States of Jersey Treasury and Resources Department

FINANCIAL REPORT AND ACCOUNTS 2008

Treasury and Resources Department

P.F.C. Ozouf	Senator	Minister
J. Le Fondré	Deputy	Assistant Minister
E. Noel	Deputy	Assistant Minister
I. Black, BSc (Econ), CPFA	Treasurer of the States	

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I am pleased to present the 2008 Financial Report and Accounts of the States of Jersey.

Income rose in 2008 to £660 million, being £47 million more than the original budget and an 18% increase on 2007. The main increase compared to budget was in the yield from personal income tax which was in accordance with the revised forecast included in the 2009 Budget.

During 2008 the spending of States non-trading departments rose by 8.8% to £522 million. This increase included one-off costs associated with the Historic Child Abuse Enquiry and the cost of the income support transitional arrangements. The increase in the underlying level of expenditure was 5.5%.

Allocations to capital projects for the year amounted to £143 million, comprising an initial allocation of £40 million, detailed in the 2008 Business Plan and an additional in year allocation of £103 million for the new Energy from Waste Plant.

Increased levels of income and the decision to fund the entire capital programme from cash rather than borrowing resulted in a year end deficit of £5 million. At the end of the year our two reserves, the Strategic Reserve and Stabilisation Fund, stood at record levels with a combined value of £582 million.

In the post-war period, Jersey's economic performance has been remarkable. The island benefits from very high standards in health, education and other services and at the same time maintains some of the strongest public finances of any small state in the world. This success has been built on relatively low taxation and a prudent approach to financial management. Whilst I have every confidence in the future of our Island and we must continue out prudent and realistic approach to spending.

In 2009 the Treasurer will lead the single biggest change to financial management and accounting in the States in recent years, the introduction of GAAP accounting. We are one of the first small island jurisdictions in the world to introduce these accounting standards. The adoption of GAAP in 2009 will result in greater transparency, improved financial reporting, and most importantly, better information to guide our decision making.

I would like to thank all the staff and senior management teams at Treasury and Resources for what they have achieved during the year. In particular, the Comptroller of Income Tax, Malcolm Campbell who managed the introduction of GST in addition to running our efficient tax department.

Ian Black is now in his tenth year as Treasurer of the States. During this period he has significantly improved the States' finance function. His advice has contributed enormously to the position the island enjoys today and his dedication is enormously appreciated.

Equally, I also want to recognise the achievement of my predecessor, Senator Le Sueur. During his six years at the Treasury he gained approval for necessary reform of the Fiscal Policy. His contribution to the long term prosperity of the island is significant.

Together with my Assistant Ministers, Deputies Edward Noel and John Le Fondré, who has special responsibility for Property Holdings, we face a demanding yet exhilarating year ahead. Working with my Assistant Ministers and the Treasurer I intend to follow a positive and prudent approach to financial management, building on past successes and shaping the island's finances for the future.

Senator PFC Ozouf
28 May 2009

Treasurer’s Report

Executive Summary

In summary, the key results for 2008 are:

- **States’ Net General Revenue Income up by £101 million to £660 million, an increase of 18% on 2007:**
  - Income tax receipts up £70 million (16%) to £503 million
  - Income of £32 million from the first 8 months of operating the Goods and Services Tax
  - Island rates and other income of £91 million

- **Net Revenue Expenditure of Non-Trading Departments up by £42 million to £522 million, an increase of 8.8% on 2007**:
  - Net expenditure on Health and Social Services up 7.2%
  - Net expenditure on Social Security including housing subsidies up 13.1%
  - Overall increase includes one-off expenditure of £6.1m relating to the Historic Child Abuse Enquiry.
  - Non-Trading Departments ended the year £5.5 million or 1% underspent against Net Revenue Expenditure budgets

- **Allocation of £143 million to Capital Projects,** the main allocation being to the Energy from Waste Plant (£103m). Other significant projects include social housing, island infrastructure, St Peter’s School, and the prison cell block.

- **Annual deficit after capital expenditure allocation of £5 million.** Higher than planned tax receipts and an additional in year capital allocation of £103 million led to a £5 million deficit compared to a planned surplus of £58 million.

- **Funds of £582 million held in the Strategic Reserve and Stabilisation Fund.**

This summary considers the three key areas of States’ income and expenditure as reported in the Consolidated Fund: General Revenue Income raised through measures included in the 2008 Budget; Departmental Net Revenue Expenditure; and Capital Expenditure Allocation as planned for in the 2008 Business Plan.

On a basis consistent with, and allowing comparison to, the 2008 budget, the States recorded a deficit of £5 million in 2008. This compares with a surplus of £58 million originally estimated in the 2008 Budget. The movement from a planned surplus of £58 million to an actual deficit of £5 million was principally the result of the States’ decision to allocate £103 million to the Energy from Waste Plant capital project in 2008. Against this, higher than expected taxation income resulted in a smaller deficit than would otherwise have been recorded.

Departments’ Net Revenue Expenditure at £522 million was £7 million more than originally budgeted in the 2008 Business Plan. This additional expenditure was authorised through increases to Departmental budgets, including the carry forward of unspent 2007 budgets, transfers between capital and revenue budgets and additional funds voted by the States for the Historic Child Abuse Enquiry. Net Expenditure in 2008 totalled £522 million compared to a final authorised budget of £528 million, an underspend of £5.5 million or 1% of budget. The following table summarises the 2008 Out-Turn compared to the original budget.

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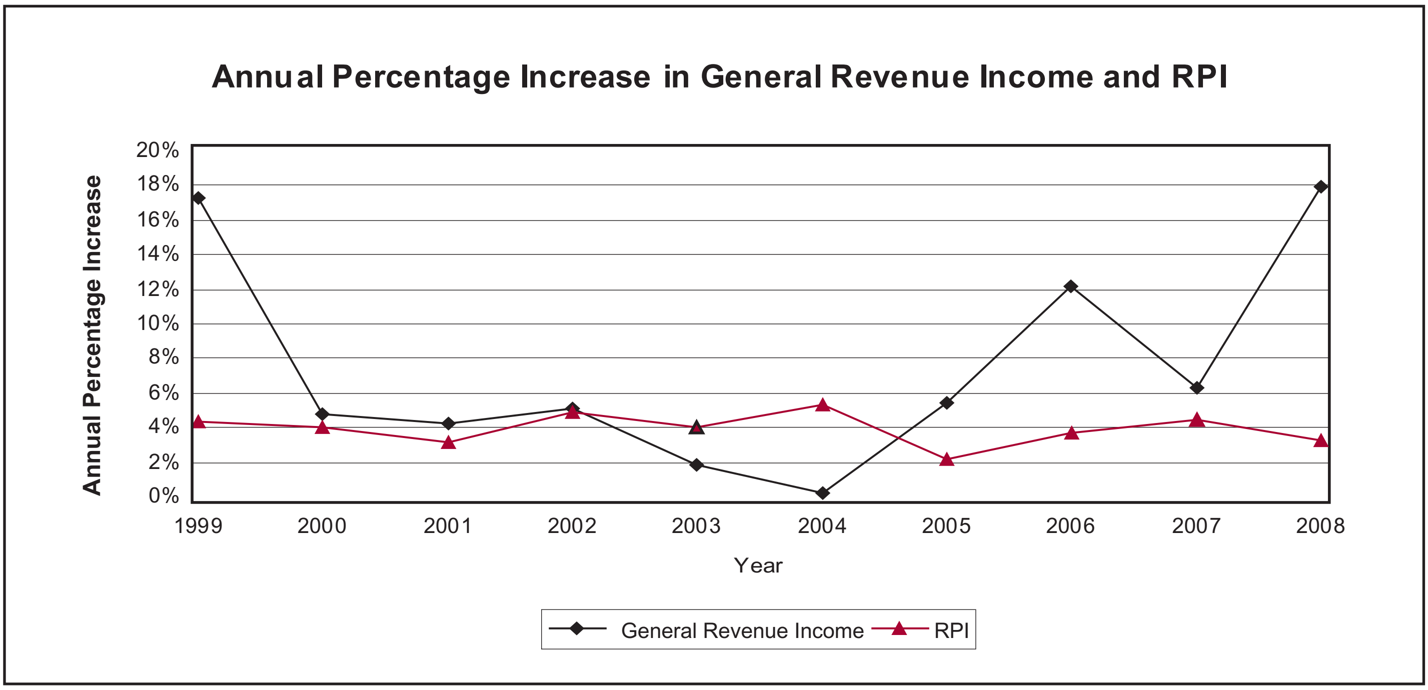
Table 1 Summary Out-Turn

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million
613	Net General Revenue Income	660	559
(515)	Net Revenue Expenditure	(522)	(480)
(40)	Capital Expenditure Allocation	(143)	(42)
58	**Surplus / (Deficit) after Capital Expenditure Allocation**	**(5)**	**37**

The figures in this table are shown to allow direct comparison to the Budget and Business Plan. Tables 4 and 7 of this report reconcile these figures to the Consolidated Fund accounts.

Setting these results in the context of recent history, the following graph presents the annual percentage increase in General Revenue Income over the past ten years compared to annual RPI increases. This shows that the increase in 2008 (17.9 %) is at its highest level for ten years reflecting both the strong performance of the island's economy over recent years and the introduction of a new Goods and Services Tax in 2008.

Graph 1 - Annual Increases in General Revenue Income and RPI



A similar analysis of Net Revenue Expenditure in the following graph shows that Net Revenue Expenditure has increased by 8.8% compared to a RPI increase of 3.3%. This increase includes one-off expenditure relating to the Historic Child Abuse Enquiry and the cost of the income support transitional arrangements.

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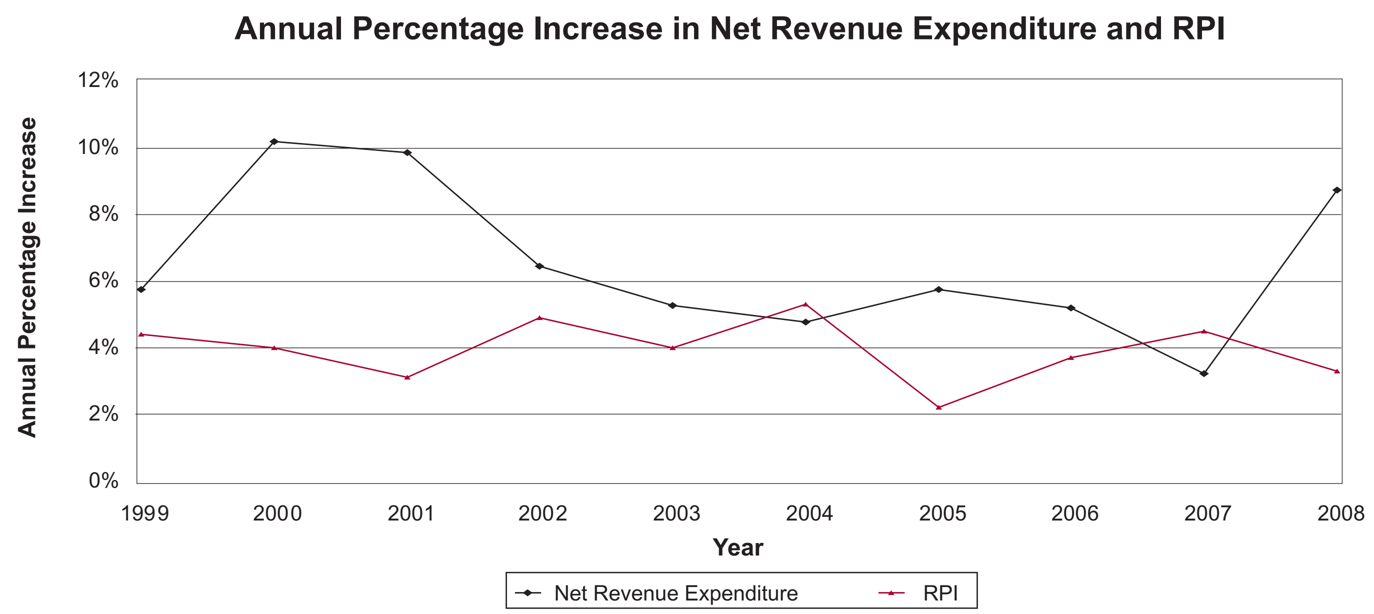
Graph 2 - Annual Increases in Net Revenue Expenditure and RPI



As at 31 December 2008, the States' net assets totalled nearly £1.5 billion approximately a third of which (£582 million) is held in the form of its key reserves. The Strategic Reserve balance was £507 million, whilst the balance in the Stabilisation Fund totalled £75 million. The balance sheet indicates that the States' assets are sufficient to meet all its financial liabilities.

The Composition of the States of Jersey Accounts

The aggregated accounts for the States of Jersey report on the financial results of the States during 2008, and the financial position at the end of 2008. The annex to the accounts includes details of the financial results of individual departments and funds. The non-financial performance of States' departments is published separately in the Annual Performance Report. The key components of the States of Jersey accounts are summarised in the following diagram.

Figure 1 The Component Parts of the States of Jersey Accounts

STATES OF JERSEY AGGREGATED ACCOUNTS				
CONSOLIDATED FUND	**SUBSIDIARY COMPANY**	**TRADING FUNDS**	**RESERVES**	**SPECIAL FUNDS**
MINISTERIAL DEPARTMENTS	WATERFRONT ENTERPRISE BOARD LTD	HARBOURS	STRATEGIC RESERVE	LOANS FUNDS
NON-MINISTERIAL DEPARTMENTS		AIRPORT	STABILISATION FUND	CI LOTTERY FUND
GENERAL REVENUE INCOME		FLEET MANAGEMENT		CURRENCY FUNDS
		CAR PARKS		ICT & TOURISM FUNDS

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There are specific governance arrangements in place for the different funds identified above; these are described in this report and in some specific cases in the annex to the accounts. In addition there are also funds administered by officers of the States of Jersey that are not included in these accounts, which are described in the notes to the accounts.

2006 saw the introduction of an improved approach to financial control within the States of Jersey with the implementation of the Public Finances (Jersey) Law 2005. Amongst other measures (such as the establishment of the function of Comptroller and Auditor General and the ability of the Treasurer of the States to issue financial directions) the new law designated the Chief Officer of each States' funded body as its Accounting Officer. Each Accounting Officer is responsible for ensuring that expenditure does not exceed the amount allocated to their department and is used for the purpose for which it was appropriated, that records and proper accounts of all financial transactions are maintained, that the resources of the department are used economically and effectively and that the provisions of the law in their application to the department are otherwise complied with. In discharging these overall responsibilities, the Accounting Officer is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the functions of the Accounting Officer and which includes arrangements for the management of risk. A list of Departments and the Accounting Officers in post during 2008 is included in the report and accounts.

The Consolidated Fund

The Consolidated Fund is governed by the Public Finances (Jersey) Law 2005. This is the fund through which the majority of the States' income and expenditure is managed. General Revenue Income and Departments' expenditure on public services is all accounted for through this fund.

Planning for income to the Consolidated Fund is governed through the States' Annual Budget which sets out the taxation measures and the expected level of income. Further details of this process can be found in the States' Annual Budget.

Through the Annual Business Plan debate, the States Assembly allocates funding to Departments' Net Expenditure Cash Limits (budgets) from the Consolidated Fund. Departmental Cash Limits may change during the year, subject to the approval of the Minister for Treasury and Resources or the States Assembly. Cash Limits may be changed for one of the following reasons; all such changes are reported to the States.

- Unspent Cash Limit voted by the States in 2007 may be approved for carry forward to 2008
- Amounts may be transferred between approved capital projects and revenue budgets
- Additional amounts may be approved by the States during the year

Comparing Out-Turn to Budget

The States main sources of income are planned for and forecast in the States' Annual Budget and the States' Annual Business Plan. The States' main control on expenditure is through Net Revenue Expenditure cash limits voted by the States to departments in the Annual Business Plan.

The following table shows that Net General Revenue Income was £660 million, £47 million more than originally forecast and that Net Revenue Expenditure was £522 million, £7 million more than originally planned. This additional expenditure was appropriately authorised through approved changes to departments' cash limits. The final net revenue expenditure out-turn of £522 million compares to a final authorised budget of £528 million, an underspend of £5.5 million. The following table summarises this out-turn.

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Table 2 – The Consolidated Fund Net General Revenue Income and Net Revenue Expenditure

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million
	Net General Revenue Income		
613	Net General Revenue Income	**660**	**559**
	Departmental Net Revenue Expenditure		
611	Gross Departmental Expenditure	631	583
(96)	Departmental Income	(109)	(103)
515	**Net Revenue Expenditure**	**522**	**480**

During 2008, the total Net Revenue Expenditure Cash Limit increased by £13 million from £515 million to £528 million. The following table details these changes; further detail is provided in the annex to the accounts.

Table 3 - Net Revenue Expenditure Cash Limit Changes

	Net Revenue Expenditure Cash Limit £' million
Net Expenditure voted by States in 2008 Business Plan	**515**
Unspent Revenue Expenditure voted by the States in the 2007 Business Plan and approved for carry forward to 2008 by the Minister for Treasury and Resources	3
Amounts transferred between approved capital projects and revenue budgets	4
Additional amounts approved by the States during the year in respect of funding for the Historic Child Abuse Enquiry	6
Final Approved Budget	**528**

Consolidated Fund Income

Consolidated Fund income for the year was £773 million, including income tax of £503 million before provision for bad and doubtful debts. The following graph and table show all the main areas of income to the Consolidated Fund and how they compare with estimate and the prior year.

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Graph 3 Consolidated Fund Income

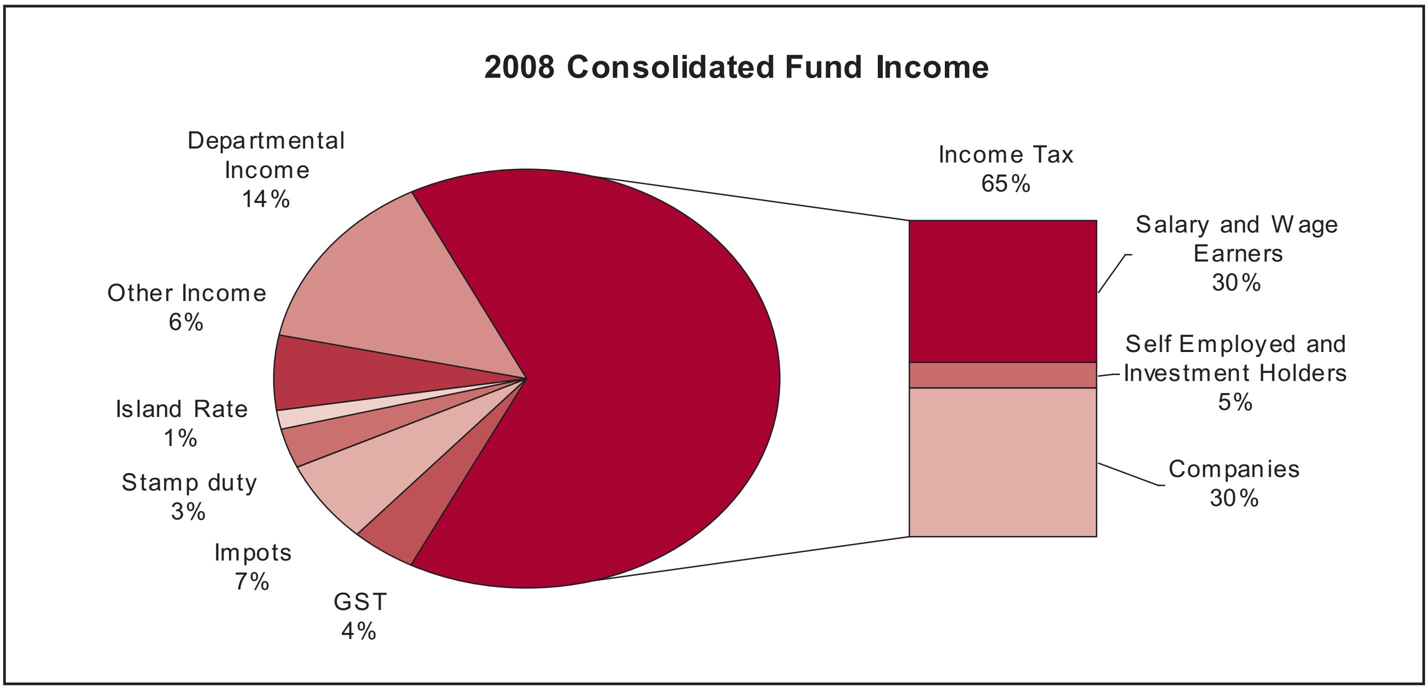

Table 4 Consolidated Fund Income

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million
	Net Consolidated Fund Income		
460	Net Income Tax	499	430
30	Goods and Services Tax (GST)	32	–
52	Impôts	50	54
28	Stamp Duty	24	29
10	Island Rate	10	10
33	Other General Revenue Income	45	36
613	**General Revenue income**	**660**	**559**
96	Departmental Income	109	103
709	**Net Consolidated Fund Income**	**769**	**662**
	Provision for bad and doubtful income tax debts[1]	4	4
	Gross Consolidated Fund Income	**773**	**666**

[1] Gross Income tax receipts amount to £503 million.

Income Tax

The standard rate of Income Tax remained at 20 pence in the pound in 2008. International business companies are charged at lower rates than this on income and profits arising from international activities whilst the Exempt Company charge is a flat fee of £600. Total income tax revenues were as follows:

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Table 5 2008 Income Tax Revenues

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million	Increase %
197	Salary and Wage Earners	229	200	15%
35	Self Employed and Investment Holders	41	38	8%
228	Companies	233	196	19%
-	Provision for bad and doubtful debts	(4)	(4)	-
460	**Net Income Tax [1]**	**499**	**430**	**16%**

[1] Gross Income tax receipts before provision for bad and doubtful debts amount to £503 million.

Tax raised in 2008 arises from trading profits in 2006 and other income sources in 2007. The 16% increase in tax yield in 2008 compares to an 8% increase in 2007. The 15% increase in income from personal tax reflects the introduction of proportional personal tax allowances, the impact of ITIS collection and growth in employment and pay. The tax raised from self employed and investment holders has continued to increase, increasing from £38 million in 2007 to £41 million in 2008.

Tax raised from Companies includes one-off receipts of approximately £10 million which are not expected to be repeated. In addition, a number of long outstanding appeals have been settled in 2008 resulting in additional income of approximately £12 million being recognised in the period.

Goods and Services Tax

The Goods and Services Tax (GST) was introduced at 3% with effect from 6 May 2008. Income from GST during May to December 2008 was £32 million, slightly ahead of the original forecast in the 2008 Budget and broadly in line with the revised forecast income of £33 million detailed in the 2009 Budget.

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Impôts and Customs Duties

Impôts and customs duties yielded £49.8 million in 2008, £4.1 million down on 2007 and £2.2 million less than originally budgeted.

Table 6 Impôts and Customs Duties

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million	Increase/ (Decrease) %	Duty Increase applied in 2008 Budget %
3.8	Spirits	4.0	3.9	3%	4.0%
5.6	Wines	5.9	5.7	4%	3.9%
0.7	Cider	0.7	0.7	0%	3.8%
5.0	Beer	5.1	5.0	2.%	2.6%
12.0	Tobacco	12.7	12.7	0%	4.4%
20.5	Fuel	20.5	19.9	3%	5.1%
4.3	Vehicle Registration Duty	0.7	5.8	(88)%	-
0.1	Customs Duty	0.2	0.2	0%	-
52.0	**Total Impôts and Customs duties**	**49.8**	**53.9**	**(8)%**	**-**

Stamp Duty

The yield from Stamp Duty fell by 17% to £24 million, reflecting the slow-down in house sales during the later part of the year. Vehicle Registration Duty ceased from 6 May 2008. This is reflected in the recorded level of income in the year.

Other Income

Other income of £45 million is analysed in the table below.

2008 Budget £' million		2008 Actual £' million	2007 Actual £' million	Increase / (Decrease) %
7.0	Interest Income	10.6	8.3	28%
3.4	Jersey Currency Surplus	4.3	3.4	26%
11.5	Dividends and Internal Returns	13.8	11.3	22%
4.1	Returns from Jersey Financial Services Commission	4.4	4.1	7%
5.5	European Union Savings Tax Directive Administration Income	9.4	7.3	29%
1.4	Fines and Other Income	2.5	2.5	0%
32.9	**Total Other General Revenue Income**	**45.0**	**36.9**	**22%**

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Consolidated Fund Expenditure

The vast majority of expenditure from the Consolidated Fund relates to States' Gross Revenue Expenditure, i.e. Ministerial and Non-Ministerial Departments providing core public services to the island. The capital repayment charge represents an approximation of a depreciation charge that would be applicable under UK GAAP. The following table summarises consolidated fund revenue expenditure.

