13,000	£15,197	**£15,000**
Couple	£15,000	£17,535	**£18,000**
Family with 1 child	£17,000	£19,873	**£20,000**
Family with 2 children	£21,000	£24,549	**£25,000**
Family with 3+ children	£23,000	£26,887	**£27,000**

Medical capital limits

2.69. Currently, the capital limit for an individual to receive financial assistance with medical and paramedical expenses through income support is lower than the capital limit for eligibility to receive income support. This means that some income support claimants do not qualify for medical support, and have to pay for medical expenses themselves, using their capital if necessary, until such time as their capital reduces below the limit. The current medical capital limits vary depending on the composition of the household; for example, a single person in 2022 has a medical capital limit of £3,000 and an income support capital limit of £13,000, which means that a single person with savings between those limits must pay for their own medical expenses despite qualifying for income support.

2.70. The present Committee is of the view that everyone entitled to income support should be entitled to receive financial assistance with medical and paramedical expenses. However, it is conscious of not wanting to widen the 'cliff edge' between those in receipt of income support with some savings who would get free medical cover if the policy were changed, and those just outside of eligibility for income support who may not have savings to pay for unexpected, costly medical bills.

2.71. The Committee is currently working with the Committee *for* Health & Social Care to explore options for a new funding and delivery model for primary care. This work is considering how the services should be funded, and who should be able to access them. This includes further consideration of how to ensure primary care services are accessible for low-income households.

2.72. In the meantime, the Committee intends to increase the medical capital limits by 16.9%, in line with the movement in RPIX since the time of their inception in July 2018. The Committee intends to make this change by Regulations, using the powers conferred on it by section 6A(2)(c) of the Income Support (Guernsey) Law, 1971. The value of the limits, when inflation is applied, is shown in Table 9 below, as well as the proposed new limits which are rounded to the nearest £500.

Table 9 – Current and proposed income support medical capital limits for 2023

	Current medical capital limit (since 6th July 2018)	**2023 value if increased by movement in RPIX since date set**	**Proposed medical capital limit for 2023**
Single person below pension age	£3,000	£3,507	**£3,500**
Single person of pension age	£5,000	£5,845	**£6,000**
Couple below pension age	£5,000	£5,845	**£6,000**
Couple of pension age	£7,000	£8,183	**£8,000**

<u>Personal allowances</u>

2.73. The Committee pays a personal allowance to residents of residential or nursing homes who qualify for income support. The personal allowance is intended to cover modest purchases such as newspapers, confectionery, toiletries, and family presents.

2.74. The Committee *for* Health & Social Care (HSC) pays for Guernsey and Alderney residents to be placed in UK hospitals and specialised institutions if their mental or physical health needs cannot be met on-Island. While HSC meets the cost of accommodation and care, residents are expected to pay for items of a personal nature from their own resources. Residents who cannot afford these items can apply to the Committee for a personal allowance. As of August 2022, there were 140 people claiming this allowance.

2.75. For 2023, the Committee is recommending that the rates for residents in Guernsey and Alderney residential or nursing homes and UK institutions be increased by 7%, in line with inflation for the year ending 30th June 2022. Table 10 below sets out the weekly personal allowances which currently apply, and the proposed allowances to apply from 6th January 2023.

Table 10 – Current and proposed weekly personal allowances for 2023

Personal allowance	2022	2023
Residents of local residential and nursing homes	£40.92	**£43.78**
Guernsey people in UK hospitals and care homes	£57.84	**£61.89**

Extra needs allowance

2.76. The extra needs allowances are small payments of between £10-£20 per week for claimants who can demonstrate an additional expense which arises from a medical condition or disability, such as a need for a special diet. The rates of the allowances have not changed since they were introduced in 2018 when income support replaced supplementary benefit. Given the low levels of claims, it is not proposed that these allowances are uprated for 2023.

Maximum rent allowances

2.77. The increase in a person's requirement rate to allow for rental payments is known as a rent allowance. The level of financial support available for rent is capped by maximum rent allowances (MRAs) which are set at different levels for different sized households. The MRAs fully cover all social housing rents. However, approximately 25% of income support claimants rent in the private sector. The Committee has considered at what level the MRAs should be set for 2023, in the context of rapidly rising private sector rents.

2.78. The Committee has considered whether it would be appropriate to base the increase in the MRAs on one of the rent indices published by the States of Guernsey's Data & Analysis team. The Committee has decided not to recommend this because the dataset used to calculate the indices is relatively small. There is a risk, therefore, that it may not accurately reflect the position across the whole private rental sector and that by basing any increase on this data, the resultant MRAs may be overly generous. Of greater concern is the possibility that such an approach could, potentially, fuel further increases in rental prices at the lower end of the market.

