STATES OF GUERNSEY

TREASURY AND RESOURCES DEPARTMENT

BUDGET REPORT

2005

NOVEMBER 2004

TREASURY AND RESOURCES
A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

Treasury and Resources
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The Chief Minister
Sir Charles Frossard House
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1 November 2004

Dear Sir,

2005 BUDGET REPORT

I enclose a copy of the above Report which I should be grateful if you would lay before the States with the appropriate propositions.

Yours faithfully,

L S Trott
Minister
Treasury and Resources Department

2005 BUDGET REPORT

Introduction & Executive Summary

1.1 The Treasury and Resources Department sets out in this Report its proposals for the 2005 Budget, together with its comments thereon and on other relevant financial matters.

1.2 Section 2 of this Report deals mainly with the financial position of the States, including the latest income and expenditure projections. This section also includes a brief summary of the General Revenue Account, Contingency Reserve Fund and Capital Reserve.

1.3 In addition section 2 also includes an update on the work on the future taxation strategy.

1.4 Section 3 sets out in detail the Budget proposals relating to changes in direct and indirect taxation.

1.5 Section 4 sets out in detail the proposals relating to Departments and their funding, including proposed cash limits, capital allocations and transfers to Reserves.

1.6 Section 5 contains an update of various matters that are considered appropriate to draw to the attention of the States.

1.7 Included at the back of this Report are schedules on capital expenditure requests as submitted by individual Departments. These are an updated version of the schedules included in last year's Capital Expenditure Budget Supplement which many States Members have found useful.

1.8 The main highlights and proposals contained within this year's Budget Report are as follows:

- **3.1% increase in personal income tax allowances for 2006.**
- **8.2% increase in the rate of duty on tobacco (RPI plus 3%).**
- **10% increase in the rate of duty on alcohol.**
- **Introduction of an annual £10 per motor vehicle end of life disposal levy.**
- **No increase in the rates of other indirect taxes.**
- **Transfer of £10 million to the Capital Reserve.**
- **Transfer of £5 million to the Contingency Reserve Fund.**

- **Continuing strong general economic performance but with concerns about future growth and competition for the finance sector from other jurisdictions.**

- **Increasing concern about the levels of States revenue and capital expenditure.**

Background to the Budget

1.9 The Island continues to enjoy an extended period of prosperity. States revenues have been strong and, despite severe pressures on revenue expenditure and unprecedented and increasing demands for capital expenditure, the States finances remain healthy. Although the Department remains very confident in the Island's future, it has to be acknowledged that difficult decisions for all the parts of the community lie ahead.

1.10 As set out in its Interim Financial Report, in framing its detailed budget proposals the Department has been particularly mindful of the following:

- Inflation

  Although levels of inflation of around 5% are a considerable reduction compared to those in the early 1990's, this is still a matter of great concern because elsewhere inflation rates are much lower.

- Growing Demand for Capital and Revenue Expenditure

  Although taken individually many of the cases made for additional expenditure, either revenue or capital, are well made and can be justified, this trend cannot be continued. Departments, individually and collectively, must exercise self-restraint if the States finances are not to be seriously damaged.

1.11 **Unless the pressure on revenue and capital expenditure reduces, future Budget Reports will include recommendations seeking the support of the States to approve significant increases in taxation.** Therefore, although the funding recommended in this Report should enable public services to continue at their present high levels, much more pressure has been put on individual Departments to constrain their expenditure. It is essential that when Departments identify priority services or have extra service demands placed on them (including by States direction) they always seek to fund those extra demands from out of their existing budgets and by reprioritising. **Seeking additional funding from the Treasury should be the last resort, not the first.**

Changes to Personal Allowances

1.12 The Department is recommending that for 2006 the basic personal income tax allowances be increased by 3.1% compared to 2005. Similar percentage increases will be made to the "supplementary allowances".

1.13 Although the above increase represents only a modest percentage rise, it is worth emphasising that in recent years the personal income tax allowances have increased significantly in real terms. This has been of particular benefit to those on lower incomes.

Transfers to Reserves

1.14 The main financial theme of the last few years has been the unprecedented demands for capital expenditure, in particular on social needs housing, schools, healthcare facilities and general infrastructure.

1.15 Maintaining the Island's infrastructure will place a heavy demand on States resources in the coming years. Therefore, in order to meet individual Departments most pressing capital expenditure requirements, the remainder of the resources available, after allowing for revenue expenditure requirements, need to be set aside for capital expenditure. Furthermore, maintenance budgets also need to be protected.

1.16 The Department therefore recommends **the sum of £10 million be transferred to the Capital Reserve at the beginning of 2005.**

1.17 As at the end of September 2004, the Capital Reserve had a balance of £52.2m. However, it is unrealistic to expect that the majority, let alone all, of the capital requests put forward by individual Departments can be met. Individual aspirations will have to be curtailed otherwise the States finances will be severely compromised.

1.18 The Department's concerns over the growth of capital expenditure are not confined to their impact on the States finances. As set out in the Board of Industry's excellent report on the Construction Industry (Billet d'Etat VI, April 2002) local building costs are already considerably higher than elsewhere. Unrestrained capital expenditure by the States will only further overheat the local construction industry leading to even higher building costs for both the public and private sector and yet more imported labour.

1.19 However, the Department is determined to ensure that the Island's infrastructure is kept in good order and wherever possible improved. Although almost inevitably some Departments will feel a degree of frustration that their own particular capital projects are being delayed more than they might otherwise wish, it is worth reflecting on the capital projects which have been, or are due to be finished in the first few years of the new millennium. The amount of capital expenditure on such projects as the new schools, health facilities, sewage network extension, recreation facilities and Royal Court facilities is unprecedented.

1.20 Although there is considerable pressure for capital expenditure, provision also needs to continue to be made against an uncertain future. The Department believes that increasing the Contingency Reserve continues to be of great importance.

1.21 **The Department is recommending a transfer of £5 million to the Contingency Reserve Fund at the beginning of 2005.** This represents the £5 million received in May 2004 as the final part of the sale proceeds of Guernsey Telecoms Limited. If this transfer is approved, and subject to future interest rates and market performance, it is estimated that by the end of 2005 the balance on the Contingency Reserve will be approximately £200 million.

1.22 The Department, albeit reluctantly, recognises that with the present pressures to fund capital expenditure, no further allocation to the Contingency Reserve can be recommended from general revenue.

Indirect Taxation

1.23 In April 2002 (Billet d'Etat VI) the States directed the then Advisory and Finance Committee to bring forward recommendations for increases in the rate of excise duty on tobacco and tobacco products of "at least RPI plus 3.0% for a minimum of five years commencing with the Budget proposals for 2003."

1.24 Therefore, in accordance with States direction, the Treasury and Resources Department recommends an increase in excise duty on tobacco of 8.2% (being 3.0% plus the increase in the Guernsey Retail Price Index as at September 2004 of 5.2%). This proposal should raise approximately an additional £0.5m per year.

1.25 The Department is also recommending, for the first time in approximately 10 years, an increase in the duty on alcohol. Since the last time that duties were increased (1995 in respect of wines and spirits and 1991 in respect of beer and ciders), the Guernsey RPI has increased by 33% and 50% respectively.

1.26 An increase of 10% in the duty on alcohol is being recommended. This measure will increase the duty on a pint of beer by approximately 2 pence and 7 pence on a bottle of wine. This proposal should raise approximately an additional £0.6m per year.

1.27 Although the proposed increase is more than the current rate of Guernsey RPI, it will still mean that the duty on alcohol remains much less than in Jersey and the United Kingdom.

1.28 The Department is also recommending a £10 annual levy on motor vehicle licences as a means of covering the cost of end of life disposal. The possibility of such a levy was raised in last year's Budget and in the 2004 Interim Financial Report.

1.29 The Department is very conscious of the present oil prices, which have already increased business and consumer costs, and believes that a further increase in these costs should be avoided. The Department is therefore not recommending any increase in duty on fuel as part of this Budget.

1.30 The Department is recommending no other changes in indirect taxation as part of this Budget.

Conclusion

1.31 The Department is able to report that public revenues remain buoyant and the financial position of the States is healthy. A relatively favourable Budget is therefore again possible. However, although the present financial position of the States is strong, it is much less so than last year.

1.32 Primarily this is due to significant increases in ongoing revenue expenditure and the unprecedented demands by Departments for capital expenditure. This trend, which is largely in the control of the States, is unsustainable and, if continued, would result in higher taxes, a curtailment of growth or even a reduction in the level of public services, increased charges for the use of services, and a depletion of reserves.

1.33 There is clearly a need for the careful control and prioritisation of expenditure and this year's Budget has placed far more restraint on States expenditure than those of recent years. **Future downward pressure will need to continue to be exerted and it needs to be accepted that this is a joint responsibility that all Departments, States members and staff must share.**

SECTION 2: OVERALL FINANCIAL POSITION

2.1 This section of the Report deals mainly with the financial position of the States. This section also includes a brief summary of the General Revenue Account, Contingency and Capital Reserves.