Table 7 Consolidated Fund Expenditure

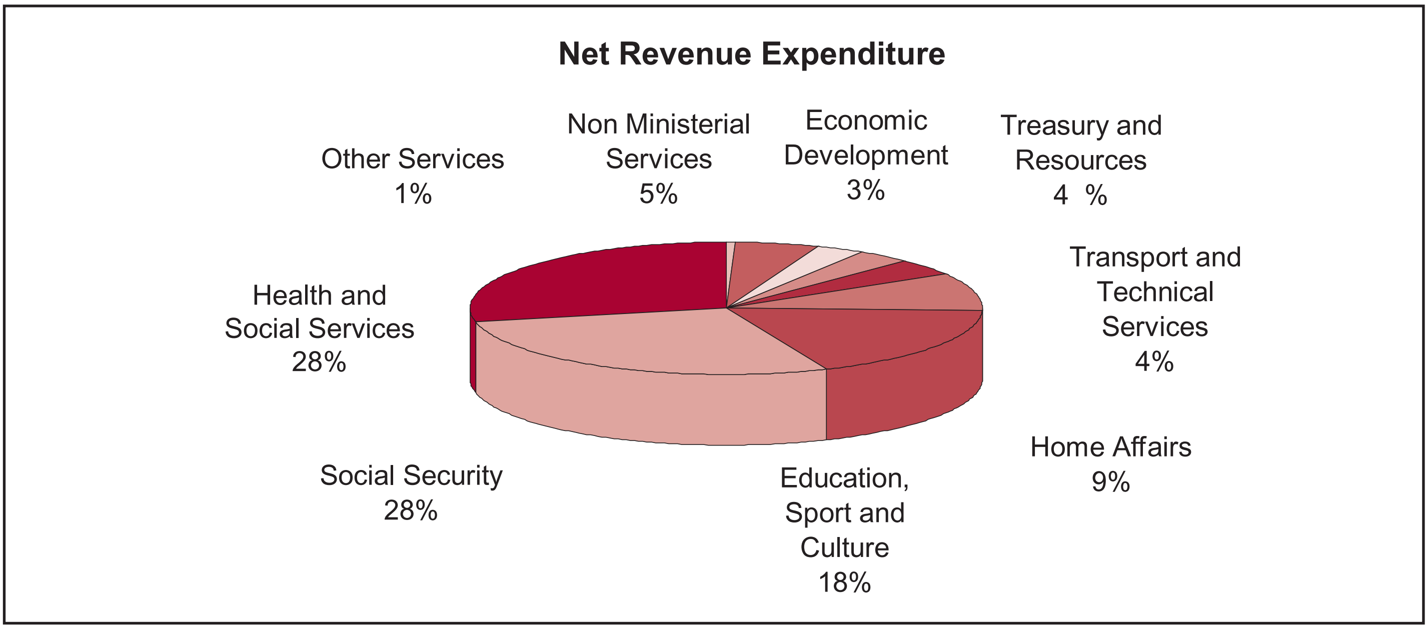
2008 Budget £' million		2008 Actual £' million	2007 Actual £' million
	Consolidated Fund Expenditure		
634	Gross Departmental Expenditure	631	583
–	Provision for bad and doubtful income tax debts	4	4
45	Capital Repayment Charge	39	39
606	**Total Expenditure**	**674**	**626**

The following paragraphs consider the main element of revenue expenditure from the Consolidated Fund. This is Departmental Net Revenue Expenditure of £522 million, being the net of gross departmental expenditure (£631 million) and departmental income (£109 million).

Departments' performance against budget is assessed on the basis of net revenue expenditure. The total net revenue expenditure (excluding capital repayment) of Departments totalled £522 million (£480 million in 2007), 71% of which related to expenditure on Health and Social Services, Education, Sport and Culture and Social Security. All Departments ended the year underspent or in line with their final budgets.

The following graph shows the distribution of expenditure across the key public services. Further details can be found in the annex to the accounts.

Graph 4 Distribution of Net Revenue Expenditure



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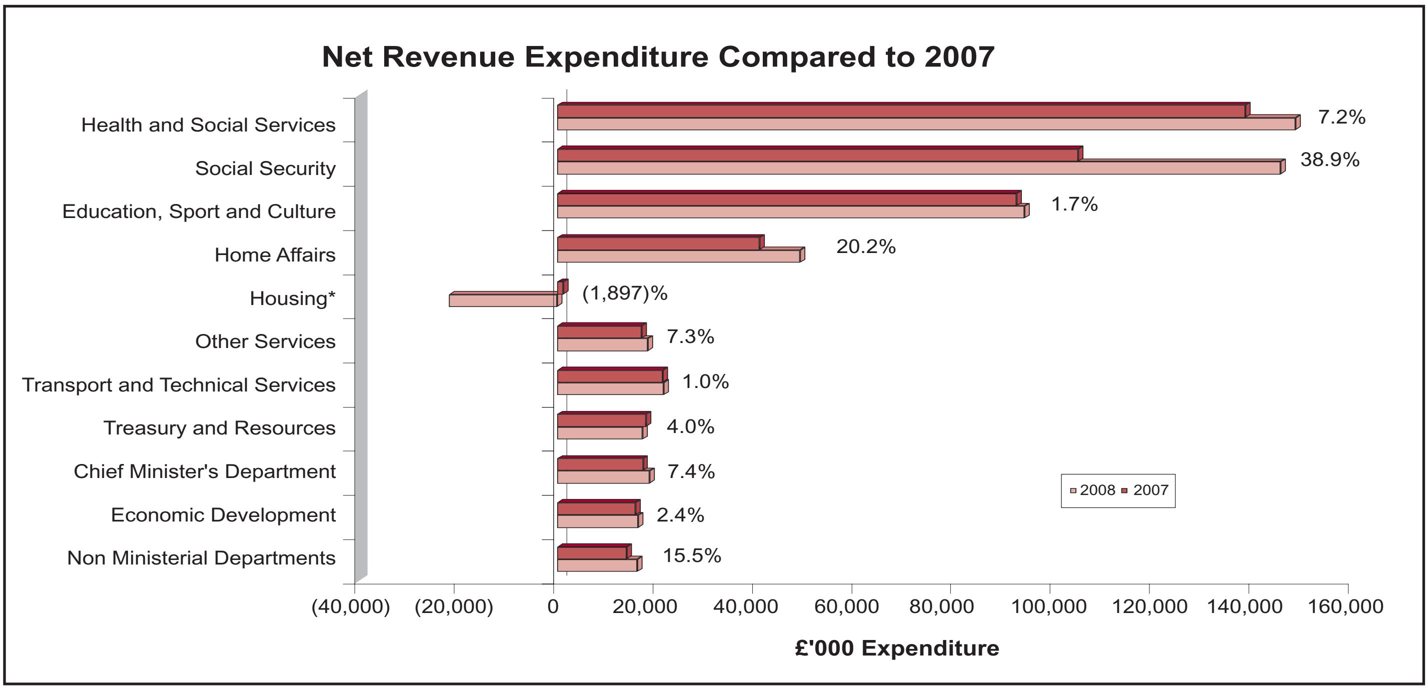
The following graph shows how expenditure on these key public services has changed compared to 2007.

Graph 5 Net Revenue Expenditure Changes Compared to 2007



* In 2008 the Housing department ceased paying Rental Subsidies as these became part of the new Income Support system. As a result, the department now has a net revenue income budget and outturn (as shown above).

The following paragraphs consider the most significant of these changes; further detailed analysis is contained in the annex to the accounts.

i. Health and Social Services Department

Net revenue expenditure increased by £10 million (7.2%) in 2008 compared with 2007. The 2008 budget and spend reflects increased funding of £3.4 million and efficiency savings of £0.6 million agreed in the 2008 Business Plan.

ii. Social Security Department

Net revenue expenditure increased over that of 2007 by £40.8 million (38.9%) to £145.5 million. A new Income Support system was introduced in January 2008, which now includes the rent subsidy budget from the Housing Department. A like for like comparison of expenditure including rent subsidies shows a 13.1% increase in social security expenditure. This increase includes the cost of income support transitional relief, protecting those households affected by the introduction of the new system.

iii. Education, Sport and Culture Department

Net revenue expenditure increased over that of 2007 by £1.5 million (1.7%) to £94 million. This relatively low increase in spend reflects a number of factors, and principally a reduction in demand for higher education from the one-off peak in 2007.

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iv. Home Affairs Department

Net revenue expenditure increased over that of 2007 by £8.2 million (20.2%) to £48.9 million. This was mainly due to the policing costs associated with the Historical Child Abuse Enquiry (HCAE), increases in staff costs due to pay awards and additional posts at the Prison.

v. Transport and Technical Services Department

Net revenue expenditure increased over that of 2007 by £218,000 (1.0%) to £21.5 million. Expenditure rose by £4 million (11%) but was offset by an increase in income of £3.8 million (27%). The significant increase in expenditure and income arose as a result of the transfer of the Jersey Harbours Engineering Section and Housing Cleaning Section in 2008 from the relevant departments to the Transport and Technical Services Department.

vi. Economic Development Department

Net revenue expenditure by the Department increased by £379,000 (2.4%) compared to 2007. This included increased expenditure on Enterprise and Business Development and support for the Finance Industry. These increases were offset by a reduction in expenditure on other services.

vii. Treasury and Resources Department

Net revenue expenditure decreased by £711,000 (4.0%) compared to 2007. This reflects £658,000 of efficiency savings, largely relating to property maintenance, that were allocated to the Department in the 2008 Business Plan.

viii. Chief Minister’s Department

Net revenue expenditure increased by £1.3 million (7%) compared to 2007. The majority of the increase relates to transfers between capital and revenue budgets and additional expenditure relating to the Historic Child Abuse Enquiry.

More detailed narrative of each department’s performance can be found in the Annex accompanying these accounts.

Capital Expenditure

The States capital expenditure allocation from the Consolidated Fund for 2008 was £143 million (including £103m allocated to the Energy from Waste plant). During 2008, capital expenditure from the Consolidated Fund amounted to £45.4 million (£42.2 million in 2007).

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The major projects funded from the Consolidated Fund with a spend of more than £1 million in 2008 are listed below.

Table 8 Spend on Major Capital Projects

Project	Spend in 2008 £' million	Spend to Date £' million
Le Rocquier School	1.0	22.1
Le Marais	4.8	5.8
The Cedars	3.0	3.5
Clos du Fort	1.0	1.4
Energy from Waste Plant*	22.1	25.3
GST implementation	1.2	1.4
Highlands College	1.4	1.7
St Peter's School	3.5	4.6
Prison Cell Block Reconstruction	4.6	7.1

*Expenditure on the Energy from Waste Plant in the table above includes all amounts paid to contractors by the end of 2008. Of this, £19.5m is included in prepayments in the balance sheet.

At 31 December 2008 £183.5 million of capital funding allocated in 2008 and previous years had yet to be incurred. The significant approved but unspent funds included £83 million on the Energy from Waste Plant, £13 million for three other T&TS projects, £13 million for the relocation of the Police Station Headquarters, £6 million for Housing renovation projects, £5 million for the Health Integrated Care Record Programme, £4 million relating to the Prison Cell Block Reconstruction Phase 3, £4 million on Highlands College, and £3 million for the extension of the A&E and Radiology departments.

The aggregated accounts also include capital expenditure from other States' funds; total States capital expenditure in 2008 is summarised in the table below.

Table 9 Capital Expenditure Summary

Capital Expenditure Financed from	2008 £' million	2007 £' million
Consolidated Fund	45.4	42.2
Trading Funds	23.3	12.6
Housing Development Fund	0.2	-
Waterfront Enterprise Board	2.3	0.2
Total Capital Expenditure	**71.2**	**55.0**

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The States' Trading Operations

Use of Trading Funds is governed by the Public Finances (Jersey) Law 2005. Trading Funds are designated by the States as a distinct or disparate trading operation of the States. Planning for income and expenditure of Trading Funds is governed through the States' Annual Business Plan.

The following table summarises the performance of each fund against budget and the Trading Fund balance at 31 December. The Trading Fund balance recorded against each fund is held to meet future expenditure from the fund. Financial statements for each fund can be found in the annex to these accounts.

Table 10 Trading Funds Summary

2008 Budget Surplus £' million	Trading Operation	2008 Out-Turn Income £' million	2008 Out-Turn Expenditure £' million	2008 Out-Turn Surplus £' million	2007 Surplus £' million	Fund Balance at 31/12/08 £' million
1.3	Harbours	14.8	12.6	2.2	2.2	9
3.9	Airport	28.7	22.1	6.6	6.4	32
0.9	Car Parks	6.3	5.6	0.7	1.6	10
0.2	Fleet Management	3.1	3.1	-	-	1
6.3	**Total**	**52.9**	**43.4**	**9.5**	**10.2**	**52**

This analysis includes depreciation, not shown in the Trading Funds Operating Accounts, and excludes changes in pension liability provisions in respect of trading operations which amounts to a total of £7.2 million.

Separately Constituted Funds

The Public Finances (Jersey) Law 2005 allows the States to establish special funds. These are funds with a specific purpose and are usually established by legislation or a States' decision. The governance arrangements are therefore specific to each individual fund; these are detailed in the annex to these accounts.

The following table summarises the financial out-turn and position of each fund. Further details can be found in the Annex accompanying these accounts.

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Table 11 Special Funds Summary

Fund	Income £'000	Expenditure £'000	Non-operating Expenditure £'000	Surplus / (Deficit) £'000	Accumulated Reserve Balance £'000
Dwelling House Loans Fund	1,940	(43)	-	1,897	27,369
Assisted House Purchase Scheme	422	(257)	-	165	1,973
99 Year Leases[1]	53	(53)	-	-	83
Agricultural Loans Fund[1]	263	(263)	-	-	-
Jersey Currency Notes[1]	4,237	(4,237)	-	-	1,937
Jersey Coinage[1]	737	(737)	-	-	378
Tourism Development Fund	88	(675)	-	(587)	1,107
ICT Fund	-	(365)	-	(365)	-
CI Lottery	3,493	(3,382)	-	111	446
Housing Development Fund	707	(4,873)	1,162	(3,004)	4,769
Total	**11,940**	**(14,885)**	**1,162**	**(1,783)**	**38,062**

[1] Operating surpluses and deficits from these funds are transferred to the Consolidated Fund; this is explained in the annex to the accounts.

In addition, the States has a subsidiary company, the Waterfront Enterprise Development Board. Its financial results are included within the States accounts and are summarised in the following table.

Table 12 Subsidiary Company

Subsidiary Company	Income £' million	Expenditure £' million	Non-operating Income £' million	Net Assets £' million
Waterfront Enterprise Board	1.1	(8.0)	11.5	4.6

This result differs from that published in the Waterfront Enterprise Board's accounts as these figures have been adjusted to reflect the States of Jersey accounting policies.
Non-operating income is the gain on disposal of assets shown in non-operating expenditure in the Operating Cost Statement.

Reserves

The States operates two reserves with specific purposes. The financial position of these reserves is summarised below.

Table 13 Summary of Reserves

Reserve	Income £' million	Expenditure £' million	Surplus £' million	Net Assets £' million
Strategic Reserve	30	(2)	28	507
Stabilisation Fund	3	-	3	75
Reserves	**33**	**(2)**	**31**	**582**

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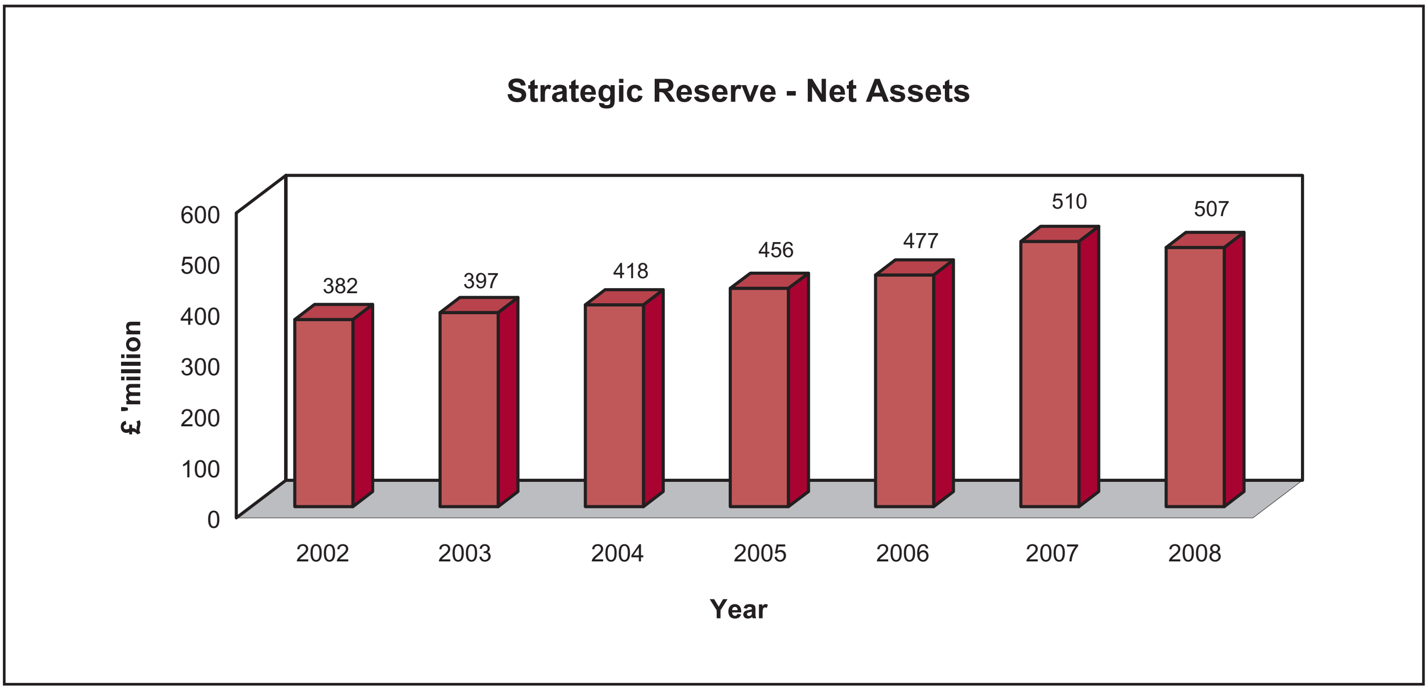
Strategic Reserve

The Strategic Reserve is the States' long-term reserve, set up in the mid 1980s to safeguard against a major downturn in the economy. The purpose of the reserve was clarified by the States in December 2006 when they agreed that the Strategic Reserve should be a permanent reserve, where the capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major island industry or from major natural disaster. The total value of the reserve at year end was £507 million (£510 million in 2007). Overall the Reserve has weathered recent turmoil in the financial markets well, and performed considerably better than the FTSE. The States did not have any significant exposure to any of the high profile financial institutions that have recently faced difficulties. Expenditure relates to investment fees and the appropriation of investment returns to the Currency Fund.

The following graph shows the market value of the Strategic Reserve over recent years.

Graph 6 Strategic Reserve Net Assets



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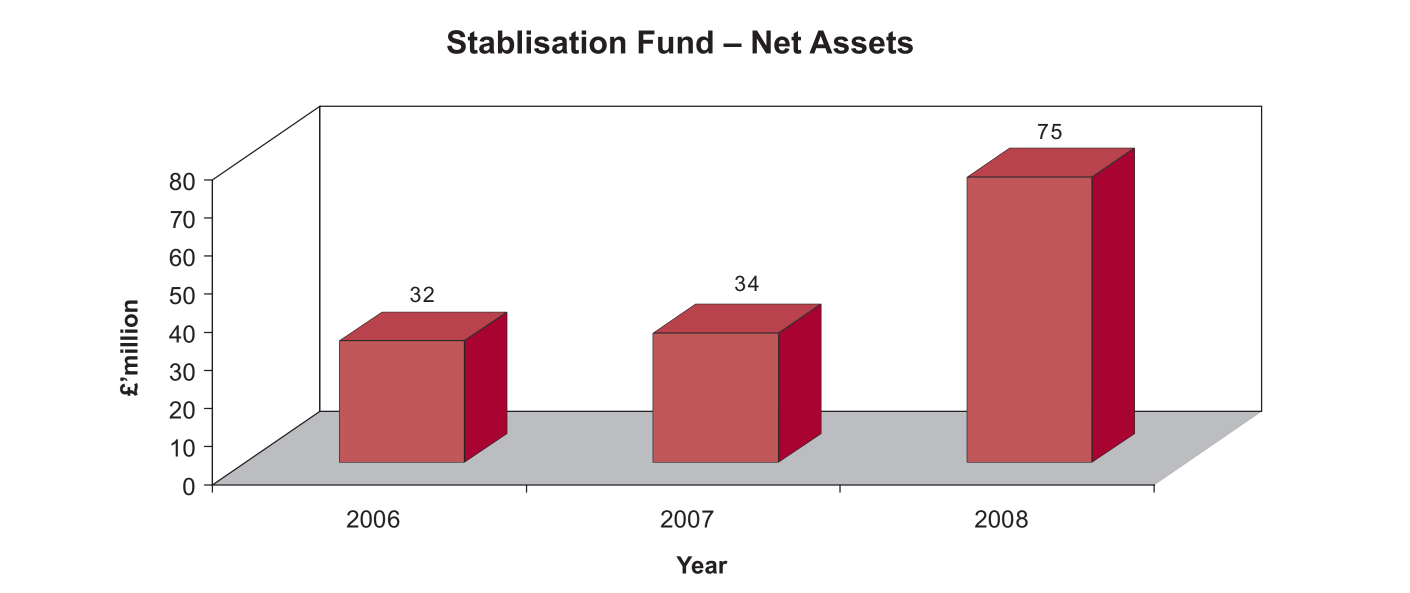
Stabilisation Fund

In December 2006 the States agreed to establish a Stabilisation Fund, the purpose of the fund being to make fiscal policy more countercyclical, providing some protection from the adverse impact of economic cycles, and creating in the Island a more stable economic environment with low inflation. This will involve taking money out of the economy and paying it into the Fund when it is growing strongly and drawing money down from the Fund to support the economy when it is performing more weakly.

Following the agreement of the States, the fund was established with a transfer of £32 million of surplus funds previously held in the Dwelling House Loans Fund. In 2008 a further £38 million was transferred to the Fund. During 2008 the fund has achieved a return of 5.8%. The following graph shows the Net assets of the Stabilisation fund since inception.



The Minister for Treasury and Resources is responsible for proposing to the States transfers between the Consolidated Fund and Stabilisation Fund having regard to the advice of a new independent Fiscal Policy Panel (FPP). The FPP has been appointed by the States on the recommendation of the Minister. Towards the end of 2008 the FPP recommended that a further £63 million should be transferred to the Stabilisation Fund. This was effected in January 2009.

The States of Jersey Aggregated Accounts

This report and accounts reflect the financial out-turn of the States of Jersey for 2008; they have been prepared as directed by a Ministerial Order issued under the Public Finances (Jersey) law 2005. To set them in context it will be helpful to have an appreciation of the States' aims and objectives and the financial regime in which we operate.

The States' Strategic Plan, which was approved by the States in June 2006, describes six main themes, or commitments:

- Maintain a strong, successful and environmentally sustainable economy;
- Create the environment in which everyone in Jersey has the opportunity to enjoy a good quality of life;
- Promote a safe, just and equitable society;
- Maintain and enhance the natural and built environment;
- Create a strong, recognised identity for Jersey and promote a real sense of belonging;
- Ensure that States services are necessary, of high quality and efficiently run.

Treasurer's Report

The detail of the plan is kept under review to ensure that the overarching commitments and objectives are achieved. Accordingly, the Council of Ministers reviews the Strategic Plan as a matter of course during the annual business planning process, and in particular, reviews and continually updates the impact of changes in policy, or other unforeseen expenditure, on the financial framework.

This is the framework within which the Executive develops policy, allocates resources and delivers services. To deliver the Strategic Plan, an Annual Business Plan is prepared. This plan outlines the delivery of public services, our key objectives and the resources required to deliver these services. The Annual Business Plan is debated by the States Assembly which approves each Department's resource allocation (budget), key objectives/priorities and success criteria as well as an allocation to fund capital projects. States members also have an opportunity to reconfirm, or amend, the priorities originally set out in the Strategic Plan.

To fund proposals contained within the Annual Business Plan the Minister for Treasury and Resources prepares an Annual Budget. The States Assembly considers this Budget and approves measures to raise revenue through taxation each year. This is done within the context of the States' Fiscal Strategy.

This report and accounts present the financial out-turn compared to both the planned expenditure approved in the Annual Business Plan and the estimated income reported in the Budget. In addition, the States' holds a number of special funds, such as the Channel Island Lottery, which are included within these aggregated accounts.

The States of Jersey is committed to implementing modern generally accepted accounting principles. We are in the midst of a transition to these new standards; these accounts reflect the third year of the ministerial system of government.

The accounts fairly reflect the financial position of the States of Jersey for the financial year ended 31 December 2008. Our accounting policies are outlined in the accounts and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The main statements included in the accounts are detailed below along with an explanation of their purpose.

Operating Cost Statement

This statement, introduced this year for the first time, reflects the move towards GAAP and the format of the States' accounts moving forward. It replaces the Income and Expenditure Account previously shown in the accounts. It provides a more informative analysis of the States' income and expenditure, highlighting income levied by the States of Jersey, such as taxation, other income, and States' expenditure on social benefits, staff costs, grants and subsidies and other expenditure. It encompasses all the entities that comprise the States of Jersey; a segmental analysis is included in the notes to the accounts providing further analysis of the States' income and expenditure.

Aggregating the component parts of the States of Jersey Accounts, the Operating Cost Statement for 2008 shows an aggregated surplus of income over expenditure of £57m. It is important to emphasise that this reflects all the income and expenditure of the States of Jersey. The following table breaks this down into the main areas.

Treasurer's Report

Table 16 States of Jersey Income and Expenditure (All figures shown in £ million)

	Consolidated Fund[1]	Trading Funds	Reserves	Separately Constituted Funds (including WEB)	States of Jersey as a whole
Income	773	53	33	13	872
Expenditure	(674)	(43)	(2)	(23)	(742)
Non-operating expenditure	(78)	(7)	-	12	(73)
Surplus	**21**	**3**	**31**	**2**	**57**

The Consolidated fund comprises General Revenue Income, Net Revenue Expenditure, surpluses on the disposal of assets and capital servicing. Pension provisions relate to the movement in the potential costs of the States pension schemes. These figures reflect the restructuring of the Jersey Teachers Superannuation Fund to generally mirror the Public Employees' Contributory Retirement Scheme arrangements, whereby the States' liability is limited and it is not responsible for meeting any ongoing deficiency in the schemes beyond agreed responsibility for existing past service liabilities. Further details of the States' pension schemes can be found in note 4 to the accounts.