2.79. Consequently, the Committee proposes that MRAs be increased by 7%, in line with RPIX as at the end of June 2022. For the avoidance of doubt, the Committee is proposing that the 7% increase be applied to the rates that applied from 7th January 2022 to 6th October 2022, not the rates that will apply from 7th October 2022, which will be uplifted by 5% as part of the emergency uprating measures approved by the States on 8th September 2022.

2.80. Table 11 below sets out the MRAs applicable in 2022 and the proposed MRAs for 2023.

Table 11 – Current and proposed maximum rent allowances

Tenancy group	Description	MRAs to 6th October 2022	MRAs from 7th October 2022	Proposed MRAs from 6th January 2023
Group 1	Single with no children	£239.38	£251.35	**£256.14**
Group 2	Couple with no children	£239.38	£251.35	**£256.14**
Group 3	Single or couple with 1 child	£278.07	£291.97	**£297.53**
Group 4	Single or couple with 2 children	£354.01	£371.71	**£378.79**
Group 5	Single or couple with 3+ children	£432.75	£454.39	**£463.04**
Group 6	Living in shared accommodation	£185.33	£194.60	**£198.30**

2.81. The Committee notes that MRAs are only applied when a person's rent is equal to or more than the level of the relevant MRA. Therefore, increasing the MRAs by RPIX will not increase the rent allowances applied in respect of tenants in receipt of income support whose weekly rent is less than or equal to the relevant MRA, including all social housing tenants in receipt of income support.

Winter fuel allowance for 2023

2.82. A winter fuel allowance is paid from General Revenue to householders in receipt of income support for 26 weeks from the last week in October until the last week in April of the year following.

2.83. When proposing emergency uprating measures in September 2022, the Committee proposed, and the States resolved to agree to set the supplementary fuel allowance at £37.06 per week, with effect from 28th October 2022. This was an increase of 23% on the previous allowance, this being the percentage change in the cost of fuel, light and power in the year to June 2022[19].

19 Guernsey Quarterly Inflation Bulletin – June 2022.

2.84. It is estimated that the fuel allowance will cost approximately £2.2m over the 26-week payment period from 28th October 2022 to 28th April 2023.

2.85. The Committee notes that some Islanders who do not claim income support might struggle to afford rising energy costs throughout the winter months. It acknowledges that they might be unaware that they could be eligible to receive, or unwilling to apply, for the benefit. The Committee will therefore consider how to better promote income support to Islanders this winter.

High-level review of the winter fuel allowance

2.86. A review of winter fuel allowance was prioritised in the 2022 Government Work Plan[20] as part of a wider Income Support Review. It was also intended to play a part in addressing resolutions made by the States in respect of the Energy Policy.

2.87. A stated objective of the Energy Policy, which aims to help the island transition towards decarbonisation, is "to ensure that the changes to our energy system work for everyone – and that, moreover, they actively mitigate against fuel poverty rather than exacerbate or maintain fuel poverty." The States resolved on 4 June 2020:

> 13. "To direct the Committee *for* Employment & Social Security working with the Committee *for the* Environment & Infrastructure to co-ordinate an investigation of the most effective means of addressing energy poverty and report back to the States by the Q2 2021."[21]

2.88. Due to resourcing constraints, it was not possible to carry out this investigation in the timeframe specified but, as a first step, the Committee conducted a high-level review of winter fuel allowance in the first part of 2022. The objective of the review was to better target expenditure to those most at risk of fuel poverty.

2.89. Following this initial review, the Committee was minded to propose to the States that income support claimants living in all properties, excluding those built by the Guernsey Housing Association ("GHA") in 2009 or later, should receive greater support through the winter fuel allowance funded by the removal of eligibility for the winter fuel allowance from claimants living in highly energy efficient GHA properties built from 2009 onwards, with effect from October 2023.

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20 Policy & Resources Committee – Government Work Plan 2022 (Billet d'État X of 2022).

21 States of Guernsey Energy Policy 2020-2050 (Billet d'État XI of 2020, Article VIII).

2.90. GHA properties built in 2009 or later meet energy efficiency standards in excess of those required under Part L1 'the conservation of fuel and power' of Schedule 1 to the Building (Guernsey) Regulations, 2012[22]. As such, the Committee was confident that the amount of fuel needed to heat GHA properties built in 2009 or later, to a suitable temperature, would be lower compared to older properties and other properties of similar age built in compliance with the standards set out in the Building (Guernsey) Regulations, 2012. Furthermore, all of the GHA properties completed in 2009 or later have electric, rather than gas, heating.

2.91. The Committee was minded to propose to the Policy & Resources Committee that, subject to States approval of the proposed change to entitlement to winter fuel allowance, the savings should be redistributed to increase the winter fuel allowance payment for those still eligible and to contribute to the cost of any additional Extra Needs Allowance claims that might arise as a result of the change. The Committee's view was that this would result in winter fuel allowance expenditure being better targeted to those most at risk of energy poverty.