Income Tax Projections

2.2 Income tax receipts are by far the largest contributor to States total revenue. Since 1990 income tax receipts have increased from under £96m to £239m for 2003. This represents an average annual rate of growth of approximately 7% per year in cash terms. However, individual year on year increases have varied considerably with a high of nearly 14% in 1999 and a low of under 1% in 1993. Even when inflation is taken into account the volatility in income tax receipts remains relatively high. Since income tax is the main source of States revenue this can have a significant impact on the financial planning of the States.

2.3 The Treasury is able to prepare with a reasonable degree of accuracy short-term projections for core business activities, in both the finance and non-finance sectors, and for the tax paid by employees. However, there will always remain a degree of uncertainty. Therefore, although every effort will be made to provide as accurate a picture as it can, it believes it must continue to do so on a prudent basis.

2.4 The estimated financial revenue position can be summarised as follows:

	2006	**2005**	**2004**	**2003**
	£m	**£m**	**£m**	**£m**
Revenue Income	317	308	300	288
Revenue Expenditure	302	289	277	254
Operating Surplus	15	19	23	34

2.5 The above financial projections are broadly in line with those predicted in the Interim Financial Report, which was presented to the July States.

2.6 Although the above figures show a reasonable level of operating surplus, they also show a worrying trend of ongoing revenue expenditure increasing at a rate well above income growth. **The Department has responded to these pressures by restricting the recommended cash limits to a far greater degree than in recent years. A similar, if not increased, level of restraint will be needed in the future.**

2.7 It should be noted that the average operating surplus for the period 2000 to 2003 was £48m. It is this previous high level of operating surplus that has allowed the Capital Reserve to be built up to fund the present high levels of capital expenditure.

2.8 Capital expenditure, funded from individual Departments capital allocations or from the Capital Reserve, is expected to be as follows:

	2006 £m	2005 £m	2004 £m	2003 £m
Capital Expenditure	45	57	54	51

2.9 Further details on capital expenditure are contained in the detailed line-by-line (blue) Budget Billet d'Etat published at the same time as this Report. However, it should be noted that, by their nature, the timing of some of the major capital projects could vary. Individual Department's requests for capital funding are included as appendices to this Report. These schedules are an update from those published in the Capital Expenditure Budget Supplement issued last year.

Capital Reserve

2.10 The Capital Reserve plays an essential role in the management of the States finances. The purpose of the Capital Reserve is to provide a means of funding future capital projects within a controlled and prioritised strategic framework. If the States is serious about establishing such a framework, and remaining true to the decisions that were made when the former Board of Industry's report on the Construction Industry was debated, it must not represent a reserve that can be raided by individual Departments at will. The Capital Reserve must also be protected from capital project overspends which inevitably mean that the available funding for other future projects will be reduced. It is essential that capital projects are delivered on time and on budget.

2.11 The movements on the Capital Reserve since the beginning of 2003 have been considerable. Although there have been appropriations into the account of £32m (including interest) during this time, withdrawals approaching £80m have meant that the Capital Reserve balance has fallen from just under £100m to around £50m. **2003 was the first year since its formation in 1994 when the balance on the Capital Reserve was less at the end of the year than at the beginning.** This trend is certain to continue.

2.12 In addition to the Capital Reserve, individual Departments have access to funding for capital expenditure through their own capital allocations. Capital allocations form an important part of the annual budget process and are set at levels that allow individual Departments to proceed with their more urgent projects and routine replacement programmes.

Contingency Reserve Fund

2.13 The purpose of the Contingency Reserve Fund is to provide protection against major emergencies including significant economic downturns having a severe adverse effect on the Island.

2.14 In recent years, in addition to the proceeds from the sale of Guernsey Telecoms ("GT"), additional transfers from general revenue have also been made as part of the annual budget process. In each of the past three annual budgets £5m has been appropriated to the Contingency Reserve. However, due to the present demands for capital expenditure no further appropriation from general revenue is possible.

2.15 It is estimated that the balance on the Contingency Reserve will be as follows:

	£m
Balance at 1 January 2004	176.3
Transfer from Revenue Account - 2004 Budget Report	5.0
Net investment gain - 2004	6.2
Estimated Balance 31 December 2004	187.5
Proceeds from sale of GT (third tranche)	5.0
Net investment gain - 2005	7.5
Estimated Balance 31 December 2005	200.0

2.16 Due to the transfer to the Contingency Reserve of the proceeds from the sale of GT (£23.8m in three tranches) and appropriations from the annual operating surpluses, since the beginning of 2000 the Contingency Reserve has grown from £102.5m.

Future Taxation Strategy

2.17 The financial services sector is the dominant part of the Island's economy, and therefore provides significant revenues to pay for public services. Of the 30,000 individuals employed in Guernsey, over 7,000 (approximately 23%) are directly employed in this sector. The financial services sector directly contributes 35% of the Island's GDP and 65% of the export economy. The indirect effect on the rest of the economy is equally important. Any corporate taxation strategy therefore needs to address the competitive position of the finance industry as a priority. Simply doing nothing to support this industry is not an option as it would lead to the Island's most important economic sector becoming uncompetitive.

2.18 The financial services industry is not one single type of business but is made up of a number of inter-related and inter-dependent sectors. The professional support services (accountants, tax specialists, lawyers, actuaries etc.) also need to be available to provide very high standards of service. The interrelationship between all these components can also be complex. To remain competitive and differentiate the Island in the marketplace, Guernsey needs this level of diversity and expertise across all sectors.

2.19 Therefore an essential part of the initial work on developing a new corporate taxation strategy was to find out in greater detail the workings of the sector. What areas were growing, which were declining, what were the constraints and opportunities, what areas were contributing most to the economy, which were paying most in direct taxation and how government could strategically encourage growth in those areas.

2.20 One of the major benefits from carrying out this work and other various exercises, including numerous meetings with groups of interested parties, is that the degree of understanding and communication between industry, professionals, regulators and government has been greatly improved. This can only be of advantage to all of the parties concerned in the future.

2.21 In December 2002, as part of the 2003 Budget a separate Budget supplement was published which set out the then Advisory and Finance Committee's views for the future direction of Guernsey's corporate taxation strategy. Essentially, this long-term strategy consisted of a general rate of income tax for Guernsey companies of zero per cent in respect of tax year 2008 onwards. The profits of certain companies licensed by the Guernsey Financial Services Commission would be taxed at 10%. (The so-called "Zero-Ten" option). In order to protect the tax revenues, special rules would be introduced to ensure that Guernsey resident individuals were taxed on a proportion of the profits of a company in which they have a beneficial interest.

2.22 Since the December 2002 announcement there has been considerable activity across the world in response to the various competitive tax initiatives. Most competitor jurisdictions, including Jersey and the Isle of Man, have made announcements to the effect that they intend to adopt the approach set out in the December 2002 Report and introduce some variant of the Zero-Ten model.

2.23 Against this background a considerable amount of work has been carried out to investigate and model the effects of adopting a similar tax regime in Guernsey. Having carefully carried out various modelling exercises, using the best available data, it is estimated that the annual loss of revenue to the States of Guernsey from adopting the Zero-Ten option would be of the order of £45 million.

2.24 Although this is without doubt a significant sum, it is perhaps much less than was originally feared and less than that faced by other competitor jurisdictions. Furthermore, to put this figure into context, it represents around 15% of total present States income.

2.25 However, there are certain aspects of the Guernsey finance economy which differentiate it from many of its competitors. It is therefore possible that other options are available which may reduce this shortfall in tax receipts. In order to investigate and quantify these alternatives considerable industry consultation is continuing to take place.

2.26 **A further more detailed report on progress will be made during 2005, probably as part of the 2005 Interim Financial Report.**

2.27 It is emphasised that the fundamental purpose of the work in this area is to maintain a vibrant and sustainable finance sector which generates corporate profits, employs individuals and makes a positive contribution to other sectors of the Island's economy. It is through this economic activity that the States will be able to raise revenues to fund public services and infrastructure.

2.28 As a reflection of the importance of this process the Policy Council has established a Steering Group to oversee the overall strategy. The Steering Group consists of the Chief Minister (Chair), the Deputy Chief Minister, and the Ministers of the Treasury and Resources and Commerce and Employment Departments.

2.29 More detailed technical guidance, evaluation of options and modelling is the political responsibility of the Treasury and Resources Department, which has reconstituted the Technical Sub-Group of the Fiscal Policy Working Party under the Chairmanship of its Deputy Minister, Deputy Charles Parkinson.

2.30 The Policy Council and the Treasury and Resources Department are determined to carry out this vital work in a methodical and measured manner and to avoid the temptation to reach any premature conclusions without these first being fully thought through, costed and consulted upon.

2.31 The aim and intention still remains that the introduction of a new taxation structure will enhance the Island's competitiveness, encourage more value-added business and maintain the Island's reputation for adopting the highest international standards and complying with international standards by eliminating any harmful tax practices.

2.32 **It is again emphasised that any proposals for a revised structure would be brought before the States of Deliberation for consideration, most probably during 2005.**

2.33 In the original 2002 announcement the Advisory and Finance Committee was able to take a very positive approach to the adoption of a revised tax structure. One of the main reasons why it was originally possible to take such a view was that in recent years public finances were so healthy with very high surpluses which enabled reserves to be built up. However, as set out elsewhere in this Report, the States finances are no longer so strong. As a result, unless the trend of ever increasing expenditure can be quickly reversed, more pressure will be put on the general population to meet the projected fall in revenues.