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses provides a summary of the States' financial gains and losses regardless of whether or not they were shown in the Operating Cost Statement or the Balance Sheet. This includes the surplus for the year from the Operating Cost Statement as well as other unrealised gains and losses.

Balance Sheet

The Balance Sheet provides a snapshot of our financial position as at 31 December. It sets out what we own, what we owe and what is owed to us at that point in time.

The Balance Sheet includes the valuation of the PECRS pre-87 liability. This is valued annually by an independent actuary in accordance with the agreement made between the States and the PECRS in 2005. Due to changes in assumptions and market conditions the value of the debt at 31 December 2008 is £226 million compared to £123 million in 2007. The basis of the amount payable to the PECRS by the States each year remains the same.

Cash Flow Statement

This statement summarises the total cash movements during the year for both capital and revenue purposes.

The accounts also include a set of notes that provide further analysis of the figures contained within the main statements. In addition, the annex to the accounts provides financial summaries and reports for the entities included within the States of Jersey Accounts. A glossary is included at the end of the annex to the accounts providing an explanation of the terminology used in this report and accounts.

Ian Black, BSc (Econ), CPFA
Treasurer of the States
28 May 2009

Auditors’ Report

INDEPENDENT AUDITORS’ REPORT TO THE MINISTER FOR TREASURY AND RESOURCES OF THE STATES OF JERSEY AND THE COMPTROLLER AND AUDITOR GENERAL OF THE STATES OF JERSEY

We have audited the Financial Report and Accounts of the States of Jersey for the year ended 31 December 2008 in accordance with the Public Finances (Jersey) Law 2005. They comprise the Aggregated Operating Cost Statement, the Aggregated Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The Financial Report and Accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the Treasurer of the States, the Comptroller and Auditor General of the States and auditors
The Treasurer’s responsibilities for preparing the annual Financial Report and Accounts are set out in the Public Finances (Jersey) Law 2005 and summarised in the Statement of Responsibilities for Preparing the Accounts.

The Comptroller and Auditor General’s responsibilities are to ensure that the Financial Report and Accounts is audited within 5 months of the end of the financial year.

We have been appointed by the Comptroller and Auditor General to audit the Financial Report and Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister for Treasury and Resources of the States of Jersey and the Comptroller and Auditor General of the States of Jersey in accordance with the Public Finances (Jersey) Law 2005 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Report and Accounts give a true and fair view in accordance with the Public Finances (Jersey) Law 2005. We also report to you whether in our opinion the information given in the Minister’s Report and Treasurer’s Report are consistent with the Financial Report and Accounts.

In addition we report to you if, in our opinion, the States has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by the Public Finances (Jersey) Law is not disclosed.

We review whether the Statement on Internal Control reflects the States of Jersey’s compliance with the relevant guidance issued by the Financial Advisory Board of the States of Jersey on 14 November 2006 and we report to you if it does not. We are not required to consider whether the statement covers all risks and controls. We are also not required to form an opinion on the effectiveness of the States’ corporate governance procedures or its risk and control procedures.

We read other information contained in the Financial Report and Accounts, and consider whether it is consistent with the audited Financial Report and Accounts. This other information comprises only Departmental Revenue Expenditure Statements, the Reserves Statements and Separately Constituted Funds Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Report and Accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Report and Accounts. It also includes an assessment of the significant estimates and judgments made by the Treasurer in the preparation of the Financial Report and Accounts, and of whether the accounting policies are appropriate to the organisation’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Report and Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Report and Accounts.

Opinions
In our opinion:

- the Financial Report and Accounts give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the States’ affairs as at 31 December 2008 and of the income and expenditure and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Public Finances (Jersey) Law 2005; and
- the information given in the Minister’s Report and the Treasurer’s Report is consistent with the Financial Report and Accounts.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

29 May 2009

Statement of Accounting Policies

i. Basis of Accounts

The Annual Financial Statements are prepared to meet the requirements of the Public Finances (Jersey) Law, 2005. It is planned over this and coming years that the accounts will increasingly reflect recognised accounting standards and principles, including United Kingdom Generally Accepted Accounting Principles (UK GAAP). The following paragraphs outline the accounting basis on which the 2008 accounts have been prepared. As part of the move to GAAP, the GAAP accounts presentation has been adopted for the preparation of the 2008 accounts. Full GAAP compliant accounts will be prepared for 2009.

ii. Aggregation and Consolidation

The accounts reflect the aggregated income and expenditure accounts and the balance sheet of the States of Jersey including the results of separately constituted funds but not Jersey Telecom Group Limited, Jersey Post Limited, Jersey Electricity Company Limited and Jersey New Waterworks Company Ltd.

As the Waterfront Enterprise Board Limited, a wholly-owned subsidiary, is a developer and agent of the States of Jersey, its results and financial position are aggregated within the States of Jersey accounts.

The accounts do not include Special Funds, such as legacies and bequests, which are administered by the States of Jersey. The Social Security Fund, Social Security (Reserve) Fund, and Health Insurance Fund will be published separately to the States accounts. The Criminal Offences Confiscation Fund and Drug Trafficking Confiscation Fund are not aggregated into the States' accounts but financial information will be published separately.

iii. Inter-Department Transactions

Transactions and balances between Departments, including interest on capital servicing incurred by States Trading Operations, are not eliminated in the preparation of the accounts.

iv. Related Party Transactions

The accounts do not contain any disclosures with respect to related party transactions.

v. Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated to sterling at rates current at the balance sheet date. Transactions are translated into sterling at the rate current at the date of the transaction. All foreign exchange differences are included in income and expenditure for the year.

vi. Income and Expenditure

Income and expenditure is accounted for using the accruals concept, i.e. income and expenditure are accounted for when goods and services are provided and received, unles specified otherwise.

Statement of Accounting Policies

vii. Income Tax and Impôts

Income Tax is recognised when an assessment is raised with provisions made for doubtful debts and adjustments following appeals. In addition, an estimate is made of repayments due under the Income Tax Instalment Scheme and a further provision is made. Tax collected in the year under the Income Tax Instalment Scheme which is due for assessment in the following year (tax collected on a current year basis) is recognised as receipts in advance.

Goods and services Tax (GST) is recognised on an accruals basis. GST is deemed to be receivable by the States of Jersey at the point of sale of goods or services which are liable to GST. GST is deemed to be payable by the States of Jersey at the point of payment by a registered business for goods or services which are liable to GST. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in the Operating Cost Statement.

Impôts duties are recognised when the goods are landed in Jersey.

viii. Provisions for Liabilities and Charges

A provision is made in the accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

ix. Fixed Assets

Fixed Assets are categorised according to their source of funding as opposed to being classified according to their nature, function or use in business.

A capital repayment charge is made as an approximation to any depreciation charge that would be applicable under UK GAAP, including an element in respect of land, which would not be depreciated under UK GAAP. The capital repayment charge is calculated as cost at the end of the year divided by the estimated remaining life of the asset. Assets in the course of construction are held at cost. Completed fixed assets are held at cost less capital repayments.

Useful economic lives (by category) over which assets are depreciated or over which capital servicing is allocated are as follows:

Buildings	50 years
Infrastructure	10-30 years
Plant and Equipment	5-10 years
Fixtures and Fittings	5-10 years
Vehicles	5 years
Computer hardware and software	3-5 years

Statement of Accounting Policies

For expenditure where the source of funding has been designated as capital, but where the whole or majority of the spend is deemed to be revenue in nature, a capital repayment charge equivalent to the whole cost incurred in the year is made.

x. Leased assets

Assets held under finance leases or sale and lease-back arrangements are capitalised as fixed assets and depreciated over the shorter of the lease term or their estimated useful economic lives. Rentals paid are apportioned between reductions in the capital obligations included in creditors, and finance charges charged to the Operating Cost Statement. Expenditure under operating leases is charged to the Operating Cost Statement in equal instalments over the period of the lease.

xi. Capital Grants

Capital grants received in respect of the construction of tangible fixed assets are carried forward in the balance sheet until such time as the related asset is constructed and are then deducted from the construction costs.

xii. Strategic Investments

Although the States of Jersey holds a majority of the ordinary voting shares in the Jersey Telecom Group Limited, the Jersey Post Limited, the Jersey Electricity Company Limited and the Jersey New Waterworks Company Ltd, the accounts of these are not consolidated as they are strategic investments and information on these companies is better provided by reference to the separate accounts. These investments are stated at cost less provision for any permanent diminution in value.

xiii. Other Investments

Investments held other than for strategic purposes, principally for investment returns, are carried at market value.

Profits or losses on disposal or redemption of investments are included in the Operating Cost Statement when realised.

Unrealised gains and losses on investments are included in the Statement of Total Recognised Gains and Losses.

Income on interest-bearing investments is recognised on an accruals basis. Income on other investments is recognised when receivable.

xiv. Stock and Work in Progress

Stock and work in progress includes site developments held for resale by the Waterfront Enterprise Board Limited and other general stocks.

All stocks are held at the lower of cost and net realisable value.

Statement of Accounting Policies

xv. Debtors, Prepayments and Advances

Debtors are recognised on an accruals basis reflecting goods and services provided for which income is due as at 31 December 2008.

Prepayments are recognised on an accruals basis reflecting goods and services that have been paid for but no benefit received as at 31 December 2008.

Advances are recognised on an accruals basis reflecting the amounts advanced less any capital repayments received.

Debtors, prepayments and advances are recognised at amortised cost less provision for any permanent diminution in value.

xvi. Creditors

Revenue creditors are recognised on an accruals basis reflecting goods and services received in the year ending 31 December 2008, which have not been paid for as at 31 December 2008.

Capital creditors include the cost of all work certified as complete up to the 31 December 2008.

Creditors are recognised at amortised cost less provision for any permanent diminution in value.

xvii. Cash and Liquid Resources

Cash and Liquid Resources are cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Cash includes cash in hand and deposits denominated in foreign currencies.

xviii. Contingent Liabilities

A contingent liability is disclosed where:

- a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the States of Jersey's control; or

- a present obligation arises from past events but has not been recognised because:
    - it is not probable that a transfer of economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

Statement of Accounting Policies

xix. Pension Schemes

The States of Jersey operates two principal pension schemes for certain of its employees; Public Employees' Contributory Retirement Scheme (PECRS) and Jersey Teachers' Superannuation Fund (JTSF). In addition one further pension scheme exists, the Jersey Post Office Pension Fund (JPOPF). This scheme, which relates to Jersey Post International Limited (a wholly owned strategic investment), is closed to new members. The assets of each scheme are held in separate funds.

The Jersey Post Office Pension Fund is accounted for as a conventional defined benefit scheme in accordance with Financial Reporting Standard (FRS) 17.

The Public Employees' Contributory Retirement Scheme and Teachers' Superannuation Fund, whilst final salary schemes, are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the schemes.

Employer contributions to the schemes are charged to revenue expenditure in the year they are incurred.

In agreeing P190/2005 the States confirmed responsibility for the past service liability which arose from restructuring of the PECRS arrangements with effect from 1 January 1988. This liability is recognised in the accounts.

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme mirrors the Public Employees' Contributory Retirement Scheme. A provision for past service liability, similar to the PECRS pre-87 past service liability, has been recognised, although this has not yet been agreed with the Fund's board of management.

Apart from the liabilities detailed above, the employer is not responsible for meeting any ongoing deficiency in the schemes.

Information on the schemes is presented in the accounts reflecting the cost of the schemes to the States as the employer. In particular, information specified in FRS 17 is disclosed in a note to the accounts. As both these schemes limit the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

Where appropriate, as detailed in the preceding paragraphs, actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Statement of Total Recognised Gains and Losses only in so far as they belong to the States.

Pension scheme assets are measured using market values and scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

States of Jersey

Aggregated Operating Cost Statement for the Year ended 31 December 2008

	Notes	2008 £' 000	2008 £' 000	2007 £' 000
Revenue	1			
Revenue levied by the States of Jersey				
Taxation revenue		534,960		432,894
Island rates, duties, fees, fines and penalties		91,297		99,123
Total Revenue Levied by the States of Jersey			**626,257**	**532,017**
Earned through Operations				
Sales of goods and services		145,801		135,329
Investment income		68,358		61,611
Other revenue		31,659		29,965
Total Revenue Earned through Operations			**245,818**	**226,905**
Total Revenue			**872,075**	**758,922**
Operating Expenditure	2			
Social Benefit Payments		149,576		135,984
Staff costs		312,079		293,471
Other Operating expenses		185,270		168,226
Grants and Subsidies payments		37,827		32,439
Capital Repayment Charge/Depreciation		51,426		46,711
Finance costs		6,250		6,592
Total Operating Expenditure			**742,428**	**683,423**
Non-Operating Expenditure				
Net foreign-exchange (gains)/losses		(1,357)		(62)
Movement in pension liability	4	95,684		(6,138)
(Gains) on disposal of assets		(22,065)		(5,334)
Total Non-Operating (Income)/Expenditure			**72,262**	**(11,534)**
Total Expenditure			**814,690**	**671,889**
Surplus for the Year			**57,385**	**87,033**

The Aggregated Operating Cost Statement includes all the income and revenue expenditure of the States of Jersey and therefore includes income and expenditure of the Strategic Reserve and other Separately Constituted Funds as well as that of the Consolidated Fund which, in accordance with the Law, is subject to the annual budget process. In addition it includes the income and expenditure of the Waterfront Enterprise Board Limited.

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	Notes	2008 £' 000	2007 £' 000
Surplus for the Year		57,385	87,033
Unrealised Loss on Revaluation of Investments		(30,197)	(4,404)
Actuarial Gain in respect of Defined Benefit Pension Schemes	4	467	478
Total Recognised Gain Relating to the Year		**27,655**	**83,107**

States of Jersey

Aggregated Balance Sheet as at 31 December 2008

	Notes	2008 £' 000	2008 £' 000	2007 £' 000
Tangible and Intangible Fixed Assets	7		828,609	811,267
Financial Assets				
Advances	8	25,312		33,722
Strategic Investments	9	88,563		88,563
Other investments	10	852,642		799,725
Debtors: amounts falling due after more than one year	12	4,492		1,674
Total Fixed Assets			1,799,618	1,734,951
Current Assets				
Stock and Work in Progress	11	6,748		9,300
Debtors	12	146,736		121,150
Cash at Bank and in Hand	13	79,842		51,793
Total Current Assets			233,326	182,243
Current Liabilities				
Bank overdrafts	13	(20,364)		(15,061)
Creditors	14	(90,557)		(107,917)
Currency in Issue	15	(91,549)		(82,308)
Total Current Liabilities			(202,470)	(205,286)
Net Current Assets / (Liabilities)			30,856	(23,043)
Total Assets Less Current Liabilities			1,830,474	1,711,908
Long Term Liabilities				
Finance Lease Obligations		(19,608)		(22,064)
PECRS Pre-1987 Past Service Liability		(222,288)		(119,386)
Provision for JTSF Past Service Liability		(103,100)		(110,000)
Defined Benefit Pension Schemes Net Liability	16	795		(284)
Provisions for liabilities and charges	18	(2,140)		(3,696)
Total Long Term Liabilities			(346,341)	(255,430)
Net Assets			**1,484,133**	**1,456,478**
Reserves: Accumulated Revenue and Reserve Balances	17		**1,484,133**	**1,456,478**

Signed: Ian Black Date: 28/5/09
(Treasurer of the States)

Signed: Philip Ozouf Date: 28/5/09
(Minister for Treasury and Resources)

States of Jersey

Cash Flow Statement
for the Year ended 31 December 2008

	2008 £' 000	2008 £' 000	2007 £' 000	2007 £' 000
Operating Activities				
Net Cash Inflow from Operating Activities (Note a)		**86,061**		**60,296**
Returns on Investment and Servicing of Finance				
Investment Income received	65,533		56,542	
Interest paid	(6,250)		(6,591)	
Interest element of Finance Lease payments	(1,548)		(1,920)	
Net Cash Inflow from Returns on Investments and Servicing of Finance		**57,735**		**48,031**
Capital Expenditure and Financial Investments				
Payments to acquire Tangible Fixed Assets	(68,402)		(52,393)	
Receipts from Sale of Plant and Equipment	49		107	
Proceeds from Disposal of Property	24,461		7,328	
Loans Advanced	(500)		-	
Loans Repaid	8,910		5,919	
Net Cash (Outflow) from Capital Expenditure and Financial Investments		**(35,482)**		**(39,039)**
Additions/Disposals				
Purchase of Investments	(2,112,937)		(914,448)	
Proceeds from Disposal of Investments	2,029,825		838,604	
Net Cash Outflow from Additions/Disposals		**(83,112)**		**(75,844)**
Management of Liquid Resources				
(Increase) in short term deposits	(51,882)		(38,233)	
Purchase of current asset investments	38,233		48,172	
Net Cash Inflow/(Outflow) from Management of Liquid Resources		**(13,649)**		**9,939**
Financing				
Capital Element of Finance Lease Rental Payments	(2,456)		(1,832)	
Net Cash (Outflow) from Financing		**(2,456)**		**(1,832)**
Increase in Cash		**9,097**		**1,551**

States of Jersey

Reconciliation of Net Cash Flow to Movement in Net Funds

	2008 £' 000		2007 £' 000	
Increase in Cash in the Year	9,097		1,551	
Movement in Liquid Resources	13,649		(9,939)	
Net Cash Inflow from Lease Financing	2,535		1,832	
Change In Net Funds		**25,281**		**(6,556)**
Net Funds at 1 January		12,134		18,690
Net Funds at 31 December		**37,415**		**12,134**

Notes to the Cash Flow Statement

a. Reconciliation of Surplus for the Year to Net Cash Flow from Operating Activities

	2008 £' 000	2007 £' 000
Surplus for the Year	57,385	87,033
Capital Repayment Charge/Depreciation	48,256	47,161
Net Book Value of Asset Written Off	3,110	305
Interest paid	6,250	6,591
(Gain) on Disposal of Assets	(22,065)	(5,334)
Investment Income	(62,860)	(56,542)
Difference between Pension Charge and Cash Contributions	-	106
Interest Element of Finance Leases	1,548	1,920
(Loss) on Realisation of Investments	(5,498)	(9,332)
Decrease in Stock	2,552	7,995
Transfer (to) Fixed Assets from Stock	(27)	(9,407)
(Increase) in Debtors	(22,761)	(39,918)
(Increase) in Long term Debtors	(2,818)	-
Increase/(Decrease) in Creditors	(20,086)	28,617
Increase in PECRS Pre-1987 Liability	102,290	7,876
(Decrease) in JTSF Liability	(6,900)	(14,120)
Increase/(Decrease) in Provisions	(1,556)	976
Increase in Currency in Circulation	9,241	6,369
Net Cash Inflow from Operating Activities	**86,061**	**60,296**

b. Analysis of Net Funds

	At 1 January 2008 £' 000	Cash Flows £' 000	At 31 December 2008 £' 000
Cash in Hand and at Bank	(1,501)	9,097	7,596
Bank Deposit Accounts	38,233	13,649	51,882
Total Cash	**36,732**	**22,746**	**59,478**
Finance Leases	(24,598)	2,535	(22,063)
Net Funds	**12,134**	**25,281**	**37,415**

Notes to the Accounts

1. Revenue

	2008 £' 000	2008 £' 000	2007 £' 000
Levied by the States of Jersey:			
Taxation Revenue			
Salary and Wage Earners	229,227		199,068
Self Employed and Investment Holders	40,500		37,800
Companies	232,820		196,026
Goods and Services Tax	32,413		-
		534,960	**432,894**
Island rates, duties, fees, fines and penalties			
Impots Duty - Spirits	4,008		3,928
Impots Duty - Wines	5,863		5,662
Impots Duty - Beer	5,836		5,671
Impots Duty - Tobacco	12,715		12,672
Impots Duty - Fuel	20,470		19,876
Impots Duty - Other	235		192
Vehicle Reg & Customs Duty	674		5,836
Stamp Duty	23,998		29,147
Island Rates	10,183		9,745
Other Fees and Fines	7,315		6,394
		91,297	**99,123**
Earned through Operations:			
Sales of goods and services		**145,801**	**135,329**
Investment Income			
Investment Income	57,552		47,412
Realised gains on investments	5,498		9,270
Loan, Bank, Notional Interest	5,308		4,929
		68,358	**61,611**
Other Revenue			
Financial Returns	4,852		4,466
Other Income*	26,807		25,499
		31,659	**29,965**
Total Revenue		**872,075**	**758,922**

*Other income includes: European Union Savings Tax Directive Income; transfers from the Drug Trafficking Confiscation Fund and Criminal Offences Confiscation Fund to cover court and case costs; and grants, recharges and transfers between departments.

Notes to the Accounts

2. Expenditure

		2008 £' 000	2007 £' 000
Operating Expenditure:			
Social Benefit Payments			
Social Security Benefits	87,734		76,059
States Contributions to Social Security Fund and Health Insurance Fund	61,842		59,925
		149,576	**135,984**
Staff costs			
States Members' Remuneration	2,344		2,249
States Staff Salaries and Wages	260,193		245,161
States Staff Pension Costs	32,474		30,035
States Staff Social Security	14,041		13,229
Non-States Staff Costs	1,494		1,006
Other Staff Costs	1,533		1,791
		312,079	**293,471**
Other Operating expenses		**185,270**	**168,226**
Grants and Subsidies payments		**37,827**	**32,439**
Capital Repayment Charge/Depreciation		**51,426**	**46,711**
Finance costs		**6,250**	**6,592**
Non-operating expenditure:			
Net foreign-exchange (gains)	(1,357)		(62)
Increase/(Decrease) in pension liability	95,684		(6,138)
(Gains) on disposal of assets	(22,065)		(5,334)
		72,262	**(11,534)**
Total Expenditure		**814,690**	**671,889**

Notes to the Accounts

3. Employees and States' Members

(a) Department Employees

Departmental employee costs and the number of full time equivalent (FTE) staff at 31 December 2008 are analysed below:

Department	Salaries and Wages	Pension	Social Security	FTE
Chief Minister's Department	8,859,813	1,142,072	436,002	182
Economic Development	3,032,947	357,528	153,349	63
Education, Sport and Culture	62,966,915	9,039,456	3,583,341	1,493
Health and Social Services	93,101,528	10,671,591	5,082,987	2,247
Home Affairs	31,903,239	3,716,086	1,596,545	640
Housing	1,929,095	243,747	110,466	38
Planning and Environment	5,528,076	718,461	277,081	120
Social Security*	2,165,102	297,178	123,961	139
Transport and Technical Services**	17,698,141	2,146,653	1,045,895	524
Treasury and Resources	10,415,501	1,335,865	542,571	236
Non Ministerial States Funded Bodies	8,642,357	1,236,477	396,641	167
States Assembly	1,234,086	163,879	68,405	31
Jersey Airport	8,632,559	1,057,671	440,285	189
Jersey Harbours	3,196,217	337,854	179,754	88
Other***	101,502	8,985	4,131	-
Total	**259,407,078**	**32,473,503**	**14,041,414**	**6,157**

Figures exclude costs associated with the PECRS pre-87 liability. In addition the salary and wages costs of £785,100 for the Waterfront Enterprise Board Limited are not included in the above analysis.

* The values for Social Security are for the department only. Costs for the Social Security Fund and Health Insurance Fund are shown in their accounts which are published separately. FTE figures include all staff of the department and funds.

** Jersey Car Parking and Jersey Fleet Management FTE figures are included in the Transport and Technical Services Figures.

*** Other costs are principally internal recharges of staff time to Separately Constituted Funds.

(b) Senior Employees

Details of the numbers of employees for whom their total remuneration including pension benefits, buyouts and overtime payments exceeded £70,000 for the year ended 31 December 2008 are as follows:

	2008		2007	
Remuneration	Non - Traders	Traders	Non - Traders	Traders
£70,000 - £89,999	317	23	270	38
£90,000 - £109,999	81	13	62	6
£110,000 - £129,999	44	2	36	2
£130,000 - £149,999	24	1	19	-
£150,000 - £169,999	20	-	22	-
£170,000 - £189,999	6	-	2	-
£190,000 - £209,999	1	-	1	-
£210,000 - £229,999	1	-	1	-
£230,000 - £249,999	5	-	5	-
	499	**39**	**418**	**46**

"Traders" includes employees of Jersey Harbours, Jersey Airport, Jersey Car Parking and Jersey Fleet Management. The table excludes the remuneration of senior staff of the Waterfront Enterprise Board Limited, which is reported in the Company's published Financial Statements.

Notes to the Accounts

(c) States' Members

During the year remuneration totalling £2.3 million (2007: £2.2 million) including expenses was claimed by States' Members.

4. Pension Schemes

a) Public Employees' Contributory Retirement Scheme (PECRS)

The Scheme is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract.

The Scheme is managed by a Committee of Management which has established five sub committees to investigate and report on complex technical issues.

The market value of the Scheme's assets as at 31 December 2008 was £924 million. The States of Jersey contribution to the Scheme in 2008 was £31.8 million (2007: £30.2 million).

The last published Actuarial Valuation of the Scheme as at 31 December 2004, dated 13 March 2006 indicated that the Scheme had an actuarial deficit of £17.4 million.

The Actuaries concluded that this deficit is temporary in nature and that it could be carried forward to the next Actuarial Valuation.

The latest Actuarial Valuation took place as at 31 December 2007 and this year's FRS 17 disclosures are based on the draft results of this valuation.

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States' responsibility as employer, the scheme deficit is disclosed below but not recognised in the States' accounts.

The States in agreeing P190/2005 in September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £226.1 million at 31 December 2008.

The provisions to address the past service liability include an increase in employers' contributions equivalent to 0.44% of members' salaries as from 1 January 2002, raising the employers' contribution rate to 15.6% of members' salaries. Of the employers' contribution rate of 15.6% of members' salaries, a sum initially equivalent to 2% of the employers' total pensionable payroll is paid into the Scheme to meet the pre-1987 past service liability. The remaining 13.6% of members' salaries continues to fund the current service liability.