2.92. The initial review focussed on GHA properties because energy efficiency data is available for these dwellings but is not readily available for all private sector properties. The Committee noted the limitations of this approach but considered the proposed changes to be an appropriate starting point for wider changes in the future.

2.93. The Committee undertook formal consultation with key stakeholders regarding the proposed changes and responses were received from:

- Guernsey Housing Association
- Age Concern
- Ageing Well in the Bailiwick
- Carers Guernsey

2.94. The consultees opposed the proposed change, and all made reference to the current cost of living crisis. The Committee notes that since work began on this initial review of winter fuel allowance the economic climate has changed considerably and energy costs look set to continue to rise. Taking on board the feedback from consultees, the Committee has agreed that it would not be appropriate to make changes to the payment of winter fuel allowance at this time.

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22 Guernsey Technical Standard L1 has been approved and issued by the Development & Planning Authority under the Building (Guernsey) Regulations, 2012 to provide practical guidance on ways of complying with the requirements in Part L1 of Schedule 1 to, and Regulation 11 of, the Building (Guernsey) Regulations, 2012 (GSI, 2012 No.11) .

2.95. The Committee is still minded to look at ways to redistribute winter fuel allowance expenditure in the future to better target those most at risk of fuel poverty.

2.96. Further joint work with the Committee *for the* Environment & Infrastructure will be needed to address resolution 13 (set out in paragraph 2.87 above) following the June 2020 Energy Policy. This work will be more detailed in defining what energy poverty looks like in Guernsey and what measures and solutions can be put in place to address this in the medium to long-term.

2.97. The Committee understands that the Committee *for the* Environment & Infrastructure has commenced work on scoping options for improving the energy efficiency of buildings, in accordance with the following resolution of the States made on 4 June 2020:

> 14. "To direct the Committee for the Environment & Infrastructure to work with the Development & Planning Authority to bring forward further recommendations to improve the energy efficiency of existing and future housing stock, assess the potential for and impact of requirements to report building energy efficiency standards and/or to implement a minimum standard for the rental market and a reporting standard for the sales market by the end of Q2 2021."[23]

This work has been prioritised in the Government Work Plan and the Committee understands that it is underway.

2.98. The Committee considers that it would be appropriate to revisit a review of winter fuel allowance once this work has been undertaken. When data on energy efficiency for all properties becomes available it will be possible to develop a fairer approach to redistributing winter fuel allowance expenditure with a view to targeting those most at risk of fuel poverty.

2.99. In the meantime, the Committee will look into the possibility of collecting additional information from income support applicants about the fuel type used to heat their homes. It is hoped that this data will also help towards informing a more equitable approach to better targeting winter fuel allowance expenditure.

[23] States of Guernsey Energy Policy 2020-2050 (Billet d'État XI of 2020, Article VIII).

Budgetary implications

2.100. The Committee has modelled the budgetary implications of the proposals set out in this Policy Letter in respect of income support. This was done using a snapshot of income support claimant data from January 2022.

2.101. The cost of applying the MIS-adjusted income support requirement rates, before inflation, is estimated to be in the region of £55,000 per year, before the other proposed changes to the earnings disregard and limitation of weekly income are applied.

2.102. Although it was not possible to account for new or future claims, financial modelling indicated that the estimated cost of removing the limit of weekly income for people living in the community, based on the current income support requirement rates (payable until 6th October 2022), is in the order of £162,000 per annum.

2.103. The estimated cost of increasing the earnings disregard from £35.00 per week to £40.00 per week, based on the current income support requirement rates (payable until 6th October 2022), is in the order of £222,000 per year.

2.104. The estimated combined cost of implementing all proposed changes in respect of the income support requirement rates, limit of weekly income, and earnings disregard is in the region of £439,000.

3. School uniform allowance & educational maintenance grant

3.1. Since 2016, the Committee has administered the school uniform allowance. The threshold for eligibility is linked to the income support requirement rates. The parents (or guardians) of 1,160 pupils have received the allowance for the academic year commencing in September 2022. The amount received is dependent on household income. The maximum available for the current academic year is £366.54 for a Grammar School pupil, £340.60 for a High School pupil and £223.82 for a primary school pupil.

3.2. Educational maintenance grants are provided to low income families to encourage young people to remain in education beyond school leaving age. The grant is paid in respect of students who are 16 or 17 at the start of the academic year. The grant is made on a termly basis subject to good attendance. Financial eligibility is determined on the same basis as the uniform allowance. The full grant is £1,515.00 per annum, but the grant is also payable at reduced rates. At the time of writing, three applications for the 2022/23 academic year had been received.

3.3. The combined budget for providing these services is £185,000 for 2022. The budget for 2023 is £199,000.

4. Family Allowance

4.1. In August 2020, following consideration of joint proposals[24] from the Committee *for* Health & Social Care, the Committee *for* Education, Sport & Culture and the Committee, the States resolved to introduce a household income cap for the purposes of entitlement to family allowance of £120,000 per annum and to cease payments of the allowance when a child reaches the age of 18 (the allowance stops earlier if a child ceases full-time education). Savings arising from these changes would be used to fund:

- Subsidised children's GP and nurse appointments;
- Subsidised children's Emergency Department attendance and treatment;
- Annual dental check-ups, fluoride varnish treatment and dental health education; and
- Cultural enrichment activities in primary schools.