SECTION 3: BUDGET PROPOSALS

3.1 This section of the Report sets out in more detail the Budget proposals relating to changes in taxation.

Personal Income Tax Allowances

3.2 In view of the general concerns as to the increasing levels of expenditure and the slowing down of income growth, the Department is recommending that for **2006 the basic personal income tax allowances are increased by 3.1% compared to 2005.** Similar percentage increases will be made to the supplementary allowances.

3.3 Therefore it is recommend that:

- The personal allowances for 2006 shall be increased as follows:

Single persons	from £8,000 to £8,250
Single entitled to age relief	from £9,450 to £9,750
Married persons	from £16,000 to £16,500
Married one entitled to age relief	from £17,450 to £18,000
Married both entitled to age relief	from £18,900 to £19,500

- The supplementary allowances for 2006 shall be increased as follows:

Dependent relative	from £2,560 to £2,640
Housekeeper	from £2,560 to £2,640
Infirm persons	from £2,560 to £2,640
Charge of Children	from £5,445 to £5,615

- For 2006 the Wife's Earned Income Allowance shall increase in line with the Single Person's Allowance, i.e. to £8,250. It should be noted that the Married Persons' Allowance is reduced by the sum of £1 for every £1 of Wife's Earned Income Allowance.

- For 2006 the income limit of a dependent relative before the Dependent Relative Allowance is reduced be increased from £5,445 to £5,615.

Document Duty & Tax on Rateable Values

3.4 In view of the overall States financial position the Department does not feel that it is able to recommend any further reductions in document duty as part of this year's Budget. In doing so it has taken notice of the independent consultant's advice included in the joint Advisory and Finance Committee and Housing Authority report entitled "The Operation of the Housing Market in Guernsey" which cautioned against reducing document duty rates at a time when demand for housing was high.

3.5 As set out in previous reports, including the 2004 Interim Financial Report "although revised from time to time, the present rating system was devised in

1947 and uses a system of notional "annual rental values". These are calculated with reference to the usable square footage of the property and adding extra charges for such things as central heating and extra hot and cold water taps. Any system that has been in use for such a long time will inevitably develop anomalies".

3.6 The Cadastre, which now forms part of the mandate of the Treasury and Resources Department, continues to work on how to update and revise the present system for taxing property which currently raises £4m per annum.

3.7 However, this is a major task and it is probable that the Department, either as a separate report or as part of a future Budget, will bring forward outline proposals for the States to endorse as a preliminary step to developing detailed recommendations. Therefore, at this time, the Department is not recommending any change to the level of Tax on Rateable Values.

Excise Duty on Tobacco

3.8 In April 2002 the States directed that increases in the rate of excise duty on tobacco and tobacco products should be "at least RPI plus 3.0% for a minimum of five years commencing with the Budget proposals for 2003".

3.9 The Department is therefore recommending changes to the existing rates of excise duty in respect of tobacco of 8.2% as follows:

Description of Goods	Present Rate of Duty Per Kilogram	Proposed Rate of Duty Per Kilogram
Cigars and Cigarettes	£127.40	£137.85
Hand rolling tobacco	£118.64	£128.37
Other manufactured tobacco	£102.91	£111.35
Tobacco leaf - unstemmed	£114.23	£123.60
Tobacco leaf - stemmed	£115.38	£124.84

3.10 It is estimated that this proposal will raise approximately an additional £0.5m per year.

Excise Duty on Alcohol

3.11 The last time that the rate of duty on alcohol was increased was in the 1995 Budget (spirits and wine only). The rate of duty on beer and cider was last increased in the 1991 Budget. The rate of duty on beer produced by small independent breweries was actually reduced in the 1999 Budget. In 2004 it is estimated that the duty on alcohol will raise approximately £5.8 million.

3.12 Since 1991 the Guernsey RPI has increased by around 50% (1995: 33%). Therefore, in real terms the duty on alcohol has reduced significantly during the last decade. Furthermore, the rates of duty in Guernsey have also fallen well behind those in other jurisdictions. For example, in Guernsey a litre of whisky, suffers duty at £4.57, whereas in Jersey it is £7.96, and £10.35 in the UK. The duty on a pint of beer is 18p in Guernsey, 33p in Jersey and 75p in the UK.

3.13 **It is therefore recommended that the rate of excise duty on alcohol is increased by 10%. As a result, duties will be increased as follows:**

Description of Goods	Present Rate of Duty Per Litre	Proposed Rate of Duty Per Litre
Beer - small independent brewery	21p	23p
Other beer	32p	35p
Cider	32p	35p
Spirits (25% to 50% volume)	£4.57	£5.03
Light wines (5.5% to 15 % volume)	97p	£1.07

3.14 The rates of duty on other alcoholic products will be increased in line with the above increases. It is estimated that this proposal will raise approximately an additional £0.6m per year.

Excise Duty on Motor Spirit and Introduction of End of Life Disposal Levy

3.15 Although the duty on motor spirit has remained unchanged since 1995, and is low compared to other jurisdictions, the Department believes that, at this point in time, there should be no increase in the rate of duty on motor spirit. The Department believes that with the present high oil prices, which have already increased business and therefore consumer costs, restraint in this area is required.

3.16 **It is therefore recommended that the rate of excise duty on motor spirit remains unchanged. However, the Department is, as previously indicated in last year's Budget, recommending a £10 annual "levy" on all Guernsey motor vehicles with effect from 1 January 2005 in order to help defray the cost to the States of vehicle disposal.** For the avoidance of doubt, any licences issued for part of a year (say 6 months) would have a pro rata charge levied. Vehicles registered in Alderney will be exempt from this levy as they will be subject to a similar levy imposed by the States of Alderney. It is estimated that this measure will raise £0.45m annually. The levy will be collected by increasing the annual rate of tax on mechanically propelled vehicles (other than mopeds and motor cycles, tractors and invalid carriages).

Implementation of Budget Proposals

3.17 Under its existing powers, the Treasury and Resources Department will make an Order bringing the recommended changes in the rates of excise duty into effect on the date of publication of the Billet d'Etat containing this Report. The new rates will not apply to stocks in the hands of any trader.

3.18 The Order will cease to have effect at the conclusion of the States Budget meeting and the Department accordingly **recommends the States to approve by Ordinance that from that date the rates of excise duty shall be varied as set out in this Report.** These arrangements are the same as in previous years.

SECTION 4: FINANCIAL PROPOSALS

4.1 This section of the Report deals with the detailed financial proposals including the 2005 cash limits and additional capital allocations for individual Departments and transfers to the Capital and Contingency Reserves.

4.2 Indicative cash limits for 2006 are also included in this Section. However, States approval for these cash limits will be sought as part of next year's Budget with an update, and any major changes, provided in the July 2005 Interim Financial Report.

4.3 When considering financial recommendations the following must be taken account of:

- Level and uncertainty of income, in particular income tax receipts.
- Rate of growth of ongoing revenue expenditure.
- Need to fund capital projects to maintain and improve the Island's infrastructure.
- Need to build and retain sufficient reserves as a safeguard against future contingencies.
- Ability of individual Departments to make internal efficiencies and to prioritise.

4.4 As set out in the 2004 Interim Financial Report, cash limits have been restrained as much as possible and individual capital allocations kept as small as possible to enable funds to be appropriated to the Capital Reserve to fund high priority capital expenditure. However, particular cash limits, in particular health and education, have been increased to reflect growing demands and price increases in those high priority areas.

4.5 Formula led costs, as a general rule, arise where the value of individual payments are determined by Law or States Resolution and are where Departments have no effective control, at least in the short term. The major formula led costs are administered by the Social Security Department and include grants to fund Family Allowances, Social Insurance, Supplementary, and Health Scheme Benefits.

4.6 Individual cash limits have been set to enable Departments to have sufficient funding to carry out their priority existing services and to meet specific States commitments. However, Departments have had to consider very carefully their own priorities and how to save money. In general, the Treasury and Resources Department has not interfered in the detail of individual Department budgets as it considers that this is the responsibility of the individual Departments concerned.

Department Cash Limits for 2005

4.7 The recommended cash limits for 2005 are as follows:

	Non-Formula Led £	Formula Led £	2005 Cash Limit £
Policy Council	6,900,000	1,600,000	8,500,000
Treasury and Resources			
General	16,800,000	1,725,000	18,525,000
States of Alderney	1,420,000	24,000	1,444,000
Commerce and Employment	12,000,000	260,000	12,260,000
Culture and Leisure	3,150,000		3,150,000
Education			
General	51,500,000		51,500,000
Higher and Advanced	5,450,000		5,450,000
Grants to Libraries and Colleges	5,275,000		5,275,000
Environment	8,700,000		8,700,000
Health and Social Services			
General	78,000,000		78,000,000
St. John Ambulance & Rescue	1,730,000		1,730,000
Home	24,500,000	400,000	24,900,000
Housing	1,600,000		1,600,000
Public Services	9,200,000		9,200,000
Social Security	1,925,000	57,300,000	59,225,000
	228,150,000	61,309,000	289,459,000

4.8 Full line-by-line details of the 2005 budgets of the individual Departments are included in the (blue) Budget Billet d'Etat accompanying this Report. However, the following specific matters are worthy of note:

- The single biggest increase in cash limits is in respect of Health services (2004: £71.5m) where ongoing commitments and medical inflation have been a priority.