Notes to the Accounts

b) Jersey Teachers' Superannuation Fund (JTSF)

Membership of this defined benefit scheme is compulsory for all teachers in full time employment and optional for those in part time employment. Benefits are based on final pensionable pay. The Fund is managed by a Board of Management which has established sub committees to investigate and report on complex and technical issues.

The market value of the Fund's Assets as at 31 December 2008 was £221 million. The States of Jersey contribution to the Fund in 2008 was £8.0 million (2007: £7.0 million).

The results of an actuarial valuation as at 31 December 2006 concluded that there was a surplus of £50 million. However, after allowing for future pension increases, including those already granted to that date, to be financed from the Fund and, further, for reducing the qualifying period for the benefits to two years and the introduction of widowers' benefits and death in service lump sum provisions equal to two times salary, a deficiency of £60 million was revealed.

Following discussions with regard to the future structure and funding of the Fund, an enabling law was passed during 2006 so that the Education, Sport and Culture department could introduce a new scheme with benefits aligned to those available to new members of the PECRS. The new scheme came into effect from 1 April 2007, after which entry to the previous Fund was no longer possible for new members.

Widowers' benefits were introduced into the Fund during 2005 and the other benefit changes listed above became available to members of the two schemes from 1 April 2007. In addition, pension increases in respect of Fund membership were, from 1 April 2007, paid from the Fund instead of the Education, Sport and Culture department's revenue budget. The employer's contribution rate rose to 16.4% and the actuary has confirmed that this will repay the deficit over the period of 80 years. Members' contributions to the new scheme are 5% of salary, with existing members continuing to pay 6% of salary to the Fund.

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme generally mirrors the Public Employees' Contributory Retirement Scheme. A provision for past service liability, similar to the PECRS Pre-1987 past service liability has been recognised although this has not yet been agreed with the Scheme's Board of Management.

c) Jersey Post Office Pension Fund (JPOPF)

Jersey Post operates the Jersey Post Office Pension Fund (JPOPF) which is an occupational defined benefit scheme providing benefits based on final pensionable pay. The JPOPF is closed to new members. As this is a closed scheme, under the projected unit method, the current service cost will increase as the members of the Fund approach retirement.

Notes to the Accounts

On 1 July 2006 the Postal Services (Transfer) (Jersey) Regulations 2006 transferred postal services from the States of Jersey to Jersey Post International Limited. Although contributions to the Fund are made by Jersey Post International Limited, risks associated with the Fund remain the responsibility of the States of Jersey and the Fund is therefore included within these accounts.

d) Additional information required by FRS17 – Retirement Benefits

The PECRS and JTSF are both final salary schemes, but are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States' responsibility as employer, the scheme deficit is disclosed below but not recognised in the States' accounts.

Actuarial Valuations of the PECRS and JTSF were carried out at 31 December 2007 and 31 December 2006 respectively. These valuations have been updated by Actuaries to 31 December 2008 in accordance with FRS17, based on the current obligations.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the respective Actuaries of PECRS and JTSF in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

The results of up to date Actuarial Valuations, rather than the results of the FRS17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the respective Funds.

The JPOPF is a traditional defined benefit scheme and is accounted for as such in these Accounts.

The most recent full Actuarial Valuation of the JPOPF was carried out as at 31 December 2002 and has been updated by an Actuary to 31 December 2008 in accordance with FRS17. Full allowance has been made for the cost of pension increases.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the JPOPF Actuaries in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

e) Other benefits

In addition to the schemes explained above the States of Jersey has an arrangement which provides for post-retirement benefits for one individual. The total assets in this scheme as at 31 December 2008 were valued at £360,020. The approximate liability is £508,400. This scheme is funded on an ongoing basis from an existing revenue budget.

Notes to the Accounts

The major assumptions used for the FRS17 actuarial assessments at 31 December 2008 are:

	31 December 2008 % pa	31 December 2007 % pa	31 December 2006 % pa
Inflation	3.1	3.4	3.1
Rate of general long-term increase in salaries	4.4	4.7	4.4
Rate of increase to pensions in payment (weighted average over all elements)	3.1	3.4	3.1
Discount rate for scheme liabilites	6.0	5.8	5.1

The mortality assumptions used for the PECRS are based on the recent actual mortality experience of members within the PECRS and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 63 will live on average for a further 23 years if they are male and for a further 25 years if they are female.

The mortality assumptions for the JPOPF are based on the recent actual mortality experience of members within the JPOPF and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 60 will live on average for a further 26 years if they are male and for a further 28 years if they are female.

The mortality assumptions for the JTSF are based on the recent actual mortality experience of members within the JTSF and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 60 will live on average for a further 28 years if they are male and for a further 31 years if they are female.

The following tables reflect the financial position of the pension schemes, including all admitted bodies other than Jersey Telecom Group Ltd and Jersey Post International Ltd.

	Long-term rate of return expected at 31 December 2008 (% p.a.)*	PECRS	Value at 31 December 2008 £'000 JTSF	JPOPF	Long-term rate of return expected at 31 December 2007 (% p.a.)*	PECRS	Value at 31 December 2007 £'000 JTSF	JPOPF
Equities	7.6	548,082	180,510	-	7.6	764,892	224,285	-
Property	6.6	17,561	5,683	-	6.6	14,370	7,708	-
Fixed Interest Gilts	3.8	-	16,560	673	4.7	-	14,456	649
Index-Linked Gilts	3.6	-	17,438	8,335	4.3	-	27,479	8,833
Corporate Bonds	5.5	268,034	-	-	4.7	-	-	-
Other	2.5	90,577	455	928	5.9	326,074	2,291	155
Combined (PECRS)	6.8#	924,254	-	-	7.6#	1,105,336	-	-
Combined (JTSF)	7.1#	-	220,646	-	7.1#	-	276,219	-
Combined (JPOPF)	3.5#	-	-	9,936	4.4#	-	-	9,637

Asset values for 2008 and 2007 are bid values

* The expected return on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

Notes to the Accounts

	Long-term rate of return expected at 31 December 2006 (% p.a.)*	PECRS	Value at 31 December 2006 £'000 JTSF	JPOPF
Equities	7.6	830,244	205,460	-
Property	6.6	-	8,498	-
Fixed Interest Gilts	4.7 (4.5 for JPOPF)	-	12,997	648
Index-Linked Gilts	4.3	-	24,332	8,616
Corporate Bonds	4.7 (4.5 for JPOPF)	-	-	-
Other	5.2	210,599	597	446
Combined (PECRS)	7.1#	1,040,843	-	-
Combined (JTSF)	7.1#	-	251,884	-
Combined (JPOPF)	4.9#	-	-	9,710

Asset values for 2006 are bid values

* The expected return on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The States of Jersey employ a building block approach to determining the long term rate of return on scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Reconciliation of funded status to balance sheet

	Value at 31 December 2008 £'000			Value at 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Fair value of scheme assets	924,254	220,646	9,936	1,105,336	276,219	9,637
Present value of funded defined benefit obligations	(1,306,089)	(403,047)	(9,141)	(1,252,981)	(396,480)	(9,921)
	(381,835)	**(182,401)**	**795**	**(147,645)**	**(120,261)**	**(284)**
Unrecognised asset due to limit in para 41	-	-	(765)	-	-	-
Asset/(liability) recognised on the balance sheet	**(381,835)**	**(182,401)**	**30**	**(147,645)**	**(120,261)**	**(284)**

Notes to the Accounts

	PECRS	Value at 31 December 2006 £'000 JTSF	JPOPF
Fair value of scheme assets	1,040,843	251,884	9,710
Present value of funded defined benefit obligations	(1,223,932)	(380,209)	(10,366)
Asset/(liability) recognised on the balance sheet	**(183,089)**	**(128,325)**	**(656)**

Analysis of profit and loss charge

	Year ending 31 December 2008 £'000			Year ending 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Current service cost	37,482	8,946	13	39,997	10,532	17
Past service cost	-	-	-	-	-	-
Interest cost	72,927	22,974	555	62,799	19,506	511
Expected return on scheme assets	(74,793)	(19,129)	(402)	(73,098)	(17,635)	(406)
Expense recognised in profit and loss	**35,616**	**12,791**	**166**	**29,698**	**12,403**	**122**

Notes to the Accounts

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2008 £'000			Year ending 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Opening defined benefit obligation	1,252,981	396,480	9,921	1,223,932	380,209	10,366
Current service cost	37,482	8,946	13	39,997	10,532	17
Interest cost	72,927	22,974	555	62,799	19,506	511
Contributions by scheme participants	11,261	2,607	1	10,485	2,824	1
Actuarial (gains)/losses on scheme liabilities*	(29,422)	(15,637)	(638)	(48,945)	(7,804)	(251)
Net benefits paid out	(39,140)	(12,323)	(711)	(35,287)	(8,787)	(723)
Past service cost	-	-	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-	-	-
Closing defined benefit obligation	1,306,089	403,047	9,141	1,252,981	396,480	9,921

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year

	Year ending 31 December 2008 £'000			Year ending 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Opening fair value of scheme assets	1,105,336	276,219	9,637	1,040,843	251,884	9,710
Expected return on scheme assets	74,793	19,129	402	73,098	17,635	406
Actuarial gains/(losses) on scheme assets	(260,192)	(72,156)	594	(14,050)	5,120	227
Contributions by the employer	32,196	7,170	13	30,247	7,543	16
Contributions by scheme participants	11,261	2,607	1	10,485	2,824	1
Net benefits paid out	(39,140)	(12,323)	(711)	(35,287)	(8,787)	(723)
Closing fair value of scheme assets	924,254	220,646	9,936	1,105,336	276,219	9,637

Notes to the Accounts

Actual return on scheme assets

	Year ending 31 December 2008 £'000			Year ending 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Expected return on scheme assets	74,793	19,129	402	73,098	17,635	406
Actuarial gain/(loss) on scheme assets	(260,192)	(72,156)	594	(14,050)	5,120	227
Actual return on scheme assets	**(185,399)**	**(53,027)**	**996**	**59,048**	**22,755**	**633**

Analysis of amounts recognised in STRGL

	Year ending 31 December 2008 £'000			Year ending 31 December 2007 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Total actuarial gains/(losses)	(230,770)	(56,519)	1,232	34,895	12,924	478
Change in irrecoverable surplus	-	-	(765)	-	-	-
Total gain/(loss) in STRGL	**(230,770)**	**(56,519)**	**467**	**34,895**	**12,924**	**478**

History of asset values, DBO and surplus/deficit in scheme*

	31 December 2008 £'000			31 December 2007 £'000			31 December 2006 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Fair value of scheme assets	924,254	220,646	9,936	1,105,336	276,219	9,637	1,040,843	251,884	9,710
Defined benefit obligation	(1,306,089)	(403,047)	(9,141)	(1,252,981)	(396,480)	(9,921)	(1,223,932)	(380,209)	(10,366)
Surplus/(deficit) in scheme	**(381,835)**	**(182,401)**	**795**	**(147,645)**	**(120,261)**	**(284)**	**(183,089)**	**(128,325)**	**(656)**

	31 December 2005 £'000			31 December 2004 £'000		
	PECRS	JTSF	JPOPF	PECRS	JTSF	JPOPF
Fair value of scheme assets	983,341	236,171	-	803,527	190,434	-
Defined benefit obligation	(1,264,935)	352,598	-	(1,134,808)	332,029	-
Surplus/(deficit) in scheme	**(281,593)**	**(116,427)**	**-**	**(331,281)**	**(141,595)**	**-**

*Asset values shown for 2004 and 2005 are shown at mid value.

Notes to the Accounts

History of experience gains and losses*

	Year ending 31 December 2008 £'000 PECRS	JTSF	JPOPF	Year ending 31 December 2007 £'000 PECRS	JTSF	JPOPF
Experience gains/(losses) on scheme assets	(260,192)	(72,156)	594	(14,050)	5,120	227
Experience gains/(losses) on scheme liabilities#	(23,258)	(10,034)	(1)	2,833	(607)	(63)

	Year ending 31 December 2006 £'000 JTSF	JPOPF	Year ending 31 December 2005 £'000 JTSF	JPOPF	Year ending 31 December 2004 £'000 JTSF	JPOPF
Experience gains/(losses) on scheme assets	5,169	(85)	32,402	348	7,713	235
Experience gains/(losses) on scheme liabilities#	913	76	338	284	7,309	126

* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.
Asset gains(losses) for 2007 have been restated to allow for the move to bid value accounting for assets.
\# This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Movement in pension liability

	Year ending 31 December 2008 £'000
Movement in PECRS pre-87 liability	103,196
Movement in provision for JTFS past service liability	(6,900)
Actuarial Gain	467
Movement on JPOPF scheme	(1,079)
	95,684

5. Surplus for the Year

	2008 £'000	2007 £'000
The surplus for the year is stated after charging / (crediting):		
Capital Servicing	51,426	46,711
Pension Costs	35,762	34,070
Finance Lease Charges	1,548	1,920
(Profit) on Disposal of Fixed Assets	(22,065)	(5,334)
Audit Fees	396	250
Voluntary Redundancy / Early Retirement	467	450
(Gain) on Foreign Exchange	(1,357)	(62)

Notes to the Accounts

6. Segmental Analysis

Over 51% of States' expenditure relates to the provision of the core services of health, education and social security. The following note analyses the States' income and expenditure. Further information on the cost of providing States' services can be found in the annex to the accounts.

2008	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Depts £'000	Non Ministerial Depts £'000	Trading Funds £'000	Other £'000	Total £'000
OPERATING COST STATEMENT								
Revenue								
Taxation revenue	-	-	-	-	-	-	534,960	534,960
Island rates, duties, fees, fines and penalties	5	-	15	4,346	532	517	85,882	91,297
Sales of goods and services	17,026	6	15,016	62,161	911	46,938	3,743	145,801
Investment income	-	-	-	280	31	3,450	64,597	68,358
Other revenue	1,286	1	1,172	2,756	3,859	3,167	19,418	31,659
Total Revenues	**18,317**	**7**	**16,203**	**69,543**	**5,333**	**54,072**	**708,600**	**872,075**
Expenses								
Social Benefit Payments	1,163	140,269	8,154	(10)	-	-	-	149,576
Grants and Subsidies payments	8,866	1,358	9,357	14,338	192	36	3,680	37,827
Staff costs	109,353	2,800	75,863	92,937	14,086	16,984	56	312,079
Finance costs	215	-	22	3,428	-	1,396	1,189	6,250
Net foreign-exchange (gains)	-	-	-	-	-	-	(1,357)	(1,357)
Movement in pension liability	-	-	-	-	-	-	95,684	95,684
(Gains) on disposal of assets	-	-	-	-	-	(8,187)	(13,878)	(22,065)
Capital Charge / Depreciation	-	-	-	39,024	-	10,197	2,205	51,426
Other Operating expenses	47,231	1,077	16,803	72,594	11,835	19,551	16,179	185,270
Total Expenditure	**166,828**	**145,504**	**110,199**	**222,311**	**26,113**	**39,977**	**103,758**	**814,690**
Net Income/(Expenditure) for the year	**(148,511)**	**(145,497)**	**(93,996)**	**(152,768)**	**(20,780)**	**14,095**	**604,842**	**57,385**

Notes to the Accounts

2007	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Depts £'000	Non Ministerial Depts £'000	Trading Funds £'000	Other £'000	Total £'000
OPERATING COST STATEMENT								
Revenue								
Taxation revenue	-	-	-	-	-	-	432,894	432,894
Island rates, duties, fees, fines and penalties	4	4	-	3,694	558	537	94,326	99,123
Sales of goods and services	16,132	6	13,399	57,965	890	43,608	3,329	135,329
Investment income	-	-	-	384	132	2,442	58,653	61,611
Other revenue	812	-	1,640	2,855	4,785	4,180	15,693	29,965
Total Revenues	**16,948**	**10**	**15,039**	**64,898**	**6,365**	**50,767**	**604,895**	**758,922**
Expenses								
Social Benefit Payments	945	101,029	10,051	23,959	-	-	-	135,984
Grants and Subsidies payments	8,417	(1,172)	8,844	13,214	41	173	2,922	32,439
Staff costs	104,030	2,211	72,169	85,087	13,674	16,247	53	293,471
Finance costs	136	-	17	3,108	-	1,559	1,772	6,592
Net foreign-exchange (gains)	-	-	-	-	-	-	(62)	(62)
Movement in pension liability	-	-	-	-	-	580	(6,718)	(6,138)
(Gains) on disposal of assets	-	-	-	-	-	(80)	(5,254)	(5,334)
Capital Charge / Depreciation	-	-	-	38,823	-	6,527	1,361	46,711
Other Operating expenses	41,932	2,673	16,413	66,232	11,181	18,538	11,257	168,226
Total Expenditure	**155,460**	**104,741**	**107,494**	**230,423**	**24,896**	**43,544**	**5,331**	**671,889**
Net Income/(Expenditure) for the year	**(138,512)**	**(104,731)**	**(92,455)**	**(165,525)**	**(18,531)**	**7,223**	**599,564**	**87,033**

Notes to the Accounts

7. Tangible fixed assets and capital vote expenditure

	Consolidated Fund £'000	Trading Funds £'000	Housing Development Fund £'000	ICT Fund £'000	WEB £'000	Total £'000
Cost						
Balance at 1 January 2008	1,225,805	150,539	18,502	8,503	19,891	1,423,240
Additions	45,353	23,340	178	-	2,297	71,168
Disposals	(2,659)	(334)	-	-	(43)	(3,036)
Assets Writen Down	-	-	(1,386)	-	(1,795)	(3,181)
Transfer from Stock	27	-	-	-	-	27
Transfer of Assets	17,294	-	(17,294)	-	-	-
Balance at 31 December 2008	**1,285,820**	**173,545**	**-**	**8,503**	**20,350**	**1,488,218**
Capital Servicing/Depreciation						
Balance at 1 January 2008	525,241	73,058	707	8,162	4,805	611,973
Charge for year	38,461	8,149	200	341	1,105	48,256
Disposals	(222)	(307)	-	-	(20)	(549)
Assets Written Down	-	-	-	-	(71)	(71)
Asset Transfers	907	-	(907)	-	-	-
Balance at 31 December 2008	**564,387**	**80,900**	**-**	**8,503**	**5,819**	**659,609**
Net book Value						
31 December 2007	700,564	77,481	17,795	341	15,086	811,267
31 December 2008	**721,433**	**92,645**	**-**	**-**	**14,531**	**828,609**

Analysis of Additions by Entity

	Consolidated Fund £'000	Trading Funds £'000	Housing Development Fund £'000	ICT Fund £'000	WEB £'000	Total £'000
Chief Minister's	1,655	-	-	-	-	1,655
Economic Development	-	-	-	-	-	-
Education, Sport and Culture	1,305	-	-	-	-	1,305
Health and Social Services	3,758	-	-	-	-	3,758
Home Affairs	804	-	-	-	-	804
Housing	11,056	-	-	-	-	11,056
Planning and Environment	318	-	-	-	-	318
Transport and Technical Services	11,734	-	-	-	-	11,734
Treasury and Resources	14,663	-	-	-	-	14,663
Non-Ministerial	60	-	-	-	-	60
Harbours	-	1,831	-	-	-	1,831
Airport	-	18,932	-	-	-	18,932
Jersey Fleet Management	-	1,072	-	-	-	1,072
Jersey Car Parks	-	1,505	-	-	-	1,505
Other	-	-	178	-	2,297	2,475
	45,353	**23,340**	**178**	**-**	**2,297**	**71,168**

Assets acquired before 1967 are excluded from the above analysis. The net book value is the total cost of all assets acquired after 1967 less depreciation and capital servicing costs where appropriate and will therefore not reflect the total current value of the States of Jersey assets.

In preparation for the move to GAAP based accounting the States' land and buildings have been valued, these values will be disclosed in the 2009 accounts.

Notes to the Accounts

Assets held under finance leases, capitalised in the Consolidated and Trading Funds:

	2008 £'000	2007 £'000
Cost	38,498	38,498
Aggregate Depreciation	(18,590)	(16,429)
Net Book Value	**19,908**	**22,069**

8. Advances

	2008 £'000	2007 £'000
Analysed by Fund:		
Consolidated Fund	8,427	12,340
Dwelling Houses Loan Fund	8,358	9,865
99 Year Leaseholders Account	257	265
Assisted House Purchase Scheme	5,508	7,280
Agricultural Loans Fund	2,762	3,972
	25,312	**33,722**
Maturity Analysis:		
Payable within one year	963	558
Payable between one and two years	109	280
Payable between two and five years	1,391	4,526
Payable in five years or more	22,849	28,358
	25,312	**33,722**

9. Strategic Investments

	2008 £'000	2007 £'000
General Funds:		
Jersey Electricity Company Limited	1,055	1,055
Jersey New Waterworks Company Limited	5,666	5,666
Jersey Telecom Group Limited	75,737	75,737
Jersey Post International Limited	6,105	6,105
	88,563	**88,563**

The States of Jersey hold all the ordinary shares in the Jersey Electricity Company Limited which represents approximately 62% of the Company's total share capital as at 31 December 2008.

The shares in the Jersey Electricity Company Limited, which are listed, had a market value of £52,250,000 (2007: £43,937,500) at the year end. However, due to the size of this shareholding, it may not be possible to realise this amount in the market.

The States of Jersey hold 100% of the issued 'A' ordinary shares, 50% of the issued ordinary shares and 100% of the 7.5% - 10% cumulative fifth preference shares in the Jersey New Waterworks Company Limited as at 31 December 2008.

The States of Jersey hold all the ordinary shares and 9% cumulative preference shares in the Jersey Telecom Group Limited.

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

Notes to the Accounts

10. Other Investments

2008	Strategic Reserve Market Value £'000	Strategic Reserve Cost £'000	Stabilisation Fund Market Value £'000	Stabilisation Fund Cost £'000	Consolidated Fund Market Value £'000	Consolidated Fund Cost £'000	Currency & Coinage Market Value £'000	Currency & Coinage Cost £'000	Total Market Value £'000	Total Cost £'000
Equities	111,682	138,449	-	-	-	-	-	-	111,682	138,449
Government Bonds	174,965	163,900	-	-	-	-	2,253	1,316	177,218	165,216
Corporate Bonds	78,156	79,186	-	-	-	-	-	-	78,156	79,186
Certificates of Deposit	141,328	141,479	73,017	73,000	225,905	224,802	45,336	45,156	485,586	484,437
	506,131	**523,014**	**73,017**	**73,000**	**225,905**	**224,802**	**47,589**	**46,472**	**852,642**	**867,288**

2007	Strategic Reserve Market Value £'000	Strategic Reserve Cost £'000	Stabilisation Fund Market Value £'000	Stabilisation Fund Cost £'000	Consolidated Fund Market Value £'000	Consolidated Fund Cost £'000	Currency & Coinage Market Value £'000	Currency & Coinage Cost £'000	Total Market Value £'000	Total Cost £'000
Equities	147,829	136,101	-	-	-	-	-	-	147,829	136,101
Government Bonds	159,510	156,389	-	-	-	-	2,211	1,316	161,721	157,705
Corporate Bonds	50,473	50,816	-	-	-	-	-	-	50,473	50,816
Certificates of Deposit	148,400	148,401	33,855	33,837	224,034	223,913	33,413	33,400	439,702	439,551
	506,212	**491,707**	**33,855**	**33,837**	**224,034**	**223,913**	**35,624**	**34,716**	**799,725**	**784,173**

Maturity Analysis (market value)	Strategic Reserve 2008 £'000	Strategic Reserve 2007 £'000	Stabilisation Fund 2008 £'000	Stabilisation Fund 2007 £'000	Consolidated Fund 2008 £'000	Consolidated Fund 2007 £'000	Currency & Coinage 2008 £'000	Currency & Coinage 2007 £'000	Total 2008 £'000	Total 2007 £'000
Less than one year	161,621	154,436	73,017	33,855	225,905	218,998	45,336	33,413	505,879	440,702
Between one and two years	34,376	39,582	-	-	-	5,036	-	-	34,376	44,618
Between two and five years	147,353	137,402	-	-	-	-	1,454	1,404	148,807	138,806
More than five years	51,099	26,963	-	-	-	-	799	807	51,898	27,770
Equities	111,682	147,829	-	-	-	-	-	-	111,682	147,829
	506,131	**506,212**	**73,017**	**33,855**	**225,905**	**224,034**	**47,589**	**35,624**	**852,642**	**799,725**

Notes to the Accounts

11. Stock and Work in Progress

	2008 £'000	2007 £'000
Analysed by Fund:		
Consolidated Fund	4,837	4,862
Jersey Currency Notes	342	534
Jersey Coinage	188	182
Jersey Fleet Management	35	41
Jersey Airport	209	317
Waterfront Enterprise Board Limited	1,137	3,364
	6,748	**9,300**
Analysed by Type:		
Raw Materials, Consumables and Work in Progress	5,611	5,936
Finished Goods	1,137	3,364
	6,748	**9,300**

12. Debtors

	2008 £'000	2007 £'000
Debtors falling due within one year:		
Goods and Services Tax debtors	13,805	-
Income Tax debtors	56,768	49,604
Trade debtors and inter fund balances	40,399	48,900
Prepayments and accrued income	35,764	22,646
	146,736	**121,150**
Debtors falling due after more than one year:		
Housing Property Bonds	4,492	1,674
	4,492	**1,674**

The movement in aggregated debtors includes movements in inter-fund balances, reflecting current accounting arrangements. Moving to the preparation of consolidated rather than aggregated accounts will result in the elimination of these balances.

Debtors amounts falling due after more than one year reflect the value of certain bonds held by the States of Jersey. These bonds resulted from the sale of properties to States Tenants as part of the Social Housing Property Plan 2007-2016, who were required to pay a minimum cash sum equivalent to 75% of the market value and also enter into an agreement (bond) to pay over a proportion of the market value when the property is sold or transferred at any point in the future.