4.2. Previously, family allowance was a universal benefit that had historically been paid to all families with qualifying children. The changes came into force on 3rd January 2022. Since then, around 1,900 family allowance claims have been closed, bringing the number of claims down to roughly 4,800 at the time of writing.

4.3. The Committee is recommending that the weekly rate of family allowance is increased by 7% from £14.80 to £15.80 per child per week, from 2nd January 2023. Expenditure on family allowance in 2021 totalled £8.6m. It is estimated that expenditure on family allowance in 2022 will be £6.5m and the budget for 2023 is £7.0m. The Committee recommends that the household income cap remains at £120,000 per annum in 2023.

5. Severe Disability Benefit and Carer's Allowance

Rates and annual income limit

5.1. The Committee recommends that the rate of severe disability benefit and the annual income limit for both severe disability benefit and carer's allowance, be increased by 7% from 2nd January 2023, as shown in Table 12 overleaf.

5.2. In recent years, there have been calls to significantly increase the rate of carer's allowance. It is important to note that carer's allowance is not intended to be a wage for caring or a person's sole source of income. Income support is available for people with care responsibilities who do not have sufficient income to meet their needs, subject to them meeting the necessary eligibility criteria relating to income, savings, etc. In this way, financial

[24] Building a Better Future: Children's Health & Education (Billet d'État XVI of 2020, Article XIII)

assistance is targeted at those who most need it. That said, the Committee recognises the concerns of carers and recommends that the rate of carer's allowance be increased by 10% from 2nd January 2023. The estimated cost of this real-terms increase in the rate of carer's allowance (i.e. the cost of increasing the rate by 3% more than inflation) is £100,000.

Table 12 – Current and proposed annual income limit and weekly rates of severe disability benefit and carer's allowance

	2022	2023
Severe disability benefit - weekly rate	£113.54	**£121.52**
Carer's allowance - weekly rate	£91.90	**£101.09**
Annual income limit for both allowances	£106,000.00	**£113,400.00**

5.3. Actual benefit expenditure on severe disability benefit and carer's allowance for 2019-2021 is shown in Table 13 below. The expected outturn for these benefits for 2022 and the budget for 2023 is also set out.

Table 13 – Expenditure on severe disability benefit and carer's allowance

	2019 Actual £m	2020 Actual £m	2021 Actual £m	2022 Forecast £m	2023 Budget £m
Expenditure	6.3	6.7	7.3	7.8	**8.8**

5.4. The increase in expenditure is due, in part, to increasing demand as a result of several factors including:

- changes to the eligibility criteria for carer's allowance, allowing carers with earnings above the lower earnings limit, as well as carers who qualify for short-term social insurance benefits, to qualify for carer's allowance if they meet the other eligibility criteria,
- ongoing promotion of the benefits, and
- the ageing population.

Review of carer's allowance

5.5. Following the debate of the 2016 Policy Letter entitled 'Supported Living and Ageing Well Strategy'[25], the States directed the Committee, in conjunction with the Policy & Resources Committee, to investigate the implications of the principle of extending the Long-term Care Insurance Scheme to include care and support at home. It was agreed that the investigation should include a review of benefits such as severe disability benefit and carer's allowance. In

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25 The Supported Living and Ageing Well Strategy (Billet d'État III of 2016, Volume II, Article XIV)

2020, following the debate of the Policy Letter entitled 'Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme'[26], the States then further directed the Committee, in conjunction with the Committee *for* Health & Social Care, to develop implementation plans to extend the scheme to incorporate care provided at home, no later than June 2022.

5.6. This review has not commenced as the Committee has focussed on other major policy priorities identified in the Government Work Plan. However, it remains of the view that a review of the current rate and model of carer's allowance should be undertaken when resources allow.

6. Free TV licences

6.1. From 1st January 2020, the BBC has only issued free TV licences to residents in Guernsey and Alderney aged over 75 years in receipt of income support. Income support claimants aged between pension age and 75 continue to be eligible for a free TV licence funded by the Committee. The cost of this is anticipated to be approximately £7,000 in 2023.

6.2. Following a recommendation made by the Committee, and consultation with the relevant authorities in Alderney and Sark, the Policy & Resources Committee has sent a formal request for the Simple Payment Plan for TV licence fee payments to be extended to cover the entire Bailiwick.

6.3. Officers in the UK are continuing to work with the BBC to establish the process and timescale required for the extension of the Simple Payment Plan. It is understood that the BBC has highlighted a number of operational challenges, which continue to be addressed by officers at the Department for Digital, Culture, Media & Sport at the time of writing.