- The Education Department Budget includes £1.5m of ring fenced funding for maintenance.

- The Education Department Budget also includes £4.8m for ICT strategy costs.

- The Environment Department Budget includes £1.8m for scheduled bus service subsidies.

- The Public Services Department Budget includes £3.6m on roads infrastructure.

- The Treasury and Resources Department Budget (Formula Led) includes £1.7m in respect of payments to States Members (2003: £1.0m).

- The Treasury and Resources Department Budget also includes £3.6m of insurance costs.

- The Culture and Leisure Department Budget includes £0.9m to fund the Beau Sejour Centre operating deficit.

- The largest 2005 Formula Led costs are in the Social Security Department Budget (contributory and non-contributory) and are expected to increase by £3m or 5.6% since 2003.

<u>New Departmental Capital Allocations</u>

4.9 The following table summarises the allocations already available to individual Departments, the recommended new allocations and, the resultant total allocations. These should allow the Departments concerned enough funds to proceed with their routine replacement and minor capital programmes.

	Allocation September 2004 £	New Allocation £	Total Allocation £
Policy Council	Nil	Nil	Nil
Treasury and Resources			
General	762,418	1,000,000	1,762,418
States of Alderney	21,105	250,000	271,105
Commerce and Employment	644,341	Nil	644,341
Culture and Leisure	1,124,473	Nil	1,124,473
Education			
General	1,024,519	500,000	1,524,519
Site Development	16,960,000	Nil	16,960,000
Environment	964,896	250,000	1,214,896
Health and Social Services	5,775,062	1,000,000	6,775,062
Home	1,374,358	500,000	1,874,358
Housing	616,941	5,500,000	6,116,941
Public Services	1,570,537	3,500,000	5,070,537
Social Security	Nil	Nil	Nil
	30,838,650	12,500,000	43,338,650

4.10 **It is emphasised that before a project can commence, whether it is funded from an individual Department's capital allocation or from the Capital Reserve, it must be approved by the States or by the Treasury and Resources Department acting under its delegated authority.**

4.11 Individual capital allocations have been set to enable Departments to carry out their normal routine capital expenditure programmes. Included in the above recommended new allocations is £3 million to continue with the Network Extension Plan (Public Services Department) and £5 million for the Corporate Housing Programme (Housing Department).

Transfers to Capital and Contingency Reserves

4.12 After taking into account the Budget changes proposed in this Report, the present predictions show that there is now £15m available for appropriation to the Capital and Contingency Reserves (see appendix 1). This is the same as predicted in the 2004 Interim Financial Report.

4.13 The Capital Reserve plays an essential role in the management of the States finances. The purpose of the Capital Reserve is to provide a means of funding future capital projects within a controlled and prioritised strategic framework. If the States is serious about establishing such a framework, and remaining true to the decisions that were made when the former Board of Industry's report on the Construction Industry was debated, it must not represent a reserve that can be raided by individual Departments at will. As at 30 September 2004 the balance on the Capital Reserve stood at £52.2m.

4.14 It should also be noted that the Capital Reserve is credited with interest on both the Capital Reserve and the total amount on individual Department capital allocations. It is estimated that the total interest for 2004 will be £5.9m due to increased interest rates (2003: £5.4m).

4.15 Providing funds for a sustainable capital programme, in particular for the priority areas of Health, Education and Housing, has been a major feature of recent Budgets. Therefore, by restricting, as far as possible, revenue expenditure, individual capital allocations and, with the cooperation of Departments, unspent balance returns, the Department is able to **recommend an appropriation to the Capital Reserve of £10m.**

4.16 The purpose of the Contingency Reserve is to provide protection against major emergencies including significant economic downturns having a severe adverse effect on the Island.

4.17 Following the States decision to sell Guernsey Telecoms Limited ("GT") to Cable & Wireless plc (Billet d'Etat X, May 2002) proceeds of £13.8m were received in May 2002 with a further £5m in May 2003 and a final payment of £5m in May 2004.

4.18 As set out at the time, it was intended that these amounts would be appropriated to the Contingency Reserve Fund. Due to the timings of the receipts the first tranche was appropriated as part of the 2003 Budget, the second tranche as part of the 2003 Policy and Resource Plan and the third tranche is taken into account as part of this Report.

4.19 Although there are considerable and growing pressures on the Capital Reserve, the Department believes that there is still a very real need to provide for the future. Therefore the Department, in line with previously stated intentions, **recommends the transfer of £5m to the Contingency Reserve Fund.**

4.20 In previous years the States have also agreed to make appropriations (£5m in each of the past three years) from normal general revenue. The Department believes that, because of the demands for capital expenditure it is unable to recommend any further transfer to the Contingency Reserve.

Indicative Cash Limits for 2006

4.21 As part of this year's Budget Report, and as previously planned, the Treasury and Resources Department is providing **indicative 2006 cash limits. These cash limits are for planning purposes only and will, if necessary be updated as part of the July 2005 Interim Financial Report. The States will be asked to approve the formal 2006 cash limits and detailed line-by-line Department budgets as part of next year's Budget.**

4.22 The indicative cash limits have been calculated based on present income and known expenditure projections and assumptions of inflation and pay increases. Any variations in these, in particular extra expenditure commitments, will mean that these cash limits may need to be reduced in other areas.

4.23 The cash limits have also been prepared such that sufficient operating surplus is generated to fund ongoing routine capital commitments and to top up the Capital Reserve to fund major capital programmes (Education, Health, etc.).

4.24 The indicative cash limits for 2006 are as follows:

	2006 Cash Limit £
Policy Council	9,150,000
Treasury and Resources	20,509,000
Commerce and Employment	12,510,000
Culture and Leisure	3,250,000
Education	64,400,000
Environment	9,000,000
Health and Social Services	83,050,000
Home	26,650,000
Housing	1,600,000
Public Services	9,300,000
Social Security	62,550,000
	301,969,000

SECTION 5: OTHER MATTERS

5.1 This Section of the Report contains a commentary and update on various matters that are considered appropriate to draw to the attention of the States.

Operations of the States Treasury

5.2 The Treasury, through professional managers, invests the combined surplus cash (of the order of £270m) of various States entities and, as a result, gains the advantages of wholesale interest rates. It has also previously been explained how, from time to time, various entities borrow money from the Treasury at rates generally lower than those offered by a commercial loan. This aspect of the Treasury's operations has always been important, however, it is an area that has increased in complexity in recent years.

5.3 As reported in previous Policy and Resource Plans and Budget Reports a £25m borrowing facility in respect of the Housing Development and Loan Fund has been obtained. The Fund is currently borrowing £5m from this source (compared to £5m at the time of the 2004 Interim Financial Report).

5.4 The following loans, with interest payable at the States Treasurer's rate, have been made as at 30 September 2004:

- Guernsey Gambling Control Commission: £82,000 (31.12.03: £72,000).
- Energy From Waste: £3.6 million (31.12.03: £569,775).
- Guernsey Water: £1.6 million (31.12.03: nil).

5.5 It is emphasised that, as a general principle, loan arrangements are only entered into where there is an income stream which can be used to support the repayment of the loan and associated interest charges.

5.6 One major piece of work for the Treasury during 2005 will be the performance of a full investment and funding review of the Superannuation Fund. This review will include a formal asset-liability study to determine funding considerations and investment strategies. The review will also include the normal triennial actuarial valuation of the Fund to determine future contribution rates. As at the end of 2003 the Superannuation Fund had investments of £608 million (30 September 2004: £620 million). Work is also progressing on updating various detailed parts of the pension schemes.

5.7 The Treasury also has a substantial operational role and, as reported previously, this is an area where considerable development has occurred in the past few years, in particular the implementation of a major systems project. Further work continues in this area and during the summer of 2004 internet and touch telephone payments systems were introduced. During 2005 the Treasury will be undertaking a further major phase of this project by replacing its outdated payroll and pensions systems. Once this part of the project has been completed, the corporate financial systems of the States (accounting, procurement, payroll and pensions) will be modern, robust, technically supported, efficient and common to all States Departments.

Capital Prioritisation

5.8 In recognition of the importance of this issue, one of the first matters that the Treasury and Resources Department sought the views of other Departments and individual States members was on capital prioritisation.

5.9 In addition to formal responses from various States Departments and Committees, 12 individual States members also responded. As expected the length and content of the responses varied, but the Department was, in general, greatly encouraged by the responses.

5.10 Although there were, of course, individual variations in the responses, a number of common themes emerged as follows:

- Acknowledgement of the difficulty of the task and the need for restraint.
- The necessity to prioritise and control expenditure but not to the extent of repeating the neglect of the past.
- That maintenance of existing properties must be a high priority.
- Support for the existing priorities of health, education and housing.
- Timing of the projects needed to be coordinated to take into account the construction industry's capacity.
- A feeling of no frills was very prevalent.
- Concern over the high level of consultants and associated fees.