Upon the eventual sale and/or transfer of the property, the proportion of the market value to be paid over is a minimum of the bond value or a percentage of the transfer/sale as stated in accordance with the bond agreement. However, some variants of the bond scheme include an element where the percentage of the bond value reduces and therefore the value of these bonds are amortised over a period of time in accordance with standard accounting practices.

This is the second year of operation of the bond scheme; therefore the value of the bonds as stated in the financial statements is the amortised cost of the bond which represents a stated percentage of the initial market value of the properties sold.
There is no history of default rates within the scheme. Where a mortgage exists upon a property the mortgagor will have first call upon that property. The market value of the bonds is not materially different from the amortised cost figure as disclosed in the financial statements.

Notes to the Accounts

13. Cash and Other Liquid Resources

	2008 £'000	2007 £'000
Bank deposit accounts	51,882	38,233
Bank current accounts	26,844	13,159
Cash in hand and in transit	1,116	401
	79,842	**51,793**
Bank overdrafts	(20,364)	(15,061)
	59,478	**36,732**

14. Creditors falling due within one year

	2008 £'000	2007 £'000
Trade creditors and inter fund balances	35,398	75,702
PECRS Pre-1987 Liability	3,857	3,564
Accruals and deferred income	11,043	3,269
Receipts in advance	6,708	-
Income Tax receipts in advance	31,096	22,847
Finance Lease creditors (note 22)	2,455	2,535
	90,557	**107,917**

15. Currency

	2008 £'000	2007 £'000
Jersey Notes issued	101,977	93,943
Less: Jersey Notes held	(17,450)	(18,294)
	84,527	**75,649**
Jersey Coinage issued	8,262	8,099
Less: Jersey Coinage held	(1,240)	(1,440)
	7,022	**6,659**
Total Currency in Circulation	**91,549**	**82,308**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue bank notes and coins. These are accounted for, at cost, as stock until they are formally issued by the Treasury and Resources Department. They are then accounted for as issued currency. At the end of their useful life they are removed from circulation and destroyed, at which time they are removed from the issued currency account. Issued currency is either held at the Treasury or in circulation. The creditor in the accounts reflects the value of currency in circulation.

Notes to the Accounts

16. Creditors - Defined Benefit Pension Schemes Net Liability

	2008 £'000	2007 £'000
Jersey Post Office Pension Fund Asset	(9,936)	(9,637)
Jersey Post Office Pension Fund Liability	9,141	9,921
Total Defined Benefit Pension Schemes Net (Asset) / Liability	**(795)**	**284**

The Teachers' Superannuation Scheme was restructured in April 2007. The restructured scheme mirrors the Public Employees' Contributory Retirement Scheme. As a result the FRS17 defined benefit based liability reflected in the 2006 accounts has been removed. A past service liability, similar to the PECRS Pre-1987 past service liability has been recognised.

17. Accumulated Reserves and Balances

	Total £'000	Consolidated Fund £'000	Trading Funds £'000	Strategic Reserve £'000	Stabilisation Fund £'000	WEB £'000	Other Separately Constituted Funds £'000
Balance 1 January 2008	1,456,478	775,314	78,710	510,085	33,855	523	57,991
	-						
Surplus/(Deficit) for the year	57,385	21,715	2,337	27,730	2,872	4,513	(1,782)
Unrealised Gain/(Loss) on Investments in the year	(30,197)	964	-	(30,167)	17	-	(1,011)
Actuarial Gain on Defined Benefit Scheme	467	467	-	-	-	-	-
Transfers between Funds	-	(21,613)	-	-	38,000	-	(16,387)
Balance 31 December 2008	**1,484,133**	**776,847**	**81,047**	**507,648**	**74,744**	**5,036**	**38,811**
			(a)	(b)			

(a) Reconciliation of the movement in trading fund balances to the trading fund surplus:

	£'000
Retained Funds per Trading Fund Balances	(9,281)
Add capital expenditure and capital lease charges	23,983
Less depreciation on Trading Fund assets	(5,165)
Less Increase in Trading Fund pension liabilities	(7,200)
Trading Fund surplus for year	**2,337**

(b) The surplus on the Strategic Reserve is analysed as follows:

	2008 £'000	2007 £'000
Investment Income and Interest	24,844	20,390
Gain on disposal of Investments	5,518	9,247
General Expenses	(1,508)	(1,305)
Appropriation to Jersey Currency Notes	(1,124)	(1,163)
	27,730	**27,169**

18. Provisions and Contingent Liabilities

i. There are a number of situations which could give rise to costs which the States of Jersey may be obliged to finance. In instances where uncertainties exist over both the likely outcomes of these situations and the potential liabilities which could arise from them, no provision for these costs has been made in these accounts.

ii. There are also a number of other threatened and pending actions which would result in claims against the States of Jersey. Due to the uncertainties over both the likely outcomes of these actions and the potential liabilities which could arise if any of the actions were successful, no provision for these claims has been made in these accounts.

iii. In addition, there are a number of threatened and pending actions which are likely to give rise to costs which the States of Jersey will be obliged to finance. Accordingly provisions totalling £2,140,000 (2007: £3,696,000) for these costs have been made in these accounts. Details of each of the individual provisions are not disclosed as this could prejudice the outcome of the actions in question.

Movement on Provisions:	**2008** **£'000**	**2007** **£'000**
Balance 1 January	3,696	2,720
Add: Additional Provisions Made	29	1,476
Provisions released	(571)	(500)
Provisions transferred	(1,014)	-
Balance 31 December	**2,140**	**3,696**

The majority of provisions relate to potential self insurance claims.

iv. As detailed in note 4 the Teachers' Superannuation Scheme was restructured in April 2007. The restructured scheme mirrors the Public Employees' Contributory Retirement Scheme. A provision for past service liability, similar to the PECRS Pre-87 past service liability has been recognised although this has not yet been agreed with the Scheme's Board of Management.

v. Subsequent to the year end an action, against which a provision has been made in a prior period, was settled.

Notes to the Accounts

19. Guarantees and Commitments

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £14.9 million (2007: £14.9 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited.

In addition the States of Jersey has provided a guarantee to Barclays Bank Plc up to a maximum of £4.7 million (2007: £5.0 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House.

The Housing Department and Treasury and Resources Department have agreed to provide financial support to various Housing Trusts in respect of bank loans. The Treasury and Resources Department issues 'letters of comfort' to the banks in respect of such loans. These letters of comfort do not constitute guarantees. As at the year end, letters of comfort in respect of loans totalling £150.7 million (2007: £148.4 million) were in issue.

The Small Firms Loan Guarantee Scheme (SFLGS) commenced in January 2007. The Scheme approves lending by the Economic Development Department (by way of loan guarantees of up to £2 million), consisting of four separate £500,000 agreements with four banks. The underwriting of bank loans taken out by local businesses aims to encourage entrepreneurial activity in the Island. The main principle of the SFLGS is to provide security to lenders in cases where would-be entrepreneurs or growing businesses do not have the necessary security to obtain a business loan. As at the year end the value of the total loans guaranteed amounted to £641,439, of which the States has exposure to 75% in accordance with the terms of the Scheme.

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education Sport and Culture Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate is set at 1% above base rate and young people taking up the offer commence repayments one year after graduation. The States of Jersey has given guarantees against these loans to the Banks. As at the year end the value of the loans amounted to £418,555.

20. Third Party Assets

The States of Jersey, in the course of its normal activities, has reason to hold assets on behalf of third parties.

The States' Viscount undertakes a number of activities that require holding assets on behalf of third parties. The main activities that give rise to this are:

- Désastres: assets relating to bankruptcy cases for onward payment to creditors
- Curatorship: funds held on behalf of those who cannot manage their own affairs
- Enforcement: judgements and compensation monies for onward payment to third parties
- Criminal Injuries: funds held on behalf of minors until age of maturity
- Bail: monies held in respect of bail
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction court case funds are remitted to either the Drug Trafficking Confiscation Fund or the Criminal Offences Confiscation Fund or returned.

Notes to the Accounts

At 31 December 2008, the Viscount held approximately £46.4 million arising out of court enforcement and official trustee functions. Further, at that time he held or was responsible for an estimated £106 million (sterling equivalent) representing the value of property restrained mainly in Proceeds of Crime investigations. The bulk of such property was restrained by way of assistance rendered to foreign jurisdictions but is potentially liable to confiscation in Jersey subject to the outcome of all attendant legal processes and any asset-sharing or compensatory arrangements.

The Health and Social Services Department holds monies on behalf of patients and clients. At 31 December 2008, the value of third party monies held amounted to £0.49 million.

Third party assets are not reflected in the States' Balance Sheet.

21. Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £183.5 million (2007: £98.2 million) which had not yet been incurred.

There are also a number of outstanding contractors' claims in respect of capital projects which may give rise to substantial payments when settled. In view of the significant uncertainty surrounding the outcome of these claims no provision has been made in these accounts.

22. Lease Commitments

The States of Jersey have entered into lease and lease back arrangements to finance the development of certain capital projects. At 31 December 2008, the States had commitments to make the following payments under these arrangements.

	2008 £'000	2007 £'000
Payable within one year	3,843	4,082
Payable after more than one year	24,881	28,724
	28,724	32,806
Less: future Finance charges	(6,660)	(8,207)
	22,064	**24,599**
Amounts falling due within one year	2,455	2,535
Amounts falling due between one and two years	2,685	2,456
Amounts falling due between two and five years	7,902	8,622
Amounts falling due after more than five years	9,022	10,986
	22,064	**24,599**

Notes to the Accounts

The States of Jersey also have the following annual operating lease commitments in respect of premises:

Leases expiring:	2008 £'000	2007 £'000
Payable within two years	375	276
Payable between two and five years	148	387
Payable after more than five years	292	172
	815	**835**

23. Risk Profile and Financial Instruments

(a) **Objectives, policies and strategies**
It is considered useful to provide certain information relating to particular financial instruments which are material in the context of the accounts as a whole.

(b) **Strategic Reserve**
The States of Jersey maintains a significant investment portfolio with three Strategic Reserve Fund Managers. The objective of the Fund is to obtain long-term gains through a low risk investment policy. The portfolio is actively managed, and invests 30% in equities and 70% in government bonds, corporate bonds and cash. Cash balances (including short-term cash deposits) are maintained at a level sufficient to finance investment transactions. Foreign exchange exposure is hedged in the bond portfolios through the use of non speculative financial instruments, and unhedged in the equity portfolio. Exchange profits or losses on sales of securities are included in the Income and Expenditure Account for the year.

The following risks are reviewed at formal six monthly meetings, by written reports from the custodian each month, and by the investment managers each quarter.

Credit Risks – The bond portfolios contain short dated securities which are dependent on the solvency of financial and corporate entities, as well as bank deposits within both the equity and bond portfolios. However most bond securities depend on the credit standing of the UK government.

Liquidity Risk – Most of the securities in the bond and equity portfolios are readily realisable as they are quoted on stockmarkets. Bank deposits cannot be realised until maturity and a limited number of short term credit securities are less liquid than normal due to the difficult conditions in credit secondary markets in 2008.

Cash Flow Risks – There are no immediate cash flow requirements on the bond or equity portfolio and hence there are minimal risks in this category.

Market Price Risk – Since the duration of the bond portfolios has been under 5 years during 2008, the market price risk due to interest rate changes is fairly small. The prices of foreign equities expressed in Sterling are impacted by exchange rate changes, but since the proportion invested in overseas securities during the year was under 15% of total assets, this did not have a large impact on overall asset values. The values of equities did vary considerably in 2008 but the overall volatility of the portfolio in 2008 was much less than many institutional portfolios.

Notes to the Accounts

(c) **Currency Notes**

The States of Jersey maintains a portfolio of equities, corporate and government bonds, liquid money market assets and short-term cash deposits within the Currency Notes Fund. The objective of the portfolio is to obtain long-term gains through a low risk investment policy. The Portfolio is actively managed. Foreign exchange exposure on bonds held overseas is hedged through the use of non-speculative financial instruments, and unhedged on equities. Exchange profits or losses on sales of securities are included in the Income and Expenditure Account for the year.

Since November 2006, the majority of the Currency Notes Fund cash balances have been invested in a limited range of liquid money market assets (certificates of deposit, commercial paper and floating rate notes) where the counterparty has an appropriate financial security rating. The remaining cash balances are held in short-term deposits.

The risks for this Fund are reviewed on a regular basis. They can be summarised as follows:

Credit Risk – The Fund is dependent on the solvency of financial institutions with which cash has been deposited or which issue securities. Most of the risks are with non government entities.

Liquidity Risk – Bank deposits cannot be realised until maturity and a limited number of short term credit securities are less liquid than normal due to the difficult conditions in credit secondary markets in 2008. However the overall risks in this category are considered reasonable and at an acceptable level.

Cash Flow Risk – Since the size of the Fund changes as the volume of bank notes alters, investments need to be made and realised. These can usually be easily accommodated without difficulty, given the short term nature of most investments.

Market Price Risk – Market price risk is limited due to the short duration of the investments, but certain assets were less marketable than normal due to the difficult credit market conditions close to the year end. This introduced a small element of extra market rate risk into the portfolio, although overall this is a minor risk.

(d) **General Funds and Other Separately Constituted Funds**

Significant cash balances are maintained within the Consolidated Fund and other Separately Constituted Funds. Cash balances for the Separately Constituted Funds are placed on short-term deposit. Since November 2006 the majority of the Consolidated Fund's cash balances have been invested in a limited range of liquid money market assets where the counterparty has an appropriate financial security rating. These assets include certificates of deposit, commercial paper and floating rate notes. In addition, sufficient cash balances are maintained to meet the States of Jersey's day-to-day liquidity requirements.

The risks identified for the Currency Notes portfolio apply equally here.

Notes to the Accounts

Interest rate disclosures

	Fixed rate £'000	No interest payable £'000	Total £'000
Financial Assets			
Sterling £			
Advances	19,986	5,326	25,312
Investments	485,586	48,437	534,023
Bonds	255,374	-	255,374
Cash	75,935	1,116	77,051
US Dollars $			
Investments	-	37,697	37,697
Cash	2,561	-	2,561
Euros €			
Investments	-	17,015	17,015
Cash	230	-	230
Other			
Investments	-	8,533	8,533
	839,672	**118,124**	**957,796**
Financial Liabilities			
Finance Leases	22,064	-	22,064
Bank Overdrafts	20,364	-	20,364
	42,428	**-**	**42,428**

Maturity analyses
Maturity analyses are included for Advances and Other investments in notes 8 and 10 respectively, and for Finance lease obligations in note 22. Other financial liabilities are bank overdrafts and are repayable on demand. No further maturity analyisis is required.

Fixed rate financial assets	Weighted average rate	Weighted average period (months)
Advances	4.68%	145
Investments	5.75%	3
Bonds	5.42%	47

Fair value disclosures
Other investments are carried at market value which is deemed to be equivalent to the fair value of the assets.

Advances and Bonds are carried at amortised cost.
The estimated difference between the carrying values and fair value is not material.

24. Publication and Distribution of the Financial Report and Accounts

In accordance with the Public Finances (Jersey) Law 2005, the Financial Report and Accounts for the year ended 31 December 2008 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution by the Greffier.

Statement of Responsibilities for the Statement of Accounts

The Treasurer of the States is required by the Public Finances (Jersey) Law 2005 to prepare annual financial statements in respect of the accounts of the States of Jersey. The annual financial statements must be prepared in accordance with Generally Accepted Accounting Principles and Treasury and Resources Minister Orders.

The Treasury and Resources Minister has, in accordance with the Public Finances (Jersey) Law 2005, appointed Accounting Officers for States' funded bodies. Accounting Officers have prepared Statements on Internal Control in respect of 2008. These documents are a key element of the States' internal control Framework and outline the arrangements in place and the improvements being made in internal control procedures across the States of Jersey.

The States of Jersey Statement on Internal Control sets out the Accounting Officers' responsibilities and summarises the high level arrangements.

In preparing the accounts, detailed in the following pages, the Treasurer has:

- Applied the going-concern principle to all entities included within the accounts;
- Applied appropriate accounting policies in a consistent manner, and
- Made reasonable and prudent judgements and estimates.

The Treasurer and other appointed Accounting Officers have responsibility for ensuring that proper financial records are kept which disclose with reasonable accuracy the financial position of the States of Jersey and enable the Treasurer to ensure that the accounts comply with the requirements of the Public Finances (Jersey) Law 2005.

Ian Black, BSc (Econ), CPFA
Treasurer of the States

28 May 2009

States of Jersey Statement on Internal Control

1. Scope of Responsibility

2006 saw the introduction of an improved approach to financial control within the States of Jersey with the implementation of the Public Finances (Jersey) Law 2005 ("the Finance Law"). Amongst other measures (such as the establishment of the function of Comptroller and Auditor General and the ability of the Treasurer of the States to issue financial directions) the Finance Law designated the chief officer of each States funded body as its accounting officer.

Each accounting officer is responsible for ensuring that expenditure does not exceed the amount appropriated to their department and is used for the purpose for which it was appropriated, that records and proper accounts of all financial transactions are maintained, that the resources of the department are used economically and effectively and that the provisions of the Finance Law in their application to the department are otherwise complied with. In discharging these overall responsibilities, the accounting officer is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the functions of the accounting officer and which includes arrangements for the management of risk.

Each Departmental accounting officer has prepared a Statement on Internal Control for 2008 in accordance with a financial direction issued under the Finance Law which stipulates that:-

"At the beginning of each financial year, each accounting officer, will be required to record formally the basis on which they believe that their responsibilities will be properly discharged and subsequently, at each year end, the basis on which they believe that these responsibilities have been properly discharged."

These Statements are available to view on the States' website www.gov.je. This Statement summarises the main issues contained within them.

2. The System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate it completely and it can only provide a reasonable and not absolute assurance of effectiveness. Internal control is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of those risks being realised and to manage them efficiently and effectively .

A key element of the system is the framework of Financial Directions issued by the Treasurer. Accounting Officers are required to comply with Financial Directions as they are with other key controls including Human Resource, Information management and other resource management policies.

The States' business planning and budgeting process is used to set objectives and allocate resources. Each department has established its own management structure and processes to set key objectives, linked to the States of Jersey strategic priorities and manage performance. A structured process is also in place to measure progress against objectives and this is used to further inform the planning and decision making processes.

Every department is required to establish a risk management strategy, which defines an appropriate framework for the structured consideration of risk. These strategies form an important element of departments' corporate governance and internal control arrangements and define the departments' approaches to risk management. The Corporate Management Board has reviewed Departmental risks and prepared a corporate risk register.

Each department complies with the 'Guidelines for Ministerial Decisions' issued by the Chief Minister's Department.

The process of Financial Reporting on a quarterly basis ensures that both the individual Ministers and, ultimately, the Council of Ministers are informed of financial results, key financial indicators included in Departments' Balanced Scorecards and summaries of serious risks to Departments' achievement of their objectives.

3. Assurance

In 2006, the Corporate Management Board established an Audit Committee to support them in their responsibilities for monitoring and reviewing the risk, control and governance processes within States funded bodies and the associated assurance that these processes are adequate. The Audit Committee's role is to provide a process of constructive challenge to help accounting officers be fully assured that the most efficient, effective and economic processes are in place.

The Chief Internal Auditor undertakes an annual audit programme agreed with the Audit Committee. Each Audit report rates the area of review on a four point scale, with 4 being the highest and 3 representing "reasonable assurance can be placed on the adequacy of the internal control environment to manage inherent risk." 69 reports were distributed four of which received the highest rating, forty three were rated at 3 and twenty one received a 2 assurance rating. All recommendations or agreed actions for improvement have been fully accepted by managers and during his follow up work he found that 97.4% were fully implemented by management with only 2.6% of all recommendations outstanding.

The Comptroller and Auditor General (C&AG) is required to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled and supervised and accounted for in accordance with the Public Finances (Jersey) Law, 2005. In addition, he is required to report on (a) the effectiveness of the internal financial controls; (b) the economy, efficiency and effectiveness of States funded bodies and (c) the general corporate governance arrangements of States funded bodies and, in each case, make recommendations to bring about improvement where improvement is needed.

The Public Accounts Committee examines the implementation of policy by accounting officers, often on the basis of a report by the Comptroller and Auditor General.

4. Significant Control Issues

Each accounting officer has been required to detail any significant control issues which have arisen during the course of 2008 or any known areas of non-compliance with financial directions, together with their proposals to address these matters. These are subject to more detail in the individual Statements on Internal Control available on the States' website. Following identification of control issues in their 2007 statements, each department prepared an action plan to address those issues which is regularly monitored.

The following significant control issues have arisen during 2008:-

- The States approved a detailed proposal for the replacement of the incinerator and a contract was signed on 14 November for the procurement of the new plant. A substantial element of the contract was priced in euros. The Treasury did not take action to fix the value of those elements of the contract in sterling. As a result the States remains exposed to increased costs as a result of exchange rate movements. The Treasurer has taken external professional advice on the most appropriate means of managing this exposure and has acted upon it. The Comptroller and Auditor General agreed to undertake a review to identify why this failure occurred.

- A breakdown in the control environment arose in respect of the Household Medical Accounts (HMAs) facility within the Income Support Scheme. A comprehensive review has been undertaken by the Department as to the causes, and corrective action has been taken to prevent any repetition.

- Independent investigations are being conducted into the managerial and command and control aspects of the Historic Child Abuse Enquiry. Depending upon the outcome of these investigations, it is possible that some of the costs incurred by the enquiry may not be entirely justified. The Chief Officer of Home Affairs and the Acting Chief Police Officer are developing improved arrangements to ensure good financial management and value for money.

5. Closing Statement

To the best of our knowledge, the internal control environment as summarised above has been effectively operated during the year, subject to the control issues identified in the previous section and in the individual Statements on Internal Control available on the States' website.

The majority of Financial Directions have been in place since the introduction of the new Finance Law and there will be a thorough review of the Internal Control environment in 2009, which will be reported in departmental and the corporate statement on internal controls.

Signed:

Bill Ogley (Chief Executive Officer) 30th April 2009

Ian Black (Treasurer) 30th April 2009

Accounting Officers in Post During 2008

Area of Responsibility	Position	Accounting Officer	Appointment Date
Chief Minister's Department (to include Legislation Advisory Board and ICT Fund)	Chief Executive	Mr B. Ogley	1 January 2006
Economic Department (to include Agricultural Loans Fund, Fishfarmer Loans Scheme, Tourism Development Fund, Channel Islands Lottery (Jersey) Fund, La Collette Reclamation Scheme)	Chief Officer	Mr M. King	1 January 2006
Education, Sport and Culture	Chief Officer	Mr M. Lundy	1 January 2008
Transport and Technical Services (including Jersey Parking, Jersey Fleet Management)	Chief Officer	Mr J. Richardson	1 January 2006
Planning and Environment	Chief Officer	Mr P. Nichols	to 26 August 2008
		Mr A. Scate	from 26 August 2008
Health and Social Services	Chief Officer	Mr M. Pollard	1 January 2006
Home Affairs	Chief Officer	Mr S. Austin-Vautier	1 January 2006
Housing (including Dwelling Houses Loans Fund and Assisted House Purchase Scheme)	Chief Officer	Mr I. Gallichan	1 January 2006
Social Security (including the Health Insurance Fund, Social Security Fund and Social Security (Reserve) Fund)	Chief Officer	Mr R. Bell	1 June 2006
Treasury and Resources (including Strategic Reserve Fund, Jersey Currency Fund, Drug Trafficking Confiscation Fund, Criminal Offences Confiscation Fund).	Treasurer of the States	Mr I. Black	1 January 2006
Jersey Property Holdings (including Housing Development Fund and 99 Year Leaseholders Account)	Chief Officer	Mr D. Flowers	17 September 2007
States Assembly and its Services (including States Greffe, Scrutiny panels, Public Accounts Committee)	Greffier of the States	Mr M. De La Haye	1 January 2006
Jersey Harbours	Chief Officer	Mr H. Le Cornu	1 January 2006
Jersey Airport	Airport Director	Mr J. Green	4 April 2006
Office of the Lieutenant Governor	Secretary and Aide de Camp	Mr C. Woodrow	1 January 2006
Viscount's Department	Viscount	Mr M. Wilkins	1 January 2006
Judicial Greffe	Judicial Greffier	Mr M. Wilkins	1 January 2006
Comptroller and Auditor General	Comptroller and Auditor General	Mr C. Swinson, OBE	1 January 2006
Data Protection Registry	Data Protection Registrar	Ms E. Martins	1 January 2006
Probation Department	Chief Probation Officer	Mr B. Heath	1 January 2006
Official Analyst	Official Analyst	Mr N. Hubbard	1 January 2006
Bailiff's Chambers	Chief Officer	Mr D. Filipponi	2 October 2006
Law Officers' Department	Chief Clerk	Mr T. Allen	10 July 2006

Annex to the Accounts

This annex provides details on the States' Ministerial departments, Non-Ministerial departments, the States' Assembly, States' Trading Operations, Reserves and Separately Constituted Funds.

States Funded Bodies'
Revenue Expenditure and Income

Department Analyses

The following pages provide analyses of the budgeted and actual net expenditure of each States of Jersey Department.

Each set of departmental accounts provides an analysis by type of income and expenditure as well as the services provided by that department.

In each analysis the 2008 net expenditure is shown compared to 2008 budget and 2007 net expenditure. Although information is provided at a detailed level for both analyses it is only the total departmental budget that is voted to that department by the States.

A reconciliation between the 2008 voted budget for each department and the original voted figure as per the States 2008 Budget Book will be provided for each department.

