

Media Release

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2021 Budget reflects extraordinary impact of COVID-19 pandemic

The Policy & Resources Committee is highlighting the serious impact the COVID-19 pandemic has had on Guernsey's public finances in the 2021 Budget, published today.

Essential steps were taken in 2020 to protect the health and wellbeing of Islanders and Guernsey's economy and the Bailiwick has been more resilient than many other jurisdictions because of the success of the community's COVID-19 response.

Some business sectors have already rallied and unemployment figures have fallen to near pre-COVID levels already. But the impact over the course of the year of the lockdown, the border restrictions and the ongoing costs of a range of COVID-related programmes such as the current border testing regime and upcoming vaccination programme mean there will be a significant deficit this year and next.

After a surplus in 2019, 2020 will now see an estimated overall general revenue Budget deficit of £59m with a £23m deficit forecast for 2021.

The Policy & Resources Committee has endeavoured to prepare a Budget that allows Committees to continue providing the services the community expects, and that they are committed to, while avoiding any immediate new taxes or major tax increases for the community.

For individuals, personal income tax allowances will rise by £300, while domestic TRP and duty of fuel, alcohol and tobacco will only rise by 1.5% in line with forecast RPIX.

The Committee has also recognised the very difficult challenges still faced by some sectors, particularly the hospitality sector, and therefore is proposing no increase in commercial TRP for Hostelry and Food Outlets and Self-catering Accommodation.

Under the Budget proposals, £82m from the Core Investment and General Reserves will be used to fund the 2020 and 2021 deficits and no transfers will be made to the Capital Reserve, which would otherwise have totalled £89m over the two years. But the Committee is extremely mindful that this provides a solution only for the coming year and government now faces major challenges, particularly as it is still not known for how long and how severe the impact of COVID-19 will ultimately be.

A Fiscal Review was already due to take place and return to the States seeking to address major challenges in the funding of public services identified pre-COVID. These were a result of both the rising cost of existing public services forecast principally because of the Island's ageing population, coupled with the cost of several new services agreed by previous States Assemblies. These challenges remain, but given the additional impact of the pandemic, it is a key priority of the Committee to complete the Review in 2021.

Deputy Peter Ferbrache, President of the Policy & Resources Committee said

“We are in a far better position than many other jurisdictions and far better than we might have expected when the pandemic first arrived on our shores. Nonetheless we cannot downplay how devastating the impact of COVID-19 has been on public finances.”

Deputy Mark Helyar, the Treasury lead for the Policy & Resources Committee said

“We need our political colleagues and the community to be very realistic about our financial situation and how we spend public money going forward. The COVID-19 pandemic means some big, difficult questions are now brought into even sharper focus and must be answered by the new States Assembly. First and foremost, what level of public services should be provided and how much tax are we prepared to take from the economy and community in order to fund these?”

Ends