7. Asbestos compensation scheme

7.1. The scheme provides a single payment to people living in Guernsey or Alderney who have been exposed to asbestos and developed diffuse mesothelioma. Other asbestos-related conditions are not covered by the scheme. The scheme is currently being administered on an extra-statutory basis, but it will be put on a statutory footing in due course, subject to the normal legislative prioritisation process.

7.2. People who were diagnosed with diffuse mesothelioma before 1st January 2020 were able to make a retrospective application for payment until 31st

[26] Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article IX).

March 2021. Thereafter, a person must make an application within 12 months of diagnosis. Payments are made according to a set tariff based on the age of the eligible person at the date of diagnosis.

7.3. To date, a total of thirteen applications have been received, with three of these being submitted in 2022. The cost of the scheme during the first year of take-on (2021) was £144,000 and for 2022 is forecast to be £16,000.

7.4. The Policy Letter[27] that set out the details of the proposed compensation scheme stated that:

> "Awards would be single payments based on the person's age at diagnosis, with rates equal to the 2021 Jersey payments, uprated by Guernsey RPIX each year…"

7.5. In accordance with this policy, the Committee recommends that the awards are increased, with effect from 1st January 2023, by 7%, in line with RPIX as at the end of June 2022. The current rates of compensation and the proposed new rates for 2023 are set out in Table 16 in Appendix 4 to this Policy Letter. A budget of £100,000 has been allocated for 2023.

8. Non-contributory services funded from General Revenue

8.1. This Policy Letter is about the non-contributory benefit rates for 2023, so the financial position reported in this section relates only to Social Security services and benefits funded from General Revenue, and not the additional General Revenue funded services that come under the Committee's mandate.

8.2. Table 14 overleaf summarises the impact of the proposed benefit rates on expenditure for 2023. This table also includes the 2022 revised forecast at the time of writing, and the actual expenditure figures for 2019 to 2021.

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27 Diffuse Mesothelioma Payment Scheme (Billet d'État XI of 2020, Article XII).

Table 14 – Summary of Social Security benefits expenditure funded from General Revenue

	2019 Actual £m	2020 Actual £m	2021 Actual £m	2022 Forecast £m	2023 Budget £m
Income support	41.1	46.9	46.5	45.7	49.6
Family allowance	8.5	8.5	8.6	6.5	7.0
Severe disability benefit & carer's allowance	6.3	6.7	7.3	7.8	8.8
Diffuse mesothelioma	-	-	0.1	-	0.1
Concessionary TV licence[28]	0.2	-	-	-	-
General Revenue grant to GIF	16.7	16.2	17.7	-	-
Sub-total formula led expenditure	**72.8**	**78.3**	**80.2**	**60.0**	**65.5**
School uniform allowance & educational maintenance grant	0.2	0.2	0.2	0.2	0.2
Administration	2.3	2.2	2.0	1.6	2.1
Others[29]	0.3	0.3	0.1	0.1	0.1
Sub-total non-formula led expenditure	**2.8**	**2.7**	**2.3**	**1.9**	**2.4**
Total expenditure	**75.6**	**81.0**	**82.5**	**61.9**	**67.9**

<u>Inflation and Earnings Risk</u>

8.3. It is noted that a key risk is the rate of inflation being experienced by benefit recipients exceeding the headline inflation rate (due to the comparative weighting of certain items – for example, fuel and basic foodstuffs are likely to account for a greater proportion of a benefit claimant's expenditure). As previously stated, the Committee intends to investigate other methods for uprating non-contributory benefits.

8.4. It is likely that, in a high inflation environment, earnings growth will lag behind inflation. As a result, there may be more income support claimants because their earnings have not kept pace with inflation. Such new claimants will likely receive a relatively small 'top-up' payment but will also become eligible for other benefits, such as free GP appointments and winter fuel allowance, which will add to the cost. In the current circumstances, this is likely to be the largest risk to income support costs over the next year.

28 From January 2021, free TV licences are only available to income support claimants over pension age, which is factored into the income support budget. TV licences for income support claimants over 75 are funded by the BBC.

29 Others include back to work schemes, charitable grants, and miscellaneous expenditure.

Income support claim data

8.5. As at 20th August 2022, there were 3,064 active income support claims, as set out in Table 15 below. These claims include 2,180 dependants, of which 1,711 are children, giving a total income support population of 5,244 people (5,435 people as at 4th September 2021).

8.6. Income support claimants were previously split into ten classifications by which they could be identified and managed in practice. An amendment to legislation in 2014 removed these classifications in Law, however, claims are still split into those categories for the purposes of claims management and financial analysis. The classifications are referred to in the analysis of claims and expenditure shown in Table 15.