Department	Original 2008 Business Plan £' million	Carry Forward from 2007 £' million	Contingency Fund £' million	Additional Funding Voted by the States £' million	Transfers between capital and revenue £' million	Other Transfers between departments £' million	Total 2008 Final Approved Budget £' million
Ministerial Departments							
Chief Minister	14.76	0.01	-	0.08	3.92	(0.23)	18.54
- Grant to the Overseas Aid Commission	7.36	0.02	-	-	-	-	7.38
Economic Development	16.06	0.02	-	0.21	0.27	(0.05)	16.51
Education, Sport and Culture	95.98	0.63	-	-	0.00	0.06	96.68
Health and Social Services	147.90	0.01	0.05	0.24	-	0.33	148.54
Home Affairs	42.90	0.85	0.02	4.52	-	0.59	48.89
Housing	(22.01)	-	-	-	-	0.32	(21.69)
Planning and Environment	6.02	0.04	-	-	-	0.02	6.08
Social Security	146.60	0.27	-	-	-	(0.49)	146.37
Transport and Technical Services	21.88	0.24	-	-	(0.45)	0.00	21.67
Treasury and Resources	61.59	-	-	0.10	0.53	(0.28)	61.93
Non Ministerial States Funded Bodies							
- Bailiff's Chamber	1.23	0.01	-	-	-	(0.02)	1.21
- Law Officers' Department	5.27	0.08	-	0.93	-	(1.12)	5.15
- Judicial Greffe	3.88	0.02	-	-	-	1.11	5.01
- Viscount's Department	1.39	-	-	-	-	(0.26)	1.14
- Official Analyst	0.59	-	-	-	-	-	0.59
- Office of the Lieutenant Governor	0.73	0.00	-	-	-	-	0.73
- Office of the Dean of Jersey	0.02	-	-	-	-	-	0.02
- Data Protection Commission	0.22	0.02	-	-	-	-	0.24
- Probation Department	1.51	-	-	-	-	-	1.51
- Comptroller and Auditor General	0.71	0.32	-	-	-	-	1.03
States Assembly and its services	5.08	0.03	-	-	-	-	5.11
Total	559.65	2.56	0.08	6.08	4.27	(0.00)	572.64
Total less Capital Servicing	514.94	-	-	-	-	-	527.93

Chief Minister's Department

Department Highlights:

- **Net spend of £18,499,106, representing a like-for-like increase of 2.6% on 2007.**
- **Underspend of £40,000 (0.2%) against Final Approved Budget.**

Actual v prior year

The increase in revenue spend from 2007 to 2008 was £1,274,031. However, £820,000 of this related to an increase in transfers between capital and revenue, compared to 2007. This results in an increase of £454,000 (2.6%), excluding the increase in the value of capital transfers.

This 2.6% increase was due to the following, all of which were planned within budget:

- £354,000 as per the 2008 Business Plan;
- £100,000 additional expenditure relating to Historic Child Abuse Enquiry and pension costs.

Actual v final approved budget

Overall the department had an underspend against budget of 0.2% (£40,000). This underspend was planned, to enable the Statistics Unit to carry forward the necessary funds to meet the cost of the Household Expenditure Survey which starts in 2009.

Additional budget allocation

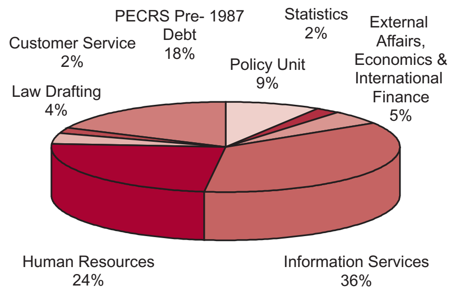
The original 2008 budget presented in the Business Plan was increased by £3.8 million. £3.9 million related to a transfer from capital budgets to revenue to move towards GAAP compliance. A similar transfer took place in 2007 and is reflected in the Accounts for that year.

2008 capital vote

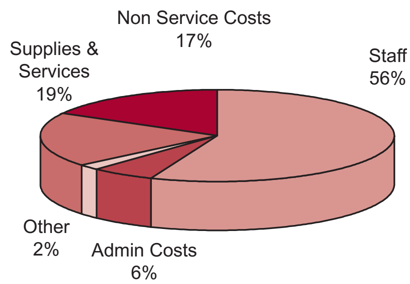
The table below provides a summary of the total value of capital schemes that were live in 2008, together with the total spend on them, both during the year and since they began.

Capital	Total £000
Total value of approved capital schemes	**24,704**
Spent in the Year	**1,655**
Spent to date	**18,593**

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	**10,437,886**	9,902,083
F.T.E.	**182**	182

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**14,757**
Carry Forward	8
Historical Child Abuse Enquiry funding transfer	83
Transfers of Cross Departmental Surveys	16
Salary funding from Treasury & Resources	60
Transfer Recruitment Advertising	(286)
Salary funding to Treasury & Resources	(65)
Transfer from FNHC - PECRS	46
ISD Capital Transfer	3,639
HR Capital Transfer	281
Final Budget	**18,539**

Chief Minister's Department

In the 2008 Business Plan, an additional £2 million of capital funding was voted for the Information Services Department (ISD) capital schemes. This was to cover:

- Corporate IT Capital vote funding
- Capital projects
- Annual Licences
- Hardware Renewal

Additional details on revenue expenditure results and in year capital spend are explained below.

The results for the department's top 4 service areas (by net expenditure) were:

Information Services Department (ISD)

- **Net spend of £6,693,629 an underspend of £277,601 (4.0%) against Final Approved Budget**

The budget has increased by £3,638,630 since the Business Plan, due to a transfer between capital and revenue, to support the move towards GAAP compliance.

The under spend of £277,601 (4.0%) against Final Approved Budget was due to slippage in the start date of projects and staff vacancies.

Changes in management responsibility during 2008 are reflected in the increased costs of Business Support Groups and a reduction in the cost of Corporate Projects.

Human Resources Department (HR)

- **Net spend of £4,339,293 an overspend of £154,263 (3.7%) against Final Approved Budget**

The budget has reduced by £70,000 since the Business Plan, due to:

- £65,000 transfer out of staff to the Systems team within Treasury & Resources, to support the implementation of the new HR systems;
- £286,000 devolvement of recruitment advertising budgets to States' Departments;
- £281,000 transfer in of budget from capital to Learning & Development, relating to courses supporting the Organisational Development Programme.

The Final Approved Budget and actual results for 2008, reflects a more informative analysis of the services being provided and their cost. For example, HR Learning and Development was a new service line in 2008. Previously, these costs were reported under HR Business Support.

The majority of the £154,263 (3.7%) overspend relates to a planned staff transfer from the Office of the Chief Executive. The remainder relates to the Pre-1965 pension scheme, where the costs are unpredictable in their nature.

Chief Minister's Department

Chief Executive's Office • **Net spend of £1,073,350, an underspend of £83,015 (7.2%) against Final Approved Budget**

The budget has increased by £91,000 since the Business Plan, due to:

- £83,000 to fund the costs associated with the Historic Child Abuse Enquiry.
- £8,000 underspend carried forward from 2008.

During 2008 funding was reallocated to other service areas within the Chief Minister's Department to support planned service improvements. In addition some in year initiatives, such as "Imagine Jersey" and the Central European Time Referendum, were funded, leaving the Chief Executive's Office with a year end underspend ofwith an £83,015 (7.2%).

External Affairs, Economics & International Finance • **Net spend of £928,336, an underspend of £70,074 (7.0%) against Final Approved Budget**

The overall budget has increased by £60,000 since the Business Plan, due to a transfer from Treasury and Resources to fund the Fiscal Policy Panel.

The £70,074 (7.0%) underspend represents the reallocation of funding during the year to develop the Customer Services Centre and slippage in the start date of some International Finance initiatives.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Recharges General • **Income of £728,436, a surplus of £279,758 (62.4%) against Final Approved Budget**

The Department incurs staff costs that are subsequently recharged to both capital schemes and other States' Departments. The capital to revenue transfer for ISD reduced the recharge income budget since the Business Plan by £479,660, with an equivalent increase in the manpower budget.

The surplus against budget of £279,758 (62.4%) relates to staff costs recharged to other States' Departments, for example Communications, Human Resources and Economics advice and support.

Fees and Fines • **Income of £182,056, a shortfall of £9,475 (4.9%) against Final Approved Budget**

The downturn in the local housing market has impacted on the issue of housing consents at the Population Office, which accounts for the reduced fee income in this area.

Chief Minister's Department

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs • **Spend of £10,437,886 an overspend of £494,660 (5.0%) against Final Approved Budget**

The overall budget has increased by £747,000 since the Business Plan, due to the following:

- £707,000 in for manpower related to the ISD capital to revenue transfer;
- £29,000 in for manpower related to the HR capital to revenue transfer;
- £60,000 in from Treasury and Resources for the Fiscal Policy Panel;
- £16,000 from other States Departments for the Statistics Unit cross-Department surveys;
- £65,000 transfer out from HR to the Systems team within Treasury & Resources, to support the implementation of the new HR systems.

The increase in staff costs is partly off-set by recharge income from other States' Departments, as detailed above. In addition, staff costs include the effect of the 2008 pay award and transfers between manpower and non-staff budgets initiated in 2007.

Supplies and Services • **Spend of £3,747,421, an underspend of £384,130 (9.3%) against Final Approved Budget**

The overall budget has increased by £2,296,000 since the Business Plan, due to the following:

- £1,975,000 for supplies and services related to the ISD capital to revenue transfer;
- £243,000 for supplies and services related to the HR capital to revenue transfer;
- £78,000 for costs related to the Historic Child Abuse Enquiry.

Supplies and Services expenditure reflects costs relating to the capital to revenue transfers shown above.

The costs also include the effect of funds transferred to manpower, initiated in 2007 and of lower than planned expenditure on ISD projects, due to a slippage in start dates.

Administrative Costs • **Spend of £1,143,016, an underspend of £130,235 (10.2%) against Final Approved Budget**

The overall budget has increased by £236,000 since the Business Plan, due to the following:

- £508,000 in for administrative costs related to the ISD capital to revenue transfer;
- £286,000 out to devolve recruitment advertising budgets to States' Departments;
- £9,000 in for administrative costs related to the HR capital to revenue transfer;
- £5,000 in for costs related to the Historic Child Abuse Enquiry.

Administrative costs expenditure reflects the capital to revenue transfers shown above.

The costs also include the effect of funds transferred to manpower, initiated in 2007 and of in year initiatives, such as "Imagine Jersey".

Chief Minister's Department

Capital Schemes

Total Capital Expenditure during the year was £1,655,000 which reflects the progress made on a wide variety of individual schemes. A summary of current (live) capital schemes with total amount voted in excess of £500,000 are contained in the table below.

Capital Schemes	Amount Voted £000	Spent in the Year £000	Spent to Date £000
Information Services Dept (ISD)	22,246	1,522	16,214
Organisational Development (Change & Visioning Programmes)	2,458	133	2,379
TOTAL	**24,704**	**1,655**	**18,593**

There was further expenditure against these Capital Schemes during 2008 which, in order to move towards GAAP compliant accounts, was accounted for as revenue expenditure and matched with equivalent budget transfers between capital and revenue. This amounted to:

- £3,639,000 Information Services Department (ISD).
- £281,000 Organisational Development (HR related).

Chief Minister's Department

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Policy Unit		
1,028,000	1,156,365	Chief Executive's Office	1,073,350	862,205
165,600	156,968	Communications Unit	171,770	195,499
209,200	209,200	Population Office	253,261	206,192
129,100	129,100	Emergency Planning Office	131,718	129,407
50,600	50,600	Legislation Advisory Panel	6,931	6,020
1,582,500	**1,702,233**		**1,637,030**	**1,399,323**
		Statistics		
395,400	411,288	Statistics	386,969	377,055
		External Affairs, Economics & International Finance		
949,200	998,410	External Affairs, Economics & International Finance	928,336	814,445
		Information Services		
265,900	1,599,201	ISD Corporate Projects	1,343,982	1,376,814
1,277,700	3,666,055	ISD Infrastructure	3,274,816	3,367,800
1,789,000	1,622,326	ISD Business Support Groups	1,991,184	1,575,656
-	83,647	Organisational Development	83,647	-
3,332,600	**6,971,230**		**6,693,629**	**6,320,270**
		Human Resources		
1,122,000	-	HR Core Team	-	944,413
1,466,500	1,754,868	HR Business Partnering	2,120,116	1,753,982
1,447,900	793,799	HR Business Support	545,334	939,727
218,900	261,944	HR Employee Relations	325,678	370,652
-	930,543	Learning and Development	810,486	-
-	442,364	Pensions	537,678	-
-	1,512	Recruitment Advertising	-	-
4,255,300	**4,185,030**		**4,339,293**	**4,008,774**
		Law Drafting		
871,700	871,700	Law Drafting	818,342	860,574
		Customer Service		
244,200	226,936	Customer Service Centre	407,314	425,416
11,630,900	**15,366,827**		**15,210,913**	**14,205,857**
3,126,300	3,172,279	PECRS Pre-1987 Debt	3,288,193	3,019,218
14,757,200	**18,539,106**	**Net Revenue Expenditure**	**18,499,106**	**17,225,075**

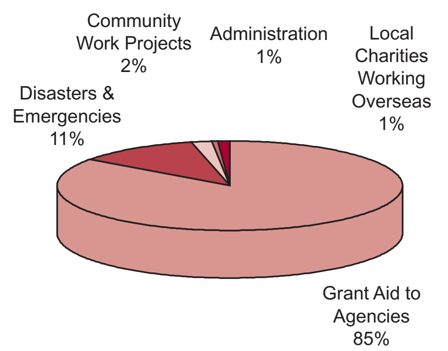
Chief Minister's Department

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
-	-	Sale of Services	-	13
191,531	191,531	Fees and Fines	182,056	197,922
121,940	121,940	Miscellaneous Income	55,164	2,171
928,338	448,678	Recharges General	728,436	861,263
79,469	79,469	DHLF and 99 Year Leases	75,000	75,000
1,321,278	841,618		1,040,657	1,136,369
		Expenditure		
9,196,588	9,943,226	Manpower - States Staff Costs	10,437,886	9,902,083
379,046	379,046	Manpower - Non States Staff Cost	482,180	484,039
1,835,648	4,131,551	Supplies and Services	3,747,421	3,250,537
1,028,686	1,273,251	Administrative Costs	1,143,016	1,187,723
353,515	322,676	Premises and Maintenance General	311,910	376,354
146,331	146,331	Incidental Exp and Charges	117,157	129,490
12,364	12,364	Grants and Subsidies General	12,000	12,000
12,952,178	16,208,445		16,251,570	15,342,226
11,630,900	**15,366,827**		**15,210,913**	**14,205,857**
3,126,300	3,172,279	PECRS Pre-1987 Debt	3,288,193	3,019,218
14,757,200	**18,539,106**	**Net Revenue Expenditure**	**18,499,106**	**17,225,075**

Overseas Aid Commission

The objectives of the Commission are to manage and administer the monies voted by the States of Jersey for overseas aid. The Commission stands as an independent body, following Jersey's move to ministerial government, consisting of three States members and three non - States members, all of whom are appointed by the States of Jersey. The Commission's strategy is driven by a clear mission, it is committed to joining with others in reducing poverty in poorer countries by making a sustained contribution, which is proportional to Jersey's means.



85% of expenditure was by way of direct grants to 50 agencies both large and small, with all grants based on the individual merits of projects. The projects cover clean water, health, sanitation, education, agriculture, livestock, and revolving credit schemes for small businesses. The Commission received applications which totalled in excess of £9.5m and had to reject many worthy projects due to its budget limits. The Commission also received additional funding enquiries from over 67 other agencies.

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**7,363**
Carry Forward	18
Final Budget	**7,381**

Following the previous year's demand for the funding of individual disasters and emergencies the Commission increased its budget allocation to £845,000. During the course of the year £837,739 was awarded from this budget compared with £632,713, in the previous year.

Community Work Projects were organised for Uganda, Zambia and India, involving 35 volunteers at a net cost inclusive of materials and equipment of £146,227.

Fifteen applications were approved for grants made to local organisations which raise funds for aid projects overseas. All met the established criteria and were awarded matching £ for £ funding based on monies raised by the organisation itself, up to a maximum of £5,000.

Administration costs still remained low at £72,818, representing 0.9% of the total grant.

Original Budget 2008 £	Amounts Voted 2008 £		Actual 2008 £	Actual 2007 £
70,000	70,000	Overseas Aid General	72,818	63,366
6,248,000	6,265,646	Grant Aid	6,247,659	5,424,838
50,000	50,000	Local Charities	51,243	48,300
845,000	845,000	Disaster Fund	837,739	632,713
150,000	150,000	Work Projects	146,227	187,818
7,363,000	**7,380,646**		**7,355,687**	**6,357,035**

Economic Development Department

Department Highlights:

- **Net spend of £16,174,703, an increase of 2.4% on 2007**
- **Underspend of £335,626 (2.0%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was 2.4%, from £15,796,078 to £16,174,703 (£378,625).

Actual v Final Approved Budget

Overall the department had an underspend against budget of 2.0% (spend of £16,174,703 against an adjusted budget of £16,510,329). Approved additions/transfers of budget increased the original Economic Development Department (EDD) budget for 2008 by £453,629, from an opening position of £16,056,700.

Additional budget allocation

In 2008 an additional £453,629 (net) was voted to the Economic Development Department in excess of the original budget agreed in the Business Plan. This amount represents funds voted by the States to fund the cost of additional advertising by Tourism in response to the Historical Child Abuse Enquiry (HCAE). Funding of £270,000 was also voted from the Department's capital growth fund to supplement additional expenditure on the grant to the Jersey Financial Services Commission (JFSC).

2008 capital vote

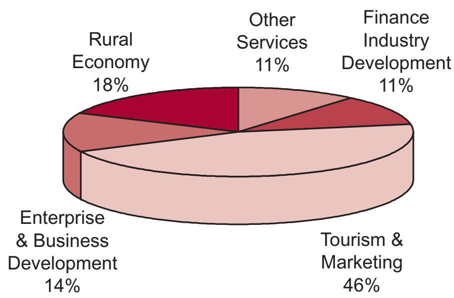
The 2008 capital vote of £4.4 million for Fuel Farm Fire Fighting Equipment was transferred during 2008 via Ministerial Decision to the Transport and Technical Services Department, who have responsibility for delivering The Project.

Key Financial Results by Service Analysis

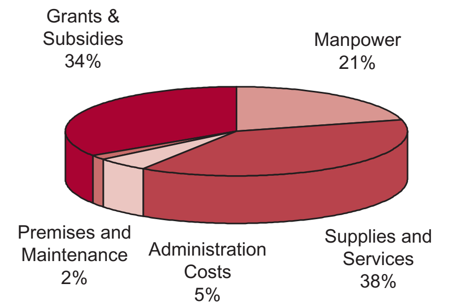
In 2008, the Department moved to a zero-based budget, achieved by prioritising costed objectives, to ensure that investment was directed to the most appropriate place. This took place after the Business Plan and Approved Budget process by way of Budget Virements (transfers) between service areas. Internal transfers are not reflected in the approved budget figures.

Additional details on revenue expenditure results and in year capital spend are explained below.

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	**3,742**	3,368
F.T.E.	**63**	66

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**16,057**
Carry forward 2007	20
HCAE funding	210
Jersey Finance Grant Funding (EGP)	270
Skills Executive Funding to Home Affairs	(30)
Customs & Immigration - Home Affairs	(13)
Transfers from Corporate budget	(4)
Final Budget	**16,510**

Economic Development Department

The results for the department's top 4 service areas (by net expenditure) were:

Tourism & Marketing • **Net spend of £7,321,517, an overspend of £514,944 (7.6%) against Final Approved Budget**

Following the move to zero-based budgeting, as described above, Tourism & Marketing received an additional £388,000 budget from internal transfers from other service areas within EDD. Their actual overspend was therefore £126,944.

Tourism and Marketing also received additional budget of £210,000 to cover the cost of additional advertising in response to the Historic Child Abuse Enquiry (HCAE).

The overspend mainly relates to air route development spend of £776,000 against the budgeted amount of £500,000.

The Events budget was overspent by £85,000 due to unplanned projects and an increase of £50,000 for the Bureau de Jersey grant was agreed.

In line with UK GAAP, account has been taken of the stock of 2009 Tourism brochures which effectively reduced expenditure by £263,861.

Later start dates for new initiatives in other services areas funded the increased expenditure. Had these underspends not been available, it would have been funded from the Economic Growth capital fund.

Rural Economy • **Net spend of £2,990,945, an underspend of £653,736 (17.9%) against Final Approved Budget**

Following the move to zero-based budgeting, as described above, Rural Economy transferred £349,000 budget to other service areas within EDD. Their actual underspend was therefore £304,736.

The underspend is due to a number of factors including vacancies for part of the year. Grant and subsidy payments were also lower due to fewer applicants and a reduction in the number of people eligible for schemes. Additional Income from the section's promotional activities in the UK exceeded the budget by £29,000.

Quality milk payments to the dairy industry were higher than budget by £48,000.

Enterprise & Business Development • **Net spend of £2,256,338, an underspend of £465,304 (17.1%) against Final Approved Budget**

Following the move to zero-based budgeting, as described above, Enterprise & Business Development transferred £306,000 to other service areas within EDD. Their actual underspend was therefore £159,304.

There were budget transfers of £30,000 to Home Affairs for improvement of training provision at the prison and £13,000 to Home Affairs for Customs & Immigration provision due to increased shipping movements.

The change in market conditions at the end of 2008 resulted in an underspend of £92,000 in a number of initiatives within Enterprise & Business Development and £113,000 underspend for Export & Inward Trade Investment.

Economic Development Department

Enhancement of the Jersey.com website, the Business Incubator and Industrial premises have all been unavoidably postponed resulting in an underspend on £186,000.

Reallocation of underspends allowed for the funding of £201,000 for the Information, Advice and Guidance Centre in La Motte Street as well as £64,000 towards the International Finance Degree at Highlands College.

Finance Industry Development • **Net spend of £1,792,633, an overspend of £413,846 (30.0%) against Final Approved Budget**

Following the move to zero-based budgeting, as described above, Finance Industry Development received £150,000 from other service areas within EDD and also £270,000 from the Economic Growth capital fund. Their actual position was therefore a small underspend of £6,154.

The initial overspend before additional funding relates to the supplementary funding awarded to Jersey Finance Limited (£505,000). Had the additional funding from underspends not been available, the full value of the additional grant would have been funded from the Economic Growth capital fund.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Fees and Fines • **Income of £537,257, a shortfall of £18,443 (3.3%) against Final Approved Budget**

A reduction in Net Income is mainly due to a slight decrease in Fee Income from Regulatory Services.

Hire and Rentals General • **Income of £485,516, a surplus of £321,616 (196.2%) against Final Approved Budget**

The maintenance fund of £273,000 for La Collette Fuel Farm was transferred from Jersey Harbours to EDD in December 2008. This fund will be carried forwards into 2009 and future years, in order to meet landlord obligations regarding maintenance.

The maintenance costs for La Collette Fuel Farm in 2008 were also lower than budgeted.

The results for the 3 highest expenditure lines are as follows:

Supplies & Services • **Spend of £6,870,395 an overspend of £974,127 (16.5%) against Final Approved Budget**

Following the move to zero-based budgeting, as described above, budget transfers of £1.1 million were received from other expenditure categories within EDD. The actual year end position was therefore an underspend of £125,876.

Tourism and Marketing also received additional budget of £210,000 to cover the cost of additional advertising in response to the Historic Child Abuse Enquiry (HCAE).

Budget transfers of £43,000 were made to Home Affairs for improvement of training provision at the prison and for Customs & Immigration provision due to increased shipping movements.

Economic Development Department

Grants & Subsidies General

- **Spend of 4,976,764, a underspend of £275,926 (5.3%) against Final Approved Budget**

The underspend was mainly due to significant underspends of £230,000 on grant and subsidy expenditure in the Rural Economy area.

Manpower

- **Spend of £3,742,006, an underspend of £57,547 (1.5%) against Final Approved Budget**

Actual spend on States manpower was £255,000 under the Approved Budget. This underspend was offset by other non-states staff costs, part of which related to the costs of a voluntary redundancy.

The underspend of £255,000 related in equal measure to vacancies in Rural Economy, Tourism and Marketing and Policy & Strategy.

Capital Schemes

There has been no Capital Expenditure during the year.

Other developments

Since the 2009 Economic Development Department budget was finalised, there have been very significant developments in the global economic climate. In order to respond to current and future challenges to Jersey's economy it is highly likely that, prior to drawing upon the Stabilisation Fund or other resources, there will be a fundamental reprioritisation of EDD budget allocation. This process has started and will be completed by the end of Q2 2009.