5.11 In response to the question "How do you think prioritisation should be carried out, and by whom?" a wide variety of suggestions were received. Although everyone accepted that the States should make the final decision, which body or bodies should make the initial recommendations was unclear. Although naturally Treasury and Resources Department was frequently mentioned. Such a variation in response was probably not surprising given that the new structure of government has yet to fully settle. However, establishing a capital prioritisation mechanism must remain a very high priority for both individual Departments and, from a States wide perspective, the Treasury and Resources Department and the Policy Council. A robust mechanism for capital prioritisation will need to be developed alongside the Corporate Agenda work highlighted in the Policy and Resource Plan.

Use of Delegated Authority

5.12 In order to speed up decision making and to avoid the States of Deliberation having to spend considerable amounts of time on routine financial matters, the Treasury and Resources Department (previously the Advisory and Finance Committee) has been granted delegated authority for certain financial matters. The limits of delegated authority are kept under continual review with the most recent substantive revision being part of the 2002 Policy and Resource Planning Report.

5.13 In summary, the Treasury and Resources Department has delegated authority to approve as follows:

- An increase in an individual Department's revenue expenditure budget by the greater of £250,000 or 2% in any one financial period.

- Use of the Asset Purchase Fund (no longer used).

- Capital votes (straightforward replacements without limit and projects up to £250,000).

- Capital overspends up to £250,000.

- Property purchases without limit (if funding is available).

- Sale of properties with a value of less than £250,000.

- Sale of incompatible States houses up to a threshold of £500,000 per unit.

5.14 It is emphasised that just because the Department has delegated authority does not mean that it cannot, or will not, refer specific instances to the States.

5.15 The Department, like the Advisory and Finance Committee previously, is required to report on the use of its delegated powers to the States twice a year, i.e. as part of the annual Budget and Interim Financial Reports (see Appendix III of this report).

5.16 The Department also has the delegated authority to allow Departments to borrow temporarily by way of overdraft from banks or from the States Treasury and to make loans or grants to registered charities and similar organisations.

5.17 The Department is also mandated with the responsibility for the administration of the Staff Number Limitation Policy. This function was previously carried out by the Civil Service Board on behalf of the States. Appendix V of this Report provides a summary of the staff numbers covered by the Staff Number Limitation Policy.

5.18 The Treasury and Resources Department is very concerned about the apparently ever-increasing demand for resources, both financial and human, and is looking to all Departments to curtail their demands as far as possible. The Department therefore requires extremely compelling reasons for any increase in resources.

5.19 Since May 2004 the Department has approved the following increases in establishment:

Education	19 FTE	Teachers and Assistants
Health and Social Services	29 FTE	Clinical and support staff
Home	2 FTE	Support Staff
Public Accounts Committee	1 FTE	Support Officer

5.20 The Department has also approved a small number of temporary increases in staff to enable a smooth transition during the early stages of the new government structure. However, in such cases this has been done only after a firm undertaking has been received from the Departments concerned that these posts will not become permanent and that efficiency reviews will be undertaken as part of that process.

5.21 It is emphasised that the vast majority of the above increases are as a direct result of specific States decisions. For example, the increases in staff to the Education Department are as a result of demographic growth which has previously seen establishment increases of around 50 FTE in the last three years. Furthermore, most of the requests had originally been made prior to May 2004. In those cases the Treasury and Resources Department has required the new Departments to revisit, and then if appropriate, resubmit their requests for additional staff.

5.22 At the time of preparing this report the Department is in the process of considering a number of other requests, including one from the Housing Department.

Property Transactions: Updating of Delegated Authority

5.23 Although considerable care was taken to ensure the smooth transition from the old Committee structure to the new Departmental structure, inevitably with such a complex exercise some areas were overlooked. One such area is in respect of the legal authority to execute property acquisitions and disposals and to enter into and grant leases, licences and wayleaves. This matter was identified as needing to be addressed as part of the Department's Interim Financial Report.

5.24 In 1995 (Billet d'Etat XV, July 1995) the States by specific resolution authorised the President of the Board of Administration to execute the necessary conveyances after the Advisory and Finance Committee had given its approval.

5.25 Although a temporary solution to this issue has been put together, following the advice of the Law Officers, it is considered appropriate to regularise the situation by obtaining a specific States resolution. **Therefore the States is recommended to authorise the Minister, Treasury and Resources Department to execute conveyances, leases, licenses and all other ancillary documents as may be necessary, for and on behalf of the States of Guernsey.**

5.26 It is emphasised that all property transactions are the responsibility of the Treasury and Resources Department and its Strategic Property Unit must be contacted at an early stage in any plans involving the purchase, sale or lease of land and buildings.

5.27 Furthermore, the Department continues to be determined to ensure that property is treated as a corporate strategic asset for the benefit of all and not just individual Departments. Any individual property may therefore need to be transferred between Departments (or indeed transferred to the private sector) to ensure it is used to its maximum potential for the social and economic benefit of the island.

5.28 The Department is also keen to ensure that, where a joint venture between a States Department and another entity, such as a parish, involving the shared use of land and buildings is concerned that this is done in the most efficient and effective manner for the benefit of all parties.

<u>Review of Income Tax Legislation and Procedures</u>

5.29 In addition to the work to prepare and implement any changes in Corporate Taxation required for 2008, it is also intended that the general review and overhaul of the income tax system will continue.

5.30 During 2004, proposals aimed at simplifying and updating various taxation matters have been brought to the States including:

- Updating pension arrangement legislation.
- Residence for taxation purposes.
- Revising the basis of assessment for incorporated and non-incorporated businesses to bring it into line with that for individuals.

5.31 Work is currently ongoing on a number of areas, including proposals to update the capital allowances regime to ensure that it is flexible, operated proactively and able to react to prevailing economic conditions and, where necessary, enable specific industries to be given encouragement.

5.32 In developing any proposals careful consideration will be given to the effect on individuals, businesses and their professional advisers, as well as the income tax staff involved, to ensure that administrative and compliance costs are unaffected, or if possible, reduced. In order to achieve this the Administrator of Income Tax and his staff will continue to liaise closely with business and relevant professional groups.

5.33 It should also be noted that the customs and excise legislation (covering many indirect taxes) saw a substantial overhaul during 2004 and that treizieme was abolished in 2003.

APPENDIX I

Reconciliation of General Revenue Account

	£'000
Balance as at 31 December 2003	38,724
Less: Unspent balances and General Revenue provision*	(31,374)
	7,350
Less: Transfer to Contingency Reserve 1.1.04	(5,000)
Less: Transfer to Capital Reserve 1.1.04	(7,000)
Less: Capital Allocations 2004	(16,000)
Add: Return of unspent balances	1,000
Add: 2004 Operating Surplus	23,000
Add: 2004 Capital Income	150
Add: Sale of GT third tranche	5,000
Balance as at 31 December 2004	8,500
Add: 2005 Operating Surplus	18,500
Add: 2005 Capital Income	500
Less: New Capital Allocations	(12,500)
Amount available for appropriation to Reserves	15,000

Recommended appropriations to:

Capital Reserve	10,000
Contingency Reserve	5,000
	15,000

* Target balance for General Revenue provision is 5% of annual States income

Formula Led Expenditure	Actual 2003 £'000	Present Estimate 2004 £'000	Present Estimate 2005 £'000
Legal Aid Scheme	1,479	1,700	1,600
Payments to States Members	1,069	1,500	1,725
Social Insurance Grant	26,471	25,200	26,700
Health Service Grant	7,891	8,660	9,230
Long-Term Care Grant	1,224	1,350	1,450
Supplementary Benefits	9,044	9,450	9,020
Family Allowances	7,112	7,560	7,780
Attendance & Invalid Care Allowance	1,726	1,940	2,110
Concessionary Television Licences	402	430	460
Parochial Outdoor Assistance Boards	362	525	550
Horticulture Interest Subsidy Scheme	130	200	200
Cull Cattle Compensation Payments	53	57	57
B.S.E. Compensation Payments	1	3	3
Housing Grant Schemes	138	-	-
Maintenance of Prisoners in the U.K.	316	300	400
States of Alderney			
Out Relief	16	22	22
Cull Cattle Compensation Payments	2	3	2
TOTALS	**57,436**	**58,900**	**61,309**

APPENDIX III

Use of Delegated Financial Authority

The States Financial Procedures require the Treasury and Resources Department to report periodically on the use of its delegated financial authority in respect of:

a) Increases in General Revenue operating costs.
b) Use of the Asset Purchase Fund.
c) Capital projects (straightforward replacements without limit and projects up to £250,000).
d) Property purchases and sales.
e) As otherwise specifically directed by the States.

The Department last reported to the States on these matters as part of the 2004 Interim Financial Report. Since that time:

The following increases in operating costs for 2004 have been approved:

	£
Policy Council – Overseas Aid Commission Sudan emergency aid	50,000
Education Department – Guilles Alles Library Bursary Scheme	60,000
Environment Department – Abandoned vehicles amnesty	50,000

No items have been approved for acquisition using the Asset Purchase Fund.