Table 15 – Income support claims and expenditure

Classification	Claims at 4th September 2021	Claims at 20th August 2022	2021 Actual (£m)	2022 Forecast (£m)	2023 Budget (£m)
Pensioner	920	913	7.1	7.3	8.1
Incapacitated	626	680	8.4	9.8	10.6
Jobseeker or low earner	814	618	12.7	10.8	11.6
Single parent	320	281	8.1	6.9	7.5
Disabled	206	208	2.7	2.8	3.0
Work requirement met	208	325	3.0	4.3	4.7
COVID-19	3	-	0.8	-	-
Other[30]	100	39	0.6	0.6	0.7
Total (excl. dependants)	**3,197**	**3,064**	**43.4**	**42.5**	**46.2**
Special Grants[31]			3.0	3.2	3.4
Rent Rebate Transition			0.1	-	-
Total			**46.5**	**45.7**	**49.6**

8.7. There are individuals in all of the above categories who undertake work, some of whom may have no requirement to work as a condition of receipt of benefit. For instance, in August 2022, 46.2% of those categorised as single parents were in work. It should be remembered that income support is a benefit designed to ensure a minimum acceptable standard of living, and that many of its recipients are in full or part-time work. However, these claimants

30 Includes carer, pregnant, prisoner's spouse, partner in hospital and a small number of claimants whose classification is unknown.

31 Includes special grants in respect of medical expenses, disability, funeral expenses and other miscellaneous expenses.

do not earn enough for their household to enjoy a reasonable standard of living, which is why they receive a top-up from income support.

9. Compliance with Rule 4 of the Rules of Procedure

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

9.2. The majority of the proposals in this Policy Letter are considered business as usual. In accordance with Rule 4(1)(a), the Committee confirms that Propositions 1 and 2 and 4 to 6 relate to the category 1 action 'Review minimum income standards with initial focus on income support and winter fuel allowance' under Priority 3 of the Government Work Plan ('Delivering Recovery Actions').

9.3. In accordance with Rule 4(1)(b), it is confirmed that the Committee has consulted with the Policy & Resources Committee throughout the drafting of this Policy Letter.

9.4. 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.

9.5. In accordance with Rule 4(1)(d), estimates of the financial implications to the States of carrying the proposals into effect are set out in Table 14 of this Policy Letter.

9.6. In this Policy Letter, the Committee has set out its proposals for non-contributory benefit rates for 2022. In accordance with Rule 4(2)(a), it is confirmed that the Propositions accord with the Committee's purpose:

> "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."

9.7. In accordance with Rule 4(2)(b), it is confirmed that the Propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

APPENDIX 1

Introduction to income support

Income support was introduced on 6th July 2018 as the replacement for the supplementary benefit and rent rebate systems. Income support is an in-work benefit, supporting those whose wages or earning potential, for whatever reason, is insufficient to meet their own or their family's needs. Income support also provides financial support for pensioners and people with caring responsibilities or who have a health condition or impairment that significantly affects their work capacity.

'Requirement rates' are essentially a personal allowance intended to cover all daily costs of living, except for housing costs, which are separately factored in. The short- and long-term requirement rates are set annually by the States. The short-term rates are lower than the long-term rates because they exclude expenses which could reasonably be deferred for a short period of time, such as the replacement of clothing and household goods. Most claims start at short-term rates, which are paid for six months. Long-term rates are payable when a claim exceeds six months in duration, or from the outset for pensioners and those with severe disabilities.

For householders, a rent allowance is then added to the sum of the family members' requirement rates. The rent allowance is equal to the amount the family pays in rent or mortgage interest (mortgage capital is not covered). If this exceeds the 'maximum rent allowance' which applies to their household composition, the rent allowance is capped at that maximum level. The sum of the family members' requirement rates and rent allowance is their total requirement - in other words, it is their level of need.

Individuals who have income that falls between their short-term and long-term requirement, do not receive a cash benefit for the first six months of their claim, but are eligible to receive payment at long-term rates from six months onwards.

If a non-dependant (e.g. a claimant's adult son or daughter) lives with the claimant, an assumed contribution from the non-dependant towards the claimant's rent is deducted from the claimant's rent allowance. This assumed contribution is currently £80.50 per week. If the non-dependant qualifies for income support, this amount is added to their requirement rate (to be paid to the householder they live with) to determine their level of need.

The net amount of income that the claimant and their spouse or co-habiting partner (if relevant) receives from earnings, other benefits (e.g. family allowance, States pension, etc.) and any other sources, is then deducted from the claimant's total requirement to determine if they have sufficient income to meet their needs. When taking into account earnings, the first £35.00 of a person's earnings are disregarded (or £70 if both members of a couple are in work). This is known as the 'earnings disregard' and is intended to incentivise work. If the claimant does not have sufficient income to meet their requirements, the shortfall is made up through income support. However, if the family's total requirement exceeds the 'limit of weekly income', the family will not receive sufficient income support to meet their requirements. The limit of weekly income caps the total amount of weekly income that a household claiming income support can receive from all sources, including earnings.