Economic Development Department

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
6,582,957	6,806,573	Tourism and Marketing	7,321,517	8,149,834
3,646,154	3,644,681	Rural Economy	2,990,945	3,120,052
2,754,752	2,721,642	Enterprise and Business Development	2,256,338	1,829,857
1,109,115	1,378,787	Finance Industry Development	1,792,633	1,206,877
556,348	556,348	Jersey Competition and Regulatory Authority	581,058	340,000
316,800	315,654	Regulation of Undertakings	412,423	392,897
399,518	398,045	Consumer Affairs/Trading Standards	414,986	399,015
358,195	356,394	Policy and Strategy	385,969	269,942
308,557	307,902	Regulatory Services	274,940	410,384
55,647	55,647	Jersey Consumer Council Grant	120,627	55,012
132,557	132,556	High Value Residency	107,593	128,469
(163,900)	(163,900)	La Collette Fuel Farm	(484,326)	(506,261)
16,056,700	**16,510,329**	**Net Revenue Expenditure**	**16,174,703**	**15,796,078**

Economic Development Department

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
80,000	80,000	Sale of Goods	100,791	132,783
124,500	124,500	Sale of Services	100,187	129,907
-	-	Commission	3,635	4,989
163,900	163,900	Hire and Rentals General	485,516	558,731
555,700	555,700	Fees and Fines	537,257	515,332
219,000	219,000	Miscellaneous Income	478,790	509,332
21,000	21,000	Recharges General	28,015	56,378
1,164,100	1,164,100		1,734,191	1,907,452
		Expenditure		
3,797,900	3,799,553	Manpower - States Staff Costs	3,543,824	3,368,120
-	-	Manpower-Non States Staff Cost	198,182	-
5,673,900	5,896,268	Supplies and Services	6,870,395	7,470,541
761,600	747,140	Administrative Costs	858,932	575,099
361,500	351,939	Premises and Maintenance General	304,509	404,714
190,000	190,000	Incidental Expenditure and Charges	281	51,120
4,999,200	5,252,690	Grants and Subsidies General	4,976,764	4,647,381
1,436,700	1,436,839	Agricultural Subsidies	1,156,007	1,186,555
17,220,800	17,674,429		17,908,894	17,703,530
16,056,700	**16,510,329**	**Net Revenue Expenditure**	**16,174,703**	**15,796,078**

Education, Sport and Culture

Department Highlights:

- **Net spend of £93,994,264, an increase of 1.7% on 2007**
- **Underspend of £2,681,288 (2.8%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was 1.7%. The variance is due to a number of factors: the impact of pay awards; the movement in pupil numbers and increased levels of need in Secondary and Special Needs Schools respectively; an accounting adjustment in respect of prior year income in the fee paying provided schools; a reduction in demand for higher education from the one-off peak in 2007 and the impact of the Student Loan Scheme which provided for a sharing of top-up fees introduced by UK Universities.

Actual v Final Approved Budget

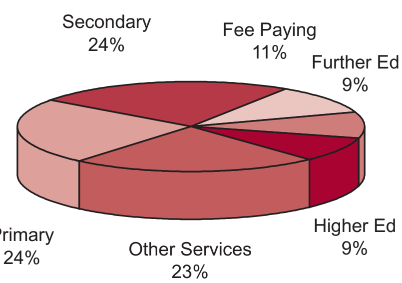
Overall the Department had an underspend against budget of 2.8%. The underspend reflects the careful planning in provided schools that are permitted to carry forward funds under the arrangements for Delegated Financial Management. In particular, the fee paying provided schools have set aside funds for the ongoing maintenance of the schools and to maintain future fee increases at a reasonable level. The variance is further due to a reduction in demand for Higher Education and the impact of other measures aimed at constraining expenditure within this area of significant spend.

Additional budget allocation

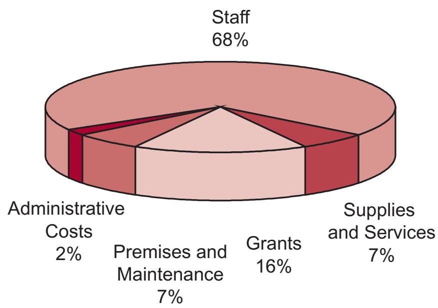
In 2008 an additional £691,452 (net) was voted to Education, Sport and Culture in excess of the original budget agreed in the Business Plan. This amount represents carry forwards of £626,880 from 2007 in respect of the Delegated Financial Management scheme in schools, transfers of £65,000 to and from other States of Jersey departments in respect of service transfers and transfers to and from Capital in respect of the Education, Sport and Culture ICT Strategy and the Waterfront Pool (see Reconciliation table for details).

Capital	Total £000
Total value of approved capital schemes	**51,633**
Spent in the Year £000	**1,289**
Spent to date £000	**49,347**

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	**75,590**	71,459
F.T.E.	**1,493**	1,465

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**95,984**
Carry Forward from 2007	627
Transfers to/from other departments:	
Treasury and Resources - Finance Officer 0.5 FTE	15
Health and Social Services - Home/School Liaison Officer	42
Chief Minister's Department - Recruitment budget	53
Home Affairs - Education Officer	(47)
Transfers to/from Capital:	
Education, Sport and Culture - ICT Strategy	(310)
Treasury and Resources - Aquasplash contract	312
Final Budget	**96,676**

Education, Sport and Culture

2008 capital vote

Responsibility for the Department's ongoing capital projects was transferred to Treasury and Resources Property Holdings function in 2007, apart from those projects that were nearing completion. In the 2008 Business Plan, an additional £100,000 was voted for the Department's capital schemes, being the 'minor capital' funds that are allocated to the Sport Division. The funds are used primarily for equipment replacement and minor refurbishment works, to ensure that income generated from the Active membership card can be maintained.

Additional details on revenue expenditure results and in year capital spend are explained below.

Key Financial Results by Service Analysis

The results for the department's top 4 service areas (by net expenditure) were:

Non Fee-Paying Provided Schools Secondary Education

- **Net spend of £22,785,877, an overspend of £55,234 (0.2%) against Final Approved Budget**

The current arrangements for Delegated Financial Management enable schools and colleges to carry forward both surpluses and deficits within defined limits between financial years in order to plan for the academic year. This flexibility does not apply to other services within the Department's remit. A minimal overall increase against budget reflects an overspend at one school, being due to a significant and unforeseen decline in pupil numbers, and an underspend at another that has been prudent in planning for a predicted future reduction in pupil numbers and in meeting additional costs relating to the introduction of the International Baccalaureate in 2009.

Non Fee-Paying Provided Schools Primary Education

- **Net spend of £22,410,024, an underspend of £249,756 (1.1%) against Final Approved Budget**

All schools are formula funded on the basis of pupil numbers. The decline in numbers in the Primary Education sector is such that a small number of schools are supported beyond the level dictated by the formula in order to maintain the level of educational provision. This places additional pressure on the budget. The Department continually reviews demographic trends and, where appropriate, has been able to reduce forms of entry and amalgamate schools.

A total of 91% of primary school budgets is allocated to staff costs, which provides for very little flexibility in meeting unplanned and unforeseen items of expenditure. Of the twenty two Primary schools, five are in deficit at the end of the financial year, which will be carried forward to the next financial year.

Further, Vocational and Tertiary Education (including Highlands College)

- **Net spend of £8,847,356 an underspend of £145,092 (1.6%) against Final Approved Budget**

Highlands College generated total income of £2.5 million, to supplement the formula funded allocation from the Department. The College's activities can be broken down into the Main College (net expenditure £8.4 million), and the Jersey Business School and Adult Education, both of which generate net income. Adjustments have been made to the College's Approved Budget based on actual student participation. At the end of the financial year, the College had an overspend against the revised budget due to a £200,000 decrease in budget arising from an earlier States resource allocation process and one-off costs at Jersey Business School.

Education, Sport and Culture

Higher Education • **Net spend of £8,525,237 an underspend of £1,371,345 (13.9%) against final Approved Budget**

The introduction of the Student Loan Scheme in 2008 provided for a sharing of university top up fees which the Department had absorbed in 2007. The Council of Ministers had recommended that the Higher Education budget be supplemented by £1 million originally allocated to the Department for vocational and occupational skills in order to provide sufficient funding over the period of transition. Whilst expenditure can be subject to some uncertainty due to the variable nature of student preference for courses and family income, there was also a decline in numbers attending university compared to a peak in the previous year. In general, whilst parental income has increased, maintenance thresholds have been maintained, thereby further reducing expenditure. The Minister will be reviewing the impact of recent changes to the Higher Education Award Scheme during 2009.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Sale of Services • **Income of £12,609,186, a surplus of £105,586 (0.8%) against Final Approved Budget**

The primary components consist of fee paying provided school fees (£7.6 million), Highlands College charges (£2.2 million) and income from Sports Centres (£2.2 million). School fees were eventually set at a level below that included in the original budget, resulting in a shortfall of £0.5 million. Increased participation in sports activities and the Active membership scheme resulted in additional income in excess of that originally budgeted by £0.5 million, offsetting the shortfall in school fee income.

Sale of Goods • **Income of £1,153,153, a surplus of £967,653 (521%) against Final Approved Budget**

Two areas of activity, school canteens and Sport Division events have traditionally been budgeted for net so that financial statements only reflected the 'profit/loss'. In 2008 the activities have been correctly accounted for gross thereby inflating income and expenditure. After adjusting for the change in treatment, the increase against Approved Budget amounts to £41,000 which is primarily additional income generated at Highlands College.

The results for the 3 highest expenditure lines are as follows:

Manpower • **Spend of £75,589,712, an underspend of £1,104,227 (1.4%) against Final Approved Budget**

Manpower costs represent 68% of the Departments revenue budget. Of this amount, £64.9 million (86%) is for staff employed within the Department's provided schools. A significant element (1.1%) of the under spend against Approved Budget is due to the categorisation of expenditure at the fee paying provided schools. Prior to 2007, the schools had set aside funds in relation to an expected increase in pension contributions, an element of which was not required. These funds were carried forward to 2008 and included in the manpower budget and remain unspent at the end of the year.

Education, Sport and Culture

Grants and Subsidies

- **Spend of £9,406,422, an overspend of £227,045 (2.5%) against Final Approved Budget**

The significant elements of the Budget consist of annual grants (£3.5 million) paid to the arts and heritage organisations: the Jersey Heritage Trust; the Jersey Arts Trust; the Opera House and the Jersey Arts Centre, and the grants allocated to the Island's non-provided schools (£4.4 million). The Department also incurred costs relating to the subsidy (£337,000) in a difference between the method of budgeting and accounting for the Aquasplash contract. The variance against Approved Budget is due to the Aquasplash subsidy and an increase in grants paid through the Department's Sport Division.

Student Grants

- **Spend of £8,153,863 an underspend of £1,296,135 (13.7%) against Final Approved Budget**

The major components of grants to students are university fees and maintenance. Expenditure on University fees in 2008 was £5.7 million compared to £6.5 million in 2007. Expenditure on Maintenance was £2.1 million compared to £2.5 million in the previous year. The Department also provides Home Grants for students attending degree courses at Highlands College (£650,000 was transferred to Social Security for inclusion in the Income Support scheme at the start of 2008 in respect of 16 students at non-fee paying schools) and scholarships for post graduate students. Expenditure in respect of these areas in 2008 was £141,824 and £156,545 respectively.

Capital Schemes

Total Capital Expenditure during the year was £1.3 million which reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Scheme	**Amount Voted £000**	**Spent in the Year £000**	**Spent to Date £000**
Hautlieu School	24,973	14	24,231
Le Rocquier School	22,436	1,023	22,140
ICT Strategy	3,165	83	1,976
TOTAL	**50,574**	**1,120**	**48,347**

The underspend on the Hautlieu School and Le Rocquier School projects will be used to fund the Department's ICT Strategy 'Extending Boundaries 2009–2011'.

Education, Sport and Culture

Other developments

In 2006, the Minister for Education, Sport and Culture instigated a wide ranging review of support to students. The reform of support and introduction of a loan facility in 2007, were a response to escalating costs due to higher tuition fees and an increasing number of people entering higher education. This enabled the Department to distribute the costs of higher education to a wider community and contain States expenditure. At the end of 2008, a total of 238 students had taken advantage of the loan facility. In 2009, the United Kingdom Government plans to review University funding. There is some uncertainty as to the exact level of increase in top-up fees that universities may seek although the Department has identified this as a potential funding pressure in the 2010 to 2014 resource allocation process. The previous increase in fees was £1,300 per student per annum. Whilst every £1,000 increase will cost the Island £1.4 million, the Department is aware that most universities will be looking for an increase of £5,000 with some seeking a removal of all caps on fee charges.

A new funding arrangement has been developed with Highlands College based on a 'unit of resource', which was calculated with reference to the cost of similar course programs offered in school sixth forms, weighted on the basis of the level of pastoral support required and the cost of materials. A co-ordinated approach will be established between the Department and the College, based on planned student numbers and the change will enable the Skills Executive to influence the direction of the College and to advise on priority areas.

To support the effective management of forecast changes to pupil numbers, the Department monitors demographics and has developed a model through to 2020 to ensure that timely decisions can be made on amalgamating schools, changing forms of entry, flexibly applying class size limits and utilising spare capacity within schools. The Department is also seeking to modify the funding model that applies to primary schools.

Education, Sport and Culture

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Schools and Colleges		
		Non Fee-Paying Provided Schools:		
1,955,100	1,957,934	Pre-School Education	1,940,090	1,910,250
22,573,800	22,659,780	Primary Education	22,410,024	21,771,354
23,007,300	22,730,643	Secondary Education	22,785,877	21,596,512
		Fee-Paying Schools:		
5,709,200	6,196,275	Provided Schools	5,366,623	4,749,970
4,605,400	4,624,115	Non-Provided Schools	4,549,593	4,307,843
7,495,300	7,502,273	Special Educational Needs and Special Schools	7,476,949	7,133,470
694,000	690,596	Instrumental Music Service	700,602	663,914
		Culture and Life Long Learning		
9,073,500	8,992,448	Further, Vocational and Tertiary Education (including Highlands College)	8,847,356	8,776,870
1,652,900	1,645,835	Public Libraries	1,598,172	1,545,674
1,440,900	1,439,244	Youth Service	1,436,660	1,377,400
9,822,700	9,896,582	Higher Education	8,525,237	10,477,165
		Child Care Support		
184,600	185,266	Day Care Services	171,507	175,621
167,100	167,876	Jersey Child Care Trust	171,476	167,546
2,006,700	2,016,582	Heritage (Grant to the JHT)	2,029,623	1,892,384
1,616,100	1,624,010	Arts (including the Grant to the JAT)	1,588,389	1,530,388
		Sport and Leisure		
2,155,800	2,112,764	Sports Centres	2,115,684	2,003,874
881,600	1,254,023	Playing Fields and Schools Sports	1,214,913	1,177,804
496,100	493,814	Sport Development	466,201	564,705
206,200	207,331	Grants and Advisory Council	367,007	284,799
239,800	242,530	Playschemes and Outdoor Education	214,217	255,575
-	35,631	Community Fund	18,064	91,728
95,984,100	**96,675,552**	**Net Revenue Expenditure**	**93,994,264**	**92,454,846**

Education, Sport and Culture

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
185,500	185,500	Sale of Goods	1,153,153	677,179
12,503,600	12,503,600	Sale of Services	12,609,186	11,627,175
23,000	23,000	Commission	29,698	23,558
312,200	312,200	Hire and Rentals	591,182	542,141
134,996	134,996	Fees and Fines	174,158	145,812
454,162	454,162	Miscellaneous Income	1,080,506	1,564,735
435,042	435,042	Recharges and Recoverable Costs	565,873	458,812
14,048,500	14,048,500		16,203,756	15,039,412
		Expenditure		
76,683,744	76,693,939	Manpower - States Staff Costs	75,589,712	71,458,530
10,000	10,000	Manpower - Non States Staff Cost	223,489	660,871
6,465,139	6,749,282	Supplies and Services	7,193,220	7,234,821
2,259,588	2,242,272	Adminstrative Costs	2,415,125	2,384,095
6,321,922	6,380,634	Premises and Maintenance	7,194,247	6,751,631
18,550	18,550	Incidental Expenses and Charges	21,942	54,495
8,823,659	9,179,377	Grants and Subsidies	9,406,422	8,894,117
9,449,998	9,449,998	Student Grants	8,153,863	10,055,698
110,032,600	110,724,052		110,198,020	107,494,258
95,984,100	**96,675,552**	**Net Revenue Expenditure**	**93,994,264**	**92,454,846**

Health and Social Services

Department Highlights:

- **Net spend of £148,515,675, an increase of 7.2% on 2007**
- **Underspend of £22,495 (0%) against Final Approved Budget**

Actual v prior year

The increase in net expenditure from 2007 to 2008 was 7.2%. Income increased by 8% over the year with expenditure increasing by 7.3%. The largest proportionate increase in income was in miscellaneous income which increased by 97% on 2007 as a result of non-recurrent funding of post graduate medical staff. Supplies and services expenditure increased by 16% over the year because of the introduction of new supplies and source expenditure on subsidised products and purchase of elderly beds in the community (see key financial results by income and expenditure category for more detail).

Actual v Final Approved Budget

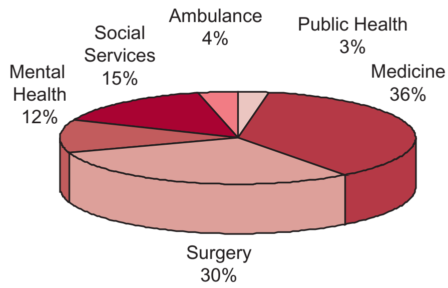
Overall the department had a minor underspend against budget. Whilst Health and Social Services have achieved a balanced budget, this has been achieved by careful financial management of resources, and by delaying planned developments in the service in order to ensure that operational overspends are adequately covered. In arriving at these published financial results, the non-operational departments' budget and expenditure is apportioned over the operational services, with the result that the performance of operational directorates is enhanced by the financial value of delayed developments to cover operational departments' budget deficits. In order to present a more transparent picture of the operational finances of the directorates, the net apportionment has been disclosed in the key financial results by service analysis (below).

Additional budget allocation

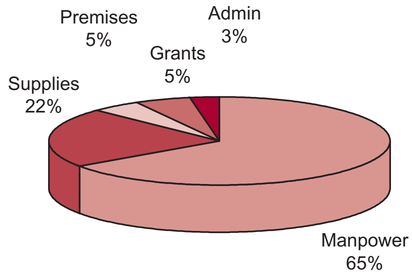
In 2008 an additional £636,670 (net) was voted to Health and Social Services in excess of the original budget agreed in the business plan. This amount represents a transfer in of £420,771 budget from other departments, a transfer out of £87,774 budget to other States departments, an additional budget of £54,100 for pandemic flu vaccines, historic child abuse inquiry funding of £243,430 and a surplus budget brought forward from 2007 of £6,143 (see Reconciliation table for details).

Capital	Total £000
Total value of approved capital schemes	**12,265**
Spent in the Year £000	**748**
Spent to date £000	**748**

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	**109,246**	103,869
F.T.E.	**2,247**	2,290

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**147,902**
2007 Carry forward	6
Transfer Advertising budget from central HR	190
HCAE funding	243
Transfer subsidised products budget from Soc Sec	175
Transfer post from Shared Services	56
Pandemic Flu	54
Transfer Home/School Liaison Officer to Education	(42)
Trf FNHC PECRS to Treasury	(46)
Final Budget	**148,538**

Health and Social Services

2008 capital vote

In the 2008 business plan, an additional £9,644,000 was voted for the department's capital schemes. This was to cover:

- Minor Capital £1,800,000;
- A&E/Radiology extension (part 2) £2,509,000;
- Replacement Health IT system £3,000,000;
- Tube system upgrade £654,000;
- General Hospital upgrade (phase 2) £1,181,000;
- Central laundry new batch washer £500,000

Additional details on revenue expenditure results and in year capital spend are explained below.

Key Financial Results by Service Analysis

The results for the Department's top 4 service areas (by net expenditure) were:

Medical Services

- **Net spend of £38,167,932 before apportionment, £54,773,010 after apportionment, an overspend of £1,338,217 (4%) before apportionment, £524,325 (1%) after apportionment against Final Approved Budget**

The net spend of the service before apportionment of non-operational departments (see Actual v Approved Budget commentary above) was £38.2 million which equates to a medical directorate overspend of £1.3 million (4 %).

Increases in the costs and usage of drugs continue to adversely affect the whole of health and social services clinical budgets, with the largest impact being in medical services. In addition to this the increased cost of blood products, the use of locum agency staff due to the shortage in middle grade medical staff, and the use of agency staff in nursing in order to cover vacancies and sickness, all contributed to the overspend for 2008.

To compensate for overspends, vacancies were held open in administrative posts and savings were achieved within services for older people by reducing the usage of nursing and residential beds in the private sector.

Surgical services

- **Net spend of £33,506,257 before apportionment, £44,717,773 after apportionment, an underspend of £38,843 (0%) before apportionment, £139,366 (0%) after apportionment against Final Approved Budget**

The net spend of the service before apportionment of non-operational departments (see Actual v Approved Budget commentary above) was £33.5 million which equates to a surgical directorate underspend of £38,843 (0%).

The directorate has carefully managed its financial resources in order to achieve its net underspend position. During 2008 the directorate has experienced overspends as a result of higher costs incurred on drugs, clinical supplies, prostheses and hearing aids in addition to increased medical pay as a result of having to use locum agency staff due to shortages in middle grades. These overspends have been offset by holding vacancies across the service, increased activity in x-ray services, and increased hearing aid sales.

Health and Social Services

Social Services

- **Net spend of £14,556,835 before apportionment, £22,590,011 after apportionment, an overspend of £122,951 (1%) before apportionment, an underspend of £235,165 (1%) after apportionment against Final Approved Budget**

The net spend of the service before apportionment of non-operational departments (see Actual v Approved Budget commentary above) was £14.6 million which equates to a social services directorate overspend of £122,951 (1%).

The net overspend in Social Services has arisen largely within the special needs service where the service is experiencing difficulties in realising its vision in group homes living. Staff costs have exceeded budget due to high usage of overtime, bank and agency staff in order to cover staff sickness and variable client needs. This overspend has been partly offset by an underspend in Children's Service, where savings have been experienced on the cost of fostering and adoption services, and vacancies being held in social worker posts.

Mental Health

- **Net spend of £12,809,429 before apportionment, £17,132,883 after apportionment, an underspend of £6,521 (0%) before apportionment, £22,214 (0%) after apportionment against Final Approved Budget**

The net spend of the service before apportionment of reserves (see Actual v Approved Budget commentary above) was £12.8 million which equates to a mental health directorate underspend of £6,521 (0%).

An overspend has arisen as a result of the use of overtime, bank nurses, and agency staff to cover sickness and nursing vacancies, medical locums to cover medical vacancies, and increased costs associated with usage of psychiatry drugs. These overspends have been managed by the service through achieving savings on the purchase of UK placements, achieving savings on the purchase of furniture and equipment and the holding of vacancies in administrative posts within support services.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Fees and Fines

- **Income of £14,750,682, a surplus of £581,582 (4%) against Final Approved Budget**

Funding from reciprocal health agreements with the UK was increased by 6% in 2008. This income is non-recurrent, and has come to an end in 2009 (see other developments for details). In addition to this, the accounting for UK healthcare contracts has changed in 2008 as part of the on-going process of implementing GAAP accounting (see supplies and services below). Additionally the department is experiencing more private patient activity following the opening of the expanded and refurbished day surgery unit in September 2007.

Health and Social Services

Hire and Rentals • **Income of £1,210,505, a surplus of £73,445 (6%) against Final Approved Budget**

More efficient procedures in the collection of rentals have been adopted by the department during the year, however the nature of this income is non-recurrent, and ongoing variations are likely to be observed.

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs • **Spend of £108,856,224, an underspend of £8,224,454 (7%) against Final Approved Budget**

Staff costs represent 65% of the total expenditure of the department (see expenditure analysis pie chart above). During the period salary costs rose by 3.2% for civil servants and 2.2% for medical staff, with manual workers and nurses pay awards still under negotiation. Despite the pay inflation, actual manpower spend is 7% less than budget which reflects both the difficulty in recruiting professional staff to essential posts, and the close management of directorate budgets by managers in an effort to ensure that costs are contained.

Supplies and Services • **Spend of £36,215,073, an overspend of £6,527,604 (22%) against Final Approved Budget**

The accounting for UK healthcare contracts has changed in 2008 as part of the on-going process of implementing GAAP accounting (see fees and fines above). In addition, a stock adjustment associated with pandemic flu drugs (noted in the key financial results for medical services in 2007), the introduction of new costs incurred in relation to additional budget received from Social Security (see reconciliation of original budget) for subsidised products, and ward closures resulting in the need to purchase beds for the elderly have all contributed to the overspend in 2008.

Grants and Subsidies • **Spend of £8,865,619, an overspend of £435,299 (5%) against Final Approved Budget**

Where it is more efficient to outsource services into the private sector, Health and Social Services establish service level agreements for their provision by a third party. During 2008 established service level agreements were uplifted by 2.5% in accordance with the centrally set limits for non-pay inflation within the States of Jersey. Also, additional funding was provided to two of the larger service providers for specific additional services that had not been forecast at budget setting in 2008.

Health and Social Services

Capital Schemes

Total Capital Expenditure during the year was £0.748 million which reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Scheme	Amount Voted £000	Spent in the Year £000	Spent to Date £000
A&E/Radiology extension (Part 2)	3,635	323	323
Replacement Health IT System	4,936	23	23
General Hospital Upgrade (Phase 2)	1,110	402	402
2008 Equipment Replacement	1,542	0	0
Total schemes under £500,000	780	0	0
TOTAL	**12,003**	**748**	**748**

The A&E/Radiology extension is a project which has been in progress for 2 years and substantial progress is expected to take place in 2009 and 2010, with completion due at the end of 2010.

The Replacement Health IT System Project is a £12m project which is estimated to be completed by 2012; to date the child health element of the project has been completed, and the project is forecast to meet budget.

At the year end, Health and Social Services had 4 capital projects showing total overspends of £262,420. The department are currently in discussion with Property Holdings as to how this position should be resolved, and it is expected that this will be concluded in 2009.

Other developments

2008 has been a challenging year for Children's Services, with the additional demands placed on them as a result of the Historic Child Abuse Enquiry. Additional costs amounting to £243,430 incurred as a result of the knock on effect of the investigation have been fully funded centrally by the States of Jersey (see HCAE funding in the reconciliation of original budget to final budget). Following on from this, during the last quarter of 2008 the department received The Williamson Report (June 2008), an inquiry commissioned in August 2007 in order to review child protection services in Jersey, investigating the appropriateness or otherwise of policies, procedures and practices. Following on from the report an implementation document, with eleven recommendations, has been put together by Health and Social Services. The Department expects to receive sufficient additional recurrent funding in 2009-2012 in order to be able to implement the recommendations of Williamson in a phased manner over a 4 year period commencing mid way through 2009.