The following capital projects have been approved:

	£
Treasury and Resources	
Womens Refuge minor works	35,000
Sablon D'Or Public Conveniences (additional)	20,000
North Plantation redevelopment (contribution)	50,000
Income Tax document management system	29,727
States of Alderney	
Waste disposal equipment	120,000
Harbour security fencing	20,000
Island Hall external ancillary works	50,000
Culture and Leisure	
Transfer to Sports Loans Fund	67,250
Port Soif cricket wicket (contribution)	45,000
Candie Museum roof repairs	30,000
Beau Sejour Centre mechanical hoist	20,000
Beau Sejour swimming pool filtration plant replacement	40,000
Education	
Grammar School sixth form facilities	5,580,000
St Sampsons School hard play area	180,000

Health and Social Services	
Hospital and other equipment additional/replacement	277,000
IT Hardware additional/replacement	68,500
Building Management System upgrade	105,000
St Martins Community Centre (additional contribution)	150,000
Home	
Customs x-ray equipment	90,000
Prison database phase III	10,000
Fire Brigade training complex upgrade	250,000
Major incident unit replacement	18,000
Customs office refurbishment	27,000
Public Services	
Alderney Airport non directional beacon replacement	87,000
Network Extension Plan (additional)	600,000
Ports	
Airport East walkway realignment	50,000
Airport mower replacement	10,000
Airport non directional beacon replacement	87,000
Airport Technical Block alterations	134,000
Airport runway resurfacing (consultants)	25,000
Airport radio communications equipment replacement	53,000
St Peter Port Harbour tipper truck	40,000

The following property purchases and sales have been approved:

Purchases	£
Les Nicolles Vinery adjacent land	295,000
Les Beaucamps School adjacent land	45,000
Valderie, Rue Maze, St. Martins	430,000
Longacre, Les Baissieres, St Peter Port	700,000
Sales	
Clairval House, St Peter Port to Guernsey Housing Association	1
Beau Valet, St. Saviours	4,550

APPENDIX IV

SUMMARY OF RECENT BUDGET PROPOSALS

Personal Allowances

YOC 2005	3.5% increase
YOC 2004	3.0% increase
YOC 2003	7.1% increase
YOC 2002	4.5% increase
YOC 2001	4.7% increase

Duty on Tobacco

2004	6.3% (RPI plus 3%)
2003	6.9% (RPI plus 3%)
2002	11.1% (RPI plus 8.5%)
2001	13% (RPI plus 8.5%)
2000	10.3% (RPI plus 8.5%)

Document Duty

2004	No change
2003	Document duty reduced on modest value properties
2002	Document duty reduced on modest value properties
2001	General rate of document duty reduced by 1%*
2000	No change

Tax On Rateable Value

2004	No change
2003	No change
2002	No change
2001	18% increase to compensate for document duty cut*
2000	No change

Duty on Alcohol and Fuel

2004	No change
2003	No change
2002	No change
2001	No change
2000	No change

* Compensatory adjustments

APPENDIX V

Committee Establishments *	Total Establishment as at 31/12/2003	Changes to Establishment 31/12/02 – 31/12/03
Advisory & Finance Committee	132.25	0.50
Bailiff's Office	8.54	-
H.M. Procureur's Office	25.42	-
H.M. Greffier's Office	25.17	-
H.M. Sheriff's Office	9.82	-
Agriculture & Countryside Board	51.33	1.36
Board of Administration	511.04	-
Board of Health	1504.39	3.03
Board of Industry	38.09	-
Cadastre Committee	6.49	-
Children Board	105.54	7.50
Civil Defence Committee	1.75	-
Civil Service Board		
Administration	22.00	-
Junior Executives & Trainees	22.00	2.00
Education Council	875.18	19.97
Gambling Control Committee	0.50	(0.50)
Guernsey Social Security Authority	109.17	-
Heritage Committee	22.50	-
Committee for Home Affairs		
Police **	42.33	1.00
Fire Brigade	70.56	-
Prison	84.00	20.00
Committee for Horticulture	12.29	(1.36)
Housing Authority	93.68	-
Income Tax Authority	85.30	(0.03)
Island Development Committee	43.56	-
Probation Service Committee	9.00	-
Public Assistance Authority	12.92	-
Public Thoroughfares Committee	42.69	-
Recreation Committee	89.40	-
Sea Fisheries Committee	5.00	-
States Traffic Committee	25.00	-
Tourist Board	30.67	-
Water Board	86.00	-
TOTALS	**4203.58**	**53.47**
Number of Police Officers	177.00	-
GRAND TOTALS	**4380.58**	**53.47**

* Not included in these figures are States of Guernsey staff working in Alderney and Sark.
** Number of Police Officers set by States and not included in Staff Number Limitation Policy.

Draft Ordinance Entitled

The Excise Duties (Budget) Ordinance, 2004

THE STATES, in pursuance of their Resolution of 8th December 2004 and in exercise of the powers conferred on them by section 23C(3) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972 as amended[a], hereby order:-

Increase in excise duties

1. In the Fourth Schedule to the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, as amended, for the tables in paragraphs 1 to 6 under "GOODS LIABLE TO EXCISE DUTY; & RATES OF EXCISE DUTY" substitute the following:

"1. Tobacco and tobacco products

a.	Cigars and Cigarettes	£137.85 per kilo
b.	Hand rolling tobacco	£128.37 per kilo
c.	Other manufactured tobacco	£111.35 per kilo
d.	Tobacco leaf – unstemmed	£123.60 per kilo
e.	Tobacco leaf – stemmed	£124.84 per kilo

2. Hydrocarbon oil

a.	Petrol other than any fuel used for the purpose of air navigation	6.8p per litre

3. Beer

a.	Beer brewed by an independent small brewery	23p per litre
b.	Other beer	35p per litre

4. Spirits

a.	Spirits not exceeding 5.5 per cent volume	26p per litre
b.	Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£3.78 per litre
c.	Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£5.03 per litre
d.	Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume

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[a] Ordres en Conseil Vol. XXIII, p.573; Vol. XXIV, p.87; No.XIII of 1991; No.X of 2004; Ordinance No.XXXII of 2004.

5. Cider

a.	Cider	35p per litre

6. Wines

a.	Light wines not exceeding 5.5 per cent volume	26p per litre
b.	Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£1.07 per litre
c.	Other wines	£1.71 per litre".

Extent

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

Repeals

3. The Impôts (Budget) Ordinance, 2003[a] and section 2 of the Customs and Excise (General Provisions) (Commencement Amendment) Ordinance, 2004[b] are repealed.

Citation

4. This Ordinance may be cited as the Excise Duties (Budget) Ordinance, 2004.

Commencement

5. This Ordinance shall come into force on 8th December 2004.

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[a] Ordinance No. XXIX of 2003.

[b] Ordinance No. XXXII of 2004.

Draft Ordinance Entitled

The Motor Tax (Amendment) Ordinance, 2004

THE STATES, in pursuance of their Resolution of 8th December 2004 and in exercise of the powers conferred on them by section 2(10) of the Motor Taxation and Licensing (Guernsey) Law, 1987[a], the proviso to section 2 of the Alderney (Application of Legislation) Law, 1948[b] and all other powers enabling them in that behalf, hereby order:-

Additional Motor Tax

1. For Schedules 2 and 3 to the Indirect Taxes, Duties and Impôts (Increase of Rates) (Budget) Ordinance, 1994[c] the following tables are substituted:

" SCHEDULE 2 Section 2

Annual rates of tax on mechanically propelled vehicles not driven by heavy oil

Description of mechanically propelled vehicle	Annual rate of tax
1. Mobile cranes	£33.00
2. Non-agricultural tractors	£13.80
3. Mechanical loading vehicles	£23.80
4. Road repairing machines	£33.00
5. Pedal cycles with auxiliary motor not exceeding one horse-power	£9.60
6. Motor cycles	£19.20
7. Motor cycle combinations	£23.00
8. Omnibuses licensed under the Public Transport Ordinance, 1986 to carry 20 or more passengers seated and standing-	
(a) fitted with pneumatic tyres	30p for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00

a Ordres en Conseil Vol. XXX, p.341.

b Ordres en Conseil Vol. XIII, p.448.

c Recueil d'Ordonnances, Tome XXVI, p.350; Order in Council No. X of 2004.

(b) fitted with any tyre not being a pneumatic tyre	37.5p for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00
9. Invalid carriages	£1.00
10. Any other mechanically propelled vehicles (including omnibuses licensed under the Public Transport Ordinance, 1986 to carry less than 20 passengers seated and standing):	
(a) fitted with pneumatic tyres	£4.60 for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00
(b) fitted with any tyre not being a pneumatic tyre	£5.70 for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00

SCHEDULE 3 Section 3

Annual rates of tax on mechanically propelled vehicles driven by heavy oil

Description of mechanically propelled vehicle	Annual rate of tax
1. Mobile cranes	£33.00
2. Non-agricultural tractors	£13.80
3. Mechanical loading vehicles	£23.80
4. Road repairing machines	£33.00
5. Omnibuses licensed under the Public Transport Ordinance, 1986 to carry 20 or more passengers seated and standing:	
(a) fitted with pneumatic tyres	60p for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00
(b) fitted with any tyre not being a pneumatic tyre	75p for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00

6. Agricultural tractors.	£2.00
7. Any other mechanically propelled vehicles (including omnibuses licensed under the Public Transport Ordinance, 1986 to carry less than 20 passengers seated and standing):	
(a) fitted with pneumatic tyres	£6.74 for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00
(b) fitted with any tyre not being a pneumatic tyre	£8.24 for each one hundredweight or part of one hundredweight, together with an additional sum of £10.00

Extent

2. Notwithstanding section 2 of the Alderney (Application of Legislation) Law, 1948, this Ordinance shall have effect only in the Island of Guernsey.