APPENDIX 2

Introduction to the Minimum Income Standard and baskets of goods

Income support rates were originally derived from the costs of defined 'baskets of goods', the contents of which were set out as necessities of day-to-day living. An independent study conducted in 2010 by Loughborough University's Centre for Research in Social Policy (CRSP), defined the precise contents of these baskets for different household types in Guernsey at that time. The household types studied were working age adults without children, working age adults with children, and pensioners.

MIS methodology involves working with focus groups whose composition is identical to the household types analysed within the research. Pensioners form one group to discuss the needs of pensioners, parents discuss the needs of parents and children, and single working age adults discuss the needs of themselves and their peers. This step is undertaken to ascertain which items and services are essential to achieve a Minimum Income Standard (MIS) in a Guernsey context. Follow-up focus groups critique and amend the decisions made by each previous group, until final baskets of goods are produced. Following this, a pricing exercise is undertaken to determine the cost of each item and service within defined categories including food and drink, clothing and footwear, housing and household goods, personal goods and services, and leisure goods and services. The final baskets of goods and their associated Guernsey prices are referred to as 'MIS budgets'.

The report on this study, published in 2011, set out the Guernsey-specific MIS budget for each household type, based on the contents of the baskets of goods.

Following debates on two reports relating to the modernisation of supplementary benefit in 2012[32] and 2013[33], in which only proposals on work incentivisation and amendments to legislation in the first report were approved, the Social Welfare Benefits Investigation Committee (SWBIC) was constituted as a Special Committee of the States in 2013 following a successful amendment during the 2013 debate. Its mandate was to examine the former supplementary benefit and rent rebate systems and develop proposals to amalgamate the two schemes into one comprehensive and affordable social welfare benefits system.

As part of this work, SWBIC examined the baskets developed through the 2011 MIS research[34] and modified their contents to make them a suitable basis on which to set the income support requirement rates. The new, amended budgets were uprated to 2018 values and used to set the first income support requirement rates. These were

32 Modernisation of the Supplementary Benefit Scheme – Phase 1 (Billet d'État V of 2012, Volume I, Article VI)

33 Benefit and Contribution Rates for 2014 and Modernisation of the Supplementary Benefit Scheme (Billet d'État XX, Volume II, Article XI)

34 Appended to Modernisation of the Supplementary Benefit Scheme – Phase 1 (Billet d'État V of 2012, Volume I, Article VI)

implemented in July 2018, following debate of SWBIC's Policy Letter in March 2016[35] and some final adjustments approved by the States in February 2018[36].

Short-term income support requirement rates were set significantly lower than short-term supplementary benefit requirement rates. The new long-term income support requirement rates, while much lower than the 2011 MIS rates, were substantially higher than supplementary benefit long-term requirement rates. Since then, requirement rates have been uprated each year in line with RPIX but are otherwise still based on the SWBIC-adjusted baskets of goods which were created and priced in 2010 and 2011.

In its Policy Letter entitled 'Non-contributory Benefit Rates for 2020'[37], the Committee's predecessor said that it was of the view that the baskets of goods needed to be updated to reflect modern standards of living in Guernsey, and the States resolved:

> '2. To direct the Committee for Employment & Social Security to commission an independent analysis of the baskets of goods in order to update the minimum income standard for Guernsey and to submit the findings to the States no later than the date of submission of the Policy Letter on non-contributory benefit rates for 2021.'

Resources to carry out this work were secured through the 2020 budget process. CRSP was selected to undertake the work to reflect the internationally recognised MIS. However, the COVID-19 lockdown in 2020 disrupted the research and, as a result of the delay, the Committee followed the usual uprating policy for 2021 by recommending a 2.4% increase to income support requirement rates, in line with RPIX for June 2020.

The research to produce a new, updated MIS for Guernsey was completed in June 2021. A provisional report was submitted to the Committee in July 2021, and the final report was received in September 2021.

MIS research lists many hundreds of goods and services for each household type. Although there are only three principal household types, MIS research delves even deeper by producing distinct results for adults of different genders. Research for children is not characterised by gender, but results are generated for four distinct age categories, these being toddler, pre-school, primary school, and secondary school age ranges. This means that, in total, multiple goods and service lists are produced for ten

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35 Comprehensive Social Welfare Benefits Model (Billet d'État VII of 2016, Volume II, Article IX)

36 The Implementation of Income Support and Transitional Provisions (Billet d'État VIII of 2018, Article V)

37 Non-contributory Benefit Rates for 2020 (Billet d'État XXI of 2019, Article II)

distinct groups (i.e. three adult categories – working age without children, parents, and pensioners – each divided into two genders, and four child categories).

APPENDIX 3

Figures 2 and 3 support the assertion made in paragraphs 2.34 and 2.35 that the current limit of weekly income does not treat income support claimants equally or fairly.