With effect from 1st April 2009 the UK government will no longer fund Health and Social Services for the care of UK residents needing treatment whilst they are in Jersey, which will result in reduced income from the UK.

Health and Social Services expect to change the reporting structure of the operational directorates during 2009 in line with the objectives of the service. This will have a knock on effect on reporting in 2009, and the service will adopt new reporting methods to ensure the achievement of a transparent and accurate reflection of the operations and cost effectiveness of the service.

Health and Social Services

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Public Health Services		
893,700	770,260	Public Health Medicine	713,486	1,490,910
1,020,900	1,030,765	Clinical Public Health Services	1,145,341	1,083,039
1,206,000	1,345,332	Health Protection	1,233,661	989,866
1,194,300	1,077,463	Health Improvement	987,100	843,476
		Medical Services		
6,868,100	6,675,037	Medical Specialties	7,376,378	8,070,530
2,716,900	3,012,531	Paediatrics	3,182,768	3,508,077
1,594,300	1,540,863	Renal Services	1,723,918	1,489,813
1,511,600	1,588,304	Outpatient Services	1,582,239	1,418,216
7,188,500	7,506,322	Medical Wards	6,495,981	6,596,495
3,319,100	3,311,375	Accident and Emergency	3,411,917	2,924,556
4,085,600	3,504,956	Assessment and Rehabilitation for Older People	3,849,786	2,970,202
11,885,200	12,072,555	Continuing Care for Older People	12,051,458	11,254,450
7,926,100	8,310,213	Pathology	8,532,942	7,980,506
1,940,200	2,343,134	Pharmacy	2,267,355	902,827
4,041,200	4,383,394	Therapy Services	4,298,267	4,007,092
		Surgical Services		
14,597,800	14,714,147	Surgical Specialties	14,881,513	15,875,001
5,454,900	5,617,238	Obstetrics and Gynaecology	5,644,198	5,937,211
7,592,900	7,339,898	Theatres	7,131,067	6,197,555
10,821,800	10,051,674	Surgical Wards	9,961,483	8,038,377
432,700	371,170	Private Patients Wards	354,702	146,859
3,334,600	3,374,187	Physiotherapy	3,328,363	3,060,251
3,247,000	3,388,826	Radiology and Diagnostic Imaging	3,416,447	2,864,464
		Mental Health Services		
1,330,300	1,333,487	Alcohol and Drugs Service	1,284,902	1,073,652
9,106,700	8,827,563	Adult Mental Health Service	8,645,349	8,373,358
927,400	925,554	Child and Adolescent Mental Health Services	872,647	807,206
6,417,700	6,068,493	Elderly Mental Illness Services	6,329,985	5,259,493
		Social Services		
8,454,300	8,366,088	Children's Services	8,191,415	7,598,982
3,943,600	3,794,833	Adult Social Services	3,758,210	3,366,150
9,649,000	10,664,255	Special Needs Services	10,640,386	9,296,369
		Ambulance Services		
4,451,900	4,495,183	Ambulance	4,472,226	4,418,363
747,200	733,070	Patient Transport	750,185	669,381
147,901,500	**148,538,170**	**Net Revenue Expenditure**	**148,515,675**	**138,512,727**

Health and Social Services

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
546,700	546,700	Sale of Goods	833,309	584,845
288,610	288,610	Sale of Services	231,609	341,932
1,137,060	1,137,060	Hire and Rentals General	1,210,505	1,199,003
14,169,100	14,169,100	Fees and Fines	14,750,682	14,009,879
249,350	249,350	Miscellaneous Income	876,756	445,073
379,980	379,980	Grants and Subsidies	-	-
-	-	Grant from Drug Trafficking Confiscation Fund	409,069	367,407
16,770,800	16,770,800		18,311,930	16,948,139
		Expenditure		
116,851,640	117,080,678	Manpower - States Staff Costs	108,856,224	102,922,757
-	-	Manpower - Non States Staff Cost	389,303	946,549
29,481,050	29,687,469	Supplies and Services	36,215,073	31,096,683
4,226,880	4,426,683	Administrative Costs	4,640,728	4,999,842
5,670,210	5,671,620	Premises and Maintenance General	7,856,660	7,071,287
12,200	12,200	Incidental Expenditure and Charges	3,998	6,502
8,430,320	8,430,320	Grants and Subsidies General	8,865,619	8,417,245
164,672,300	165,308,970		166,827,605	155,460,865
147,901,500	**148,538,170**	**Net Revenue Expenditure**	**148,515,675**	**138,512,726**

Home Affairs

Department Highlights:

- **Net spend of £48,885,971, an increase of 20.2% on 2007**
- **Underspend of £2,560 (0.005%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was 20.2%. This was mainly due to the costs relating to the States of Jersey Police Historical Child Abuse Enquiry (HCAE), increases in staff costs due to pay awards and additional posts at the Prison.

Actual v Final Approved Budget

Overall the Department had a slight underspend against the approved budget. This was the net position after funding the overspend on the Criminal Injuries Compensation Scheme (CICS) and diverting funds originally agreed for the implementation of Discrimination Legislation to the Prison, and to Customs and Immigration Service to meet known funding pressures.

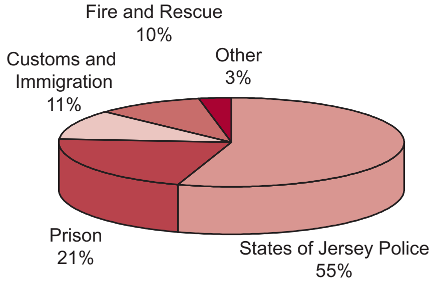
Additional Budget Allocation

In 2008 an additional £5,987,431 was voted to the Home Affairs Department in excess of the original budget agreed in the 2008 States Annual Business Plan (ABP). This amount mainly represents:

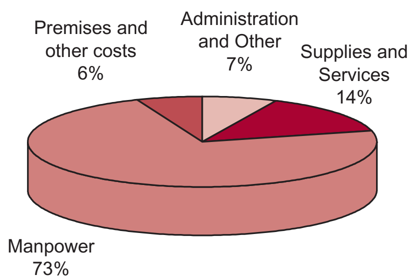
- the costs relating to the HCAE which were approved by the States in September 2008 (P91/2008);
- additional funding for the Prison from other Departments' 2007 underspends;
- the overspend on Court and Case Costs within the States of Jersey Police and Customs and Immigration Service.

(see Reconciliation table for full details).

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	**37,216**	33,557
F.T.E.	**640.34**	616.77

Capital	Total £000
Total value of approved capital schemes	**14,893**
Spent in the Year £000	**803**
Spent to date £000	**13,983**

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**42,901**
Additional Funding from carry forward - Prison Budget Shortfall	850
Transfer re HCAE	4,522
Transfers from other Departments:	
Non Ministerial - Court and Case Costs	291
Chief Minister's - Recruitment and Advertising	32
Treasury and Resources - GST Staff Funding	181
Economic Development - Training Provision HMP La Moye	30
Economic Development - On Board Controls	13
Education, Sport and Culture - Education Officer	47
Treasury and Resources - JFS Social Security Contributions	22
Final Budget	**48,889**

Home Affairs

2008 Capital

In the 2008 States Annual Business Plan an amount of £200,000 was voted to the Department for minor capital. This was allocated by the Minister for the purchase of a fire appliance for the Fire and Rescue Service.

Additional details on revenue expenditure results and in year capital spend follow.

Key Financial Results by Service Analysis

The top results for the department's main service areas (by net expenditure) were:

Response and Reassurance Policing (States of Jersey Police)

- **Net spend of £11,375,992, an overspend of £385,622 (3.5%) against Final Approved Budget**

Response and reassurance policing is about helping people feel safe at home, at work, on the roads, at public events or just when they are out and about. The public also expects the Police to provide an effective incident response service if required. These are key elements of building public confidence in the Police. In 2008, the Police dealt with nearly 23,000 calls for assistance. The key challenges during the year were increases in serious violence and ongoing public concerns about anti-social behaviour and disorder.

The overspend on this service area was offset by an underspend on Serious and Series Crime Investigation (£375,942) as resources were directed and reprioritised to meet operational demands.

However, the costs relating to the HCAE have impacted on Serious and Series Crime Investigation with net expenditure increasing by 125.3% over 2007 actual net spend.

Community Protection (Fire and Rescue)

- **Net spend of £4,699,423 an overspend of £25,570 (0.5%) against Final Approved Budget**

The main areas of operation for the States of Jersey Fire and Rescue Service are Emergency Response, Fire Protection and Community Prevention. As from 2008 the budget has been broken down over these three service areas.

After many years of absorbing efficiency savings and managing the budget within strict expenditure limits, 2008 demonstrated how sensitive finances had become to sudden and unforeseen expenditure. The incident at Broadlands cost the Fire and Rescue Service in excess of £13,000 and coupled with high levels of sickness (largely through Service injuries) at operational level requiring overtime cover, the burden upon resources during the second half of the year resulted in an overspend for 2008. Any attempt to reduce this excess at the expense of safety and efficiency would have been unwise and it was fortunate that the overspend was not compounded by any significant furze fires.

Home Affairs

Enforcement (Customs and Immigration)
- **Net spend of £4,234,255 an overspend of £102,621 (2.5%) against Final Approved Budget**

The Enforcement function within the Customs and Immigration Service seeks to: detect, deter and investigate the smuggling of prohibited, restricted and dutiable goods; and maintain effective immigration controls on behalf of the Island and the UK.

The Service identified significant funding pressures in advance of 2008 due largely to the cost of providing adequate Customs and Immigration controls for increased commercial shipping movements and 'on board' controls for passenger movements. In order to meet the funding shortfall, funds of £85,000 originally agreed for the implementation of Discrimination Legislation were diverted to the Service and a contribution of £26,000 was received from the Economic Development Department (budget transfer) and Jersey Harbours (expenditure transfer). Without these additional funds the Service would have been more overspent at the end of 2008.

In May 2008, Goods and Services Tax (GST) was introduced. The Service worked closely with Officers from the Income Tax Department, the international development company Crown Agents, and members of the trade and shipping companies to ensure that the introduction of the tax occurred with as little disruption to the importation of goods as possible. With regard to the collection of GST and impôt duties the Service reports to the Minister for Treasury and Resources, who has responsibility for the setting and receipt of duties and import GST.

Residential Accommodation (HM Prison)
- **Net spend of £7,161,236, an overspend of £446,434 (6.6%) against Final Approved Budget**

This service area includes the provision of accommodation, facilities and care for prisoners at HM Prison La Moye.

The prison's approved budget for 2008 includes £850,000 from other Departments' 2007 year end underspends. In addition, an amount of £405,000 originally allocated for the implementation of Discrimination Legislation was transferred to the Prison budget to reduce the overspend against the Approved Budget. However, despite this and other budget enhancements (as detailed in the Reconciliation table) the year end position for the Prison was an overspend. Following a full review of the Prison budget in 2007 additional funds of £1 million have been agreed in the 2009 Annual Business Plan to increase the base budget.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Miscellaneous Income
- **Income of £970,401, a surplus of £151,701 (18.5%) against Final Approved Budget**

Income from the issuing of passports forms the main part of this income line. The fee for issuing a normal adult British passport increased by 9.1% at the end of 2007 to reflect the amount charged in the UK. Approval for this increase was received from the Treasury and Resources Minister, as historically it has been the practice in Jersey to set passport fees at the same level as the UK given that passports are issued on behalf of the UK.

Home Affairs

Grant from the Criminal Offences Confiscation Fund (COCF)
- **Income of £456,327, equal to Final Approved Budget**

The four legal Departments (Law Officers', Bailiff's, Judicial Greffe and Viscount's) and the Home Affairs Department incur a collection of costs termed Court and Case Costs. These costs relate to case activity. They have previously been recognised as demand-led and as such are difficult to control within fixed incremental budgets. In recognition of this the Departments pool their respective under and overspends to manage this cost area as a whole. As in 2007, the Treasury and Resources Minister agreed to fund the costs relating to criminal and non-drug crimes from the Criminal Offences Confiscation Fund (COCF). Inter-departmental budget transfers were subsequently required in order to prevent any legal Department being overspent. More details of the funding mechanism for Court and Case Costs can be found on the Non Ministerial Departments' pages.

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs
- **Spend of £37,215,871, an overspend of £13,466 (0.04%) against Final Approved Budget**

States Staff costs account for 76.1% of the Department's net expenditure, this increases to 77% if non States staff costs are included. The reactive nature of the services provided by the Home Affairs Department mean that changes in priorities are not always controllable as staff are required to respond to service changes almost immediately.

During 2008 funds originally allocated for the implementation of Discrimination Legislation were diverted to the Prison and Customs and Immigration Service to fund staff costs resulting in a year end underspend of 1.3% on staff costs after the appropriate internal budget transfers.

Supplies and Services
- **Spend of £7,021,960, an overspend of £446,132 (6.8%) against Final Approved Budget**

The service area with the greatest overspend on this expenditure line was the States of Jersey Police (£373,850) where savings on staff costs, (excluding the HCAE) due to leavers and retirements, in 2008 have been diverted to fund expenditure in areas such as equipment and vehicle purchase and training.

Administrative Costs
- **Spend of £3,552,365 an underspend of £640,892 (15.3%) against Final Approved Budget**

As already indicated, during 2008 funds originally allocated for the implementation of Discrimination Legislation (administration costs) were diverted to the Prison and Customs and Immigration Service to fund staff costs. After allowing for this and other internal budget transfers the year end position for administrative costs was a reduced underspend of £93,092.

Home Affairs

Capital Schemes

Total capital expenditure during the year was £803,000 which reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with a total amount voted in excess of £500,000 are contained in the table below:

Scheme	Amount Voted £000	Spent in the Year £000	Spent to Date £000
HM Prison – Control Room	1,668	278	1,503
HM Prison – Security Measures	943	55	800
TOTAL	**2,611**	**333**	**2,303**

The management of, and budgets for, the Department's property related projects (the relocation of the Police Headquarters and redevelopment of the Prison) are the responsibility of Jersey Property Holdings.

Other Developments

2008 Results

The Chief Officer, Home Affairs is the accounting officer for the whole of the Home Affairs area including the States of Jersey Police. Since the advent of Ministerial Government and the introduction of the Public Finances (Jersey) Law 2005, this arrangement has worked satisfactorily. However, the funding experience with the HCAE has exposed potential weaknesses, which require a review of the funding arrangements within Home Affairs. Discussions have already commenced with the Treasurer of the States to this effect.

Forthcoming Changes

The States of Jersey Police are awaiting the report of the IMF inspection team which visited Jersey in November 2008; however, it is likely that they will state that the Island is putting insufficient resources into Joint Financial Crime Unit manning. If service levels in other areas of the Police are not to suffer, additional funding will need to be found to increase manning levels.

Resourcing problems within the Customs and Immigration Service have been recognised in four independent reports since 2007 – an audit of the merger of the Customs and Immigration frontier teams by the Chief Internal Auditor, a review of staffing numbers prior to the introduction of GST by Crown Agents, the Comptroller and Auditor General's review of States expenditure and a review by the Education and Home Affairs Scrutiny Panel. The States 2009 Annual Business Plan also recognised that the Service's budget required an additional £650,000 to ensure that existing staff costs could be met and to recruit six more officers replacing those lost since 2004. However, the Council of Ministers decided that only £250,000 should be allocated. Although the extra funding will be used to recruit three additional officers in 2009 it will still leave the Service three officers short for minimum operational effectiveness.

Home Affairs

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Home Affairs		
69,800	69,800	Explosives Officer / Explosives Licensing	67,918	65,406
275,000	275,000	Criminal Injuries Compensation Scheme	343,877	227,037
518,000	518,000	Statutory and Legislative Provisions	20,915	19,818
		Police		
10,876,700	10,990,370	Response and Reassurance Policing	11,375,992	10,675,541
4,120,200	8,715,737	Serious and Series Crime Investigation	8,339,795	3,702,005
906,700	906,700	Manage Offenders through Custody	917,590	914,042
1,632,700	1,632,700	Supporting the Criminal Justice System	1,645,634	1,589,024
2,093,400	2,093,400	Managing Intelligence	1,928,683	1,930,103
1,406,600	1,406,600	Financial Crime Investigation	1,501,481	1,415,745
1,395,800	1,395,800	National Security / Anti - Terrorism	1,315,531	1,276,498
		Fire and Rescue		
4,671,200	4,673,853	Community Protection	4,699,423	4,484,495
		Customs and Immigration		
769,900	843,565	Revenue Collection	875,150	746,336
3,913,300	4,131,634	Enforcement	4,234,255	3,853,201
123,200	171,581	External Obligations	134,442	31,996
		H M Prison		
5,564,300	6,714,802	Residential Accommodation	7,161,236	5,897,419
441,700	919,100	Prisoner Activity	875,357	436,061
563,000	-	Performance Improvement Plan (PIP)	-	1,704,508
1,901,100	1,768,185	Operations and Administration	1,999,052	270,535
		Building a Safer Society		
338,100	339,174	**Jersey Field Squadron**	330,844	324,397
1,116,200	1,121,648	UK Defence	913,726	935,121
30,000	30,000	Uniformed Youth Organisations	30,000	30,000
47,300	42,946	IMLO and Careers Office	41,248	42,840
126,900	127,936	**Superintendent Registrar**	133,822	113,397
42,901,100	**48,888,531**	**Net Revenue Expenditure**	**48,885,971**	**40,685,525**

Home Affairs

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
465,500	465,500	Sale of Goods	428,446	406,677
56,300	56,375	Sale of Services	91,308	78,394
109,600	109,600	Hire and Rentals	114,625	109,560
125,700	125,700	Fees and Fines	146,867	129,347
818,800	818,700	Miscellaneous Income	970,401	913,071
-	-	Recharges and Recoverable Costs	33,551	23,624
-	-	Grant from DTCF	155,949	1,034,006
-	456,326	Grant from COCF	456,327	610,787
1,575,900	2,032,201		2,397,474	3,305,466
		Expenditure		
34,947,040	37,202,405	Manpower - States Staff Costs	37,215,871	33,556,683
475,460	475,460	Manpower - Non States Staff Costs	423,566	325,336
3,757,300	6,575,828	Supplies and Services	7,021,960	5,012,006
2,942,400	4,193,257	Administrative Costs	3,552,365	2,427,028
2,270,000	2,388,996	Premises and Maintenance	2,799,708	2,397,115
2,000	2,000	Incidental Expenses and Charges	4,621	3,497
82,800	82,786	Grants and Subsidies	265,354	269,326
44,477,000	50,920,732		51,283,445	43,990,991
42,901,100	**48,888,531**	**Net Revenue Expenditure**	**48,885,971**	**40,685,525**

Housing

Department Highlights:

- **Net income of £21,815,197, an increase of 4.1% on 2007 (before the 2007 £24 million transfer to Social Security, see below)**
- **Underspend of £123,765 (0.6%) against Final Approved Budget**

Actual v prior year

The Housing Rent Abatement and Rent Rebate schemes were transferred to Social Security in January 2008. The budget for the costs of these schemes (£24 million) was transferred to Social Security turning the Housing budget into a net income budget. It is therefore difficult to make simple comparisons between 2007 and 2008 financials. However, the restated year-on-year increase in net spend from 2007 to 2008 was £0.94 million (4.1%).

Total income increased year-on-year by £0.84 million (2.4%), £0.65million (2.0%) of which was due to an increase in income from rents and the remaining £0.19 million (0.4%) was due to increases in tenant service recharges and other miscellaneous income.

Total expenditure was some £1.78 million (14.4%) higher than the previous year. The majority of this spend (£1.33 million) was in relation to a managed increase in planned maintenance and the improvement in re-let times to ensure that empty properties are let to tenants in as short a timeframe as possible. Oil and gas prices peaked in the summer of 2008 resulting in higher than anticipated costs in these areas and as a consequence charges to tenants were increased.

Staff Analysis

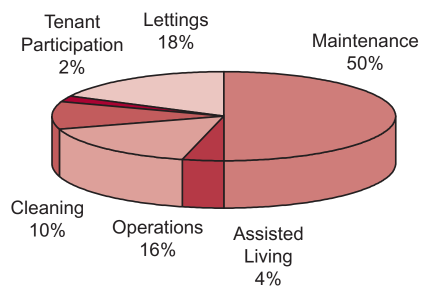
The Department's headcount changed significantly in 2008 with the transfer of 24 staff to Transport and Technical Services (T&TS) as part of the centralisation of cleaning related services. The budget associated with those staff has been retained by the Department which will now procure its cleaning services from T&TS as a service contract.

Actual v Final Approved Budget

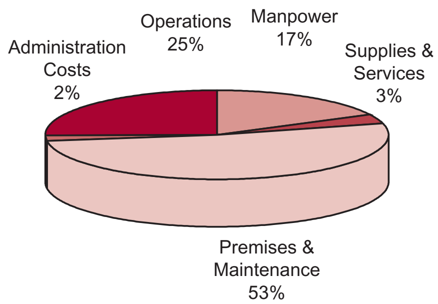
Overall the Department underspent the approved budget by £0.12 million (0.6%).

Total income was £0.63milion (1.8%) greater than that budgeted, £0.24 million of which was due to better than anticipated Social Housing rental income; the remainder being better than expected miscellaneous income and utility service charges to tenants.

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	2,283	2,427
F.T.E.	37.6	59.8

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**(22,015)**
Transfer from Chief Ministers Department	3
Transfer from Social Security Department	320
Final Approved Budget	**(21,692)**

Capital	Total £000
Total value of approved capital schemes	**70,090**
Capital spent in the year	**14,709**
Capital spent to date	**40,554**

Housing

Total expenditure was £0.51million (3.7%) greater than budget. The majority of this variance was due to an acceleration of the programme to address the maintenance backlog of some £0.72million (10.9%). This additional spend will yield benefits of higher occupancy rates and improved rental yields in the short to medium term.

Additional budget allocation

In 2008 an additional £323,168 was voted to the Housing Department over and above the original budget agreed in the Business Plan. The first transfer was in relation to a reallocation of recruitment budget from the Chief Ministers Department. The second transfer was from the Social Security Department and was in relation to the transfer of the rent abatement and rent rebate schemes (refer to the reconciliation table for details), previously managed by the Housing Department.

2008 capital vote

£10.98million was provided as the Capital Rolling Vote for the Housing Department for 2008 as per the Business Plan.

In accordance with the Social Housing Property Plan 2007-2016, the Department can utilise funds from sales of properties in order to finance the Capital Programme. There were a total of 31 properties sold in 2008, which generated £7.16million of cash receipts and a further £2.14million of deferred payment bonds.

The Department therefore had £18.14million of funds available for Capital Expenditure Programmes, of which £14.71million was spent during 2008, leaving £3.43million of funds available for projects that will continue on into 2009 and beyond.

Key Financial Results by Service Analysis

The results for the Department's three service areas (by net expenditure) were:

Estate Services

- **Net spend of £8,264,758, an overspend of £186,644 (2.3%) against Final Approved Budget**

During 2008 substantial increases in energy prices significantly increased the cost of both oil and gas purchased to operate district heating systems. These costs had to be passed on to tenants accounting for an increase in income from service charges.

The availability of additional rental income allowed for an acceleration of the programme of works necessary to address the backlog of maintenance in the social housing stock. A significant proportion of this programme targets the improvement of the thermal efficiency of homes and has a cumulative benefit in reducing energy use across the stock.

The Department also used available resources to modernise and upgrade properties to ensure their longevity and to ensure that its homes are fit for purpose and continue to generate rental income for some time to come; hence maintenance expenditure alone was £0.36million (7.1%) higher than the approved budget.

Housing

Tenant Services • **Net spend of £2,542,578, an overspend of £319,954 (14.4%) against Final Approved Budget**

Tenant Services is responsible for the refurbishment and re-letting of void (empty) properties to tenants. 2008 saw an increase in the volume of void properties which included the decanting project at Ann Court, hence costs in this area were some £0.23milion (13.7%) higher than the approved budget.

Additionally, Tenant Services saw an increased demand for medical adaptations, also linked to the decanting of Ann Court which saw higher numbers of elderly people being re-housed and increased spend over and above the budget by some £0.08million (24.4%).

Finance Services • **Rent and Fee Collection income of £32,612,680, a surplus of £620,510 (1.9%) against Final Approved Budget**

Finance Services is responsible for the collection of rent and other income and the associated costs of income collection.

The rent subsidy (rent abatement and rent rebates) and the costs thereof were previously the responsibility of the Housing Department; however with effect from January 2008 this became the responsibility of the Social Security Department.

The Department was able to generate additional rental income from properties originally predicted to have been sold as part of the Social Housing Property Plan 2007-2016; in addition the Department benefited from improved occupancy rates and transferred onto its Balance Sheet a small number of properties previously accounted for within the Housing Development Fund. All of this contributed to an increase in Rent and Fee Collection income of £0.62million (1.7%) over that budgeted.

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Housing Rents • **Income of £33,015,151, a surplus of £244,679 (0.7%) against Final Approved Budget**

The increase in income over budget was attributable to higher than expected Housing Rents from properties that it was anticipated would have been sold as part of the Social Housing Property Plan 2007-2016 but were not, and the transfer of a small number of properties from the Housing Development Fund together with improved average occupancy rates.

Recharges to States Tenants • **Income of £2,542,918, a surplus of £183,214 (7.8%) against Final Approved Budget**

The increase in income over budget was attributable to higher charges levied to Tenants in respect of district heating systems; which were necessary to offset substantial increases in energy prices during 2008.

Housing

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs
- **Spend of £2,283,307, an overspend of £285,812 (14.3%) against Final Approved Budget**

The actual overspend of £0.28million against the Approved Budget, actually represents an overall year on year decrease of 5.9%. The Approved Budget anticipated that