Citation

3. This Ordinance may be cited as the Motor Tax (Amendment) Ordinance, 2004.

Commencement

4. This Ordinance shall come into force on 1st January 2005.

PROPOSITIONS

The Treasury and Resources Department recommends the States:

1. To transfer the sum of £10,000,000 to the Capital Reserve at the beginning of the financial year 2005.

2. To transfer the sum of £5,000,000 to the Contingency Reserve Fund at the beginning of the financial year 2005.

3. That the rates of excise duty in Guernsey and Alderney on the under mentioned goods be increased as follows:

Cigars and Cigarettes	£137.85 per kilogram
Hand rolling tobacco	£128.37 per kilogram
Other manufactured tobacco	£111.35 per kilogram
Tobacco leaf - unstemmed	£123.60 per kilogram
Tobacco leaf - stemmed	£124.84 per kilogram
Beer brewed by an independent small brewery	23p per litre
Other beer	35p per litre
Spirits not exceeding 5.5 per cent volume	26p per litre
Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£3.78 per litre
Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£5.03 per litre
Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume
Cider	35p per litre
Light wines not exceeding 5.5 per cent volume	26p per litre
Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£1.07 per litre
Other wines	£1.71 per litre

4. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2004" and to direct that the same shall have effect as an Ordinance of the States.

5. That the annual rates of tax in Guernsey on those mechanically propelled vehicles (other than mopeds and motor cycles, tractors and invalid carriages) described in Schedule 2 and Schedule 3 of the Indirect Taxes, Duties and Impôts (Increase of Rates) (Budget) Ordinance, 1994, shall each be increased by £10.00.

6. To approve the draft Ordinance entitled "The Motor Tax (Amendment) Ordinance, 2004" and to direct that the same shall have effect as an Ordinance of the States.

7. To approve the cash limits for ordinary expenditure for 2005 for individual Departments totalling £289,459,000 as set out in paragraph 4.7 of this Report.

8. To approve the additional capital allocations for individual Departments totalling £12,500,000 as set out in paragraph 4.9 of this Report.

9. To authorise the Minister, Treasury and Resources Department to execute conveyances, leases, licenses and all other ancillary documents as may be necessary, for and on behalf of the States of Guernsey.

10. (1) That, for the Year of Charge 2006 income tax shall be charged at the standard rate of 20p in the £.

(2) (a) That, 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 2006 by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate, shall be the allowances specified in the First Schedule to this Proposition.

(b) That 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 that the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled.

(c) That:

"Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Laws, 1950 to 1976;

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

FIRST SCHEDULE

Year of Charge 2006

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate.

	Nature of Allowance	Amount of Allowance
1.	**Personal Allowance.**	
	(i) for married persons.	Tax at the standard rate on £16,500. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
	(ii) for married persons where, at the commencement of the year of charge either he, or his wife living with him, was of the age of 64 years or over.	Tax at the standard rate on £18,000. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
	(iii) for married persons where, at the commencement of the year of charge both he, and his wife living with him, were of the age of 64 years or over.	Tax at the standard rate on £19,500. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
	(iv) for single persons.	Tax at the standard rate on £8,250.
	(v) for single persons aged 64 years or over at the commencement of the year of charge.	Tax at the standard rate on £9,750.
2.	**Dependent Relative Allowance.**	In respect of each dependent relative – tax at the standard rate on £2,640 or on the amount of the contributions whichever is less:

		Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £5,615 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £2,640 the sum of £1 for every pound by which the dependent relative's income exceeds £5,615. Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £2,640, or such lesser sum as remains after deducting from £2,640 the sum of £1 for every pound by which the dependent relative's income exceeds £5,615, the sum of £220 for every month in the year of charge for which such Family Allowances are payable.
3.	**Infirm Person's Allowance.**	Tax at the standard rate on £2,640.
4.	**Housekeeper Allowance.**	Tax at the standard rate on £2,640.
5.	**Wife's Earned Income Allowance.**	Tax at the standard rate on a sum equal to the amount of the claimant's wife's net qualifying income but not exceeding tax at the standard rate on £8,250.
6.	**Life Assurance Allowance.**	Tax at the standard rate on a sum equal to one-half of the allowable premiums or payments or deductions.
7.	**Charge of Children Allowance.**	Tax at the standard rate on £5,615.
8.	**Retirement Annuity Allowance.**	Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions for the Year of Charge 2006 applicable to the allowances specified in the First Schedule

1. Personal Allowance

(1) The conditions to be fulfilled to entitle the claimant to the personal allowance are:-

(a) for married persons -

(i) that in the year of charge his wife is living with him or is wholly maintained by him; and

(ii) that in computing his assessable income for that year he is not entitled to make any reduction on account of any payment made for his wife's maintenance.

Provided that if any question arises as to whether a wife is or is not wholly maintained by her husband, the question shall be determined by reference to the financial circumstances of the wife.

(b) in other cases, that the conditions in paragraph (a) of this provision are not fulfilled.

2. 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.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.

(3) Where a man and a woman are cohabiting as husband and wife and either has a child in respect of whom a dependent relative allowance is claimable the man or woman as the case may be, and by a notice in writing addressed

to the Administrator, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of the cohabitee.

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

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

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

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

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

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

3. Infirm Person's Allowance

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

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

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

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

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

4. Housekeeper Allowance

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

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

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

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

(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 for any year if such individual is entitled for that year to a personal allowance for married persons, or to 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.

5. Wife's Earned Income Allowance

(1) The conditions to be fulfilled to entitle a claimant to a wife's earned income allowance are that the claimant is entitled to the personal allowance for married persons and that there is included in the claimant's assessable income some earned income arising or accruing to the claimant's wife.

(2) "Earned income" has the meaning assigned to it by section 148 of the Income Tax (Guernsey) Law, 1975.

6. Life Assurance Allowance

(1) The conditions to be fulfilled to entitle a claimant to an allowance in respect of life assurance are:-

(a) that the claimant has effected an assurance on his own life or on the life of his wife; or

(b) that the claimant has contracted for a deferred annuity on his own life or on the life of his wife; or

(c) that the claimant is, under the provisions of any Law or under the terms or conditions of his employment, liable to the payment of any sum or to the deduction from his emoluments of any sum, for the purpose of securing a deferred annuity to his widow or provision for his children after his death not being a sum which may be claimed as an authorised deduction under the provisions of sub-section (3) of section 8 of the Income Tax (Guernsey) Law, 1975.

(2) Subject to the provisions of the next succeeding paragraph the allowable premiums, payments or deductions shall be the amount of any premium paid, payments made or deductions suffered by the claimant in the year of charge in respect of any such assurance, contract or liability.

(3) Notwithstanding the provisions of the preceding paragraph:-

(a) No allowance shall be made in respect of any premium payments or deductions to the extent to which they exceed in the aggregate one-sixth of the assessable income of the claimant;

(b) No allowance shall be made in respect of any premium or other payment on any policy for securing a capital sum on death (whether in conjunction with any other benefit or not) to the extent that the premium or other payment exceeds an amount equal to seven per cent of the actual capital sum assured, and in calculating any such capital sum no account shall be taken of -

(i) any sum which is payable on the happening of any contingency other than death; or

(ii) the value of any premium agreed to be returned; or

(iii) any benefit by way of bonus, share of profits, or otherwise which is not the sum actually assured.

(c) No allowance shall -

(i) be made in respect of policies of insurance or contracts for deferred annuities except in respect of premiums payable on policies for securing a capital sum on death, whether in conjunction with any other benefit or not; or

(ii) be made in respect of premiums payable during the period of deferment in respect of a policy of deferred assurance:

Provided that this sub-paragraph shall not affect premiums payable on policies or contracts made in connection with any bona fide pension scheme for the benefit of the employees of any employer or of persons engaged in a particular business or for the benefit of the wife or widow of any such employee or person or of his children or other dependants.

(4) Where a premium is paid by a wife out of her separate income in respect of an insurance on her own life or the life of her husband or a contract for any deferred annuity on her own life or the life of her husband, the same allowance shall be given as if the premium were a premium paid by her husband for an insurance on his own life or for a contract for a deferred annuity on his own life and all the conditions to be fulfilled to entitle a claimant to an allowance in respect of life assurance and for the purpose of determining the amount of the allowable premium payments or deductions shall apply accordingly.