Figure 2 – Breakdown of weekly requirement rates of an income support household with a total requirement above the limit of weekly income (adjusted in respect of family allowance)

Household requirement	
Rent allowance	£368.34
Single householder	£207.04
Child aged 11+	£121.38
Child aged 11+	£121.38
Child aged 5-10	£91.20
Child aged 5-10	£91.20
Child under 5	£61.04
Total:	**£1,061.58**

Total assessable household income	
Child maintenance	£14.06
Family allowance	£74.00
Total:	**£88.06**

This is a single-parent family living in a three-bed social housing property.

Because this family's requirement is above the weekly income limit of £980.00, the family allowance amount can be disregarded in full.

This means that, in total, the family's limit of weekly income can be regarded as £1,054.00 (£980 limit + £74.00 family allowance).

As such, the requirement (£1,061.58) still exceeds this adjusted limit, albeit with a small shortfall of £7.58 per week.

Figure 3 – Breakdown of weekly requirement rates of an income support household with a total requirement below the limit of weekly income (adjusted in respect of family allowance)

Household requirement	
Rent allowance	£299.94
Couple householder	£342.79
Child aged 11+	£121.38
Child aged 11+	£121.38
Child aged 5-10	£91.20
Child under 5	£61.04
Total:	**£1,037.73**

Household income	
Earnings	£594.03
Family allowance	£59.20
Total:	**£653.23**
Household income disregarded	
Earnings disregard	**(£35.00)**
Earnings disregard	**(£35.00)**
Total:	**(£70.00)**
Total assessable household income	
Income	£653.23
Disregards	(£70.00)
Total:	**£583.23**

This is a two-parent family also living in a three-bed social housing property. One parent is employed full time, the other does some self-employed work.

Because this family's requirement is above the weekly income limit of £980.00, the family allowance amount can be disregarded.

However, if family allowance was disregarded in full, the household's limit of weekly income would be £1,039.20 (£980 limit + £59.20 family allowance). This is above their defined requirement. As a result, £57.73 of family allowance can be disregarded to match the requirement of £1,037.73.

This means that their requirement does not exceed this adjusted limit and the family does not experience a shortfall in its income.

Although the family illustrated in Figure 3 has a slightly lower household requirement than the family illustrated in Figure 2, the key reason that the income of the family illustrated in Figure 3 is not capped is their much lower weekly rent, despite both families living in a three-bedroom social housing property.

Social housing tenants have little to no choice in the property they are allocated which means that the limit of weekly income unfairly disadvantages the family in Figure 2 through no fault of their own.

APPENDIX 4

Table 16 – Current and proposed payment tariffs for 2023 under the Mesothelioma Compensation Scheme

Age of eligible person at date of diagnosis or date of death	2022		2023	
	Eligible person	Eligible relative	Eligible person	Eligible relative
<= 37	£96,929	£50,444	£103,714	£53,975
38	£95,045	£49,359	£101,698	£52,814
39	£93,165	£48,276	£99,687	£51,655
40	£91,283	£47,195	£97,673	£50,499
41	£89,399	£46,114	£95,657	£49,342
42	£87,518	£45,031	£93,644	£48,183
43	£86,579	£43,995	£92,640	£47,075
44	£85,632	£42,951	£91,626	£45,958
45	£84,695	£41,923	£90,624	£44,858
46	£83,753	£40,887	£89,616	£43,749
47	£82,812	£39,855	£88,609	£42,645
48	£80,182	£38,584	£85,795	£41,285
49	£77,546	£37,310	£82,974	£39,922
50	£74,908	£36,043	£80,152	£38,566
51	£72,276	£34,776	£77,335	£37,210
52	£69,634	£33,507	£74,508	£35,852
53	£67,754	£32,466	£72,497	£34,739
54	£65,874	£31,434	£70,485	£33,634
55	£63,996	£30,399	£68,476	£32,527
56	£62,105	£29,357	£66,452	£31,412
57	£60,224	£28,325	£64,440	£30,308
58	£55,332	£25,460	£59,205	£27,242
59	£50,437	£22,586	£53,968	£24,167
60	£45,550	£19,718	£48,739	£21,098
61	£40,654	£16,846	£43,500	£18,025
62	£35,762	£13,973	£38,265	£14,951
63	£32,748	£13,152	£35,040	£14,073
64	£29,735	£12,338	£31,816	£13,202
65	£26,728	£11,504	£28,599	£12,309
66	£23,715	£10,682	£25,375	£11,430
67(+)	£20,706	£8,352	£22,155	£8,937
68	£20,092		£21,498	
69	£19,476		£20,839	
70	£18,870		£20,191	

Age of eligible person at date of diagnosis or date of death	2022		2023	
	Eligible person	Eligible relative	Eligible person	Eligible relative
71	£18,259		£19,537	
72	£17,649		£18,884	
73	£17,128		£18,327	
74	£16,597		£17,759	
75	£16,090		£17,216	
76	£15,579		£16,670	
77+	£15,061		£16,115	