7. Charge of Children Allowance

(1) The conditions to be fulfilled to entitle a claimant who is also entitled to the personal allowance for married persons 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, and

(b) that the claimant proves that throughout the year either he or his wife is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by him 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 he or any other individual is so entitled, that the claim has been relinquished.

(2) The conditions to be fulfilled to entitle a claimant who is entitled to the personal allowance appropriate to persons other than married persons 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, and

(b) the claimant is not cohabiting with another person, except where -

(i) the claimant proves that throughout the year either he or his cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by him 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 he or any other individual is so entitled that the claim has been relinquished.

Provided that where the recipient of a family allowance is not entitled to claim the charge of children allowance because he is cohabiting with another person, he may, in respect of the year of charge, by notice in writing addressed to the Administrator elect that the whole, or any unused part of, the personal allowance to which he would otherwise be entitled shall cease to be his and shall become an additional personal allowance of the person with whom he is cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph “cohabiting” means living with another person as that person's husband or wife throughout the year of charge.

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

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

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

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

8. Retirement Annuity Allowance

(1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance are that the claimant or his wife 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 that the claimant or his wife as appropriate is in receipt of relevant earnings.

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

(b) The expression “relevant earnings” in relation to any individual has the meaning assigned to it by sub-section (9) of section 157A of the Income Tax (Guernsey) Law, 1975.

(3) Notwithstanding the provisions of the preceding paragraph no allowance shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed an amount equal to fifteen per cent of the relevant earnings of the claimant or the claimant's wife, as the case may be, or 25% of those earnings if the claimant, or the claimant's wife as the case may be, is aged 40 or over at any time during the year of computation referred to in subparagraph (a) of the preceding paragraph and is not also a member of an occupational pension scheme approved under section 150 or a scheme which is deemed to be such a scheme for the purposes of section 153 of the Income Tax (Guernsey) Law, 1975.

Provided that if an individual has contributed to a pension scheme approved under section 150 of the Income Tax (Guernsey) Law, 1975, or a States scheme or a Statutory scheme, during the year of computation referred to in subparagraph (a) of the preceding paragraph, and the aggregate of his contributions to that scheme and the aforesaid premium or contributions exceed fifteen per cent of the income of the individual from any office or employment held or exercised by him, the qualifying premium or contributions shall be reduced by the amount of that excess.

(4) For the purposes of this allowance the relevant earnings of a wife shall be treated separately from the relevant earnings of her husband, notwithstanding that her income would otherwise be treated as his income.

REQUESTS BY STATES DEPARTMENTS FOR FUNDING OF CAPITAL PROJECTS / PROPERTY MAINTENANCE

GENERAL REVENUE	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Treasury and Resources	7.2	18.4	2.1	2.1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	42.4
States of Alderney	0.1	10.6	1.4	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	12.5
Commerce and Employment	0.3	1.7	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1
Culture and Leisure	1.1	2.4	3.0	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	9.0
Education	19.5	23.2	33.0	18.6	12.9	18.2	16.7	8.6	10.0	10.6	11.7	183.0
Environment	7.3	13.8	51.5	25.7	2.6	2.6	0.1	0.1	0.1	0.1	0.1	104.0
Health and Social Services	16.1	27.4	19.9	21.8	18.2	19.1	15.6	19.1	19.1	14.1	4.0	194.4
Home	2.6	2.5	4.6	3.4	0.4	0.2	0.2	0.2	0.5	0.8	0.4	15.8
Housing	17.0	26.2	23.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	242.2
Public Services	10.0	11.8	10.3	12.6	21.8	21.8	12.8	6.8	6.8	6.8	6.8	128.3
TOTAL	**81.2**	**138.0**	**149.9**	**106.7**	**80.3**	**86.0**	**69.5**	**58.9**	**60.6**	**56.5**	**47.1**	**934.7**

TRADING ENTITIES	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Airport	5.0	5.7	4.3	3.0	5.0	3.0	0.0	0.0	0.0	0.0	0.0	26.0
Harbours	4.6	3.1	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7
Freight facilities at St Sampsons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.0	60.0
Guernsey Water	3.7	1.2	3.9	4.2	3.2	3.4	2.8	2.5	3.2	3.2	3.2	34.5
TOTAL	**13.3**	**10.0**	**9.7**	**8.7**	**8.2**	**6.4**	**2.8**	**2.5**	**3.2**	**3.2**	**63.2**	**131.2**
GRAND TOTAL	**94.5**	**148.0**	**159.6**	**115.4**	**88.5**	**92.4**	**72.3**	**61.4**	**63.8**	**59.7**	**110.3**	**1065.9**

The above figures do not include :

(1) The purchase of land and property needed to progress some of the proposed projects (estimated at £15m).

(2) Additional Revenue running costs arising from the proposed projects (apart from Education maintenance).

(3) Traffic management outside the curtilage of sites.

<u>New / Major Building Projects</u>

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Treasury and Resources											
Courts Redevelopment*	■	■	■								
St Barnabas renovation / conversion*	■	■									
Guelles Road site - office accommodation		■									
States of Alderney											
Alderney Harbour commercial quay		■									
Alderney Breakwater spur		■									
Incinerator		■									
Moriaux / Platte Saline sewer				■							
Sewage Treatment plants			■		■						
Commerce and Employment											
Sea Fisheries Ice Plant	■										
Slaughterhouse		■									
Victor Hugo Centre		■									
Culture and Leisure											
Delancey Park tennis courts		■									
KGV Cricket facilities			■								
Beau Sejour Bowling Green relocation			■								
Delancey Park works		■	■								
Boathouse storage		■									
Skate Park (Joint initiative)		■									
GRUFC Clubhouse (Joint Initiative)		■									
Asterix permanent exhibition			■								
Fort Richmond redevelopment		■									
Education											
Le Rondin Special Needs*	■	■									
Grammar School Sixth Form Centre*	■	■									
Les Nicolles Special Needs		■	■	■							
Les Nicolles Special Secondary		■	■	■							
College of Further Education Phase A		■	■								
Les Beaucamps Phase A				■	■						
Oakvale Conversion to EBD Centre				■	■						
College of Further Education Phase B				■							
La Mare de Carteret Primary				■	■	■					
Les Beaucamps Phase B						■	■	■			
St Sampsons				■	■						
La Mare de Carteret Secondary						■	■	■	■	■	■
College of Further Education Phase C										■	■
College of Further Education Phase D											■
Environment											
Energy from Waste Facility	■	■	■	■							
Waste Management Plan	■	■	■								
Torrey Canyon quarry	■										
Inert Waste Management		■	■		■	■					
Composting		■									
Health and Social Services											
Fourth Theatre*	■	■									
States Analyst / Environmental Health*	■	■									
St Martins Community Centre*	■	■									
Princess Elizabeth Hospital Car parking*	■	■									
Mignot Memorial Hospital redevelopment		■	■	■							
SPLD Properties		■	■	■	■						
PEH Phase 6b					■	■	■				

New / Major Building Projects (continued)

Health and Social Services (continued)

PEH Phase V
Les Cotils development
Staff Accommodation
Office of the Reporter
St Martins Family centre
Swissville site development plan
Allan Grut Ward redevelopment
PEH 1930's buildings reconstruction
King Edward VII Hospital redevelopment
Roads Infrastructure

Home

Police Headquarters extension
Police Secure Garage facility
Customs Accommodation replacement

Housing

States Houses Additional
Guernsey Housing Association

Public Services

Foul Water Network Extension Plan
Surface Water Separation
Sewage Treatment Plant
Mont Cuet Gas extraction system
Alderney Airport - terminal building

<u>**Repairs / renovations / upgrade of Existing Facilities**</u>	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Treasury and Resources											
Public Conveniences upgrade	■	■	■	■	■	■	■	■	■	■	■
States of Alderney											
Alderney Court building repairs		■									
Alderney Harbour freight shed		■									
Le Vallee sewer replacement		■									
Island Hall Annex			■								
Harbour office rebuilding		■									
Whitegates Cottage renovation		■									
Commerce and Employment											
Home Farm redevelopment	■										
Culture and Leisure											
La Vallette bathing pools			■								
Beau Sejour Outdoor changing areas			■								
Artificial Pitch resurfacing			■								
Education											
EDP 3 Non-State schools					■	■	■	■	■	■	■
EDP 2 Renovations and upgrades	■	■	■	■	■	■	■	■	■	■	■
Priaulx Library repairs		■									
Environment											
Saumarez Park restoration	■	■	■								
Traffic Signals replacement*	■	■	■								
Health and Social Services											
Newington Place refurbishment		■									
Home											
Police Headquarters upgrade		■									
Prison fencing upgrade	■	■									
Housing											
States Houses repairs	■	■	■	■	■	■	■	■	■	■	■
States Houses refurbishment	■	■	■	■	■	■	■	■	■	■	■
Residential Homes refurbishment		■									
Public Services											
Road repairs	■	■	■	■	■	■	■	■	■	■	■
Sewer rehabilitation	■	■	■	■	■	■	■	■	■	■	■
Bellegreve Pumping Station		■	■	■							
Fountain Vinery Pumping Station			■	■							
Vazon Pumping Station			■	■							
Coastal Defence		■									

* Approved and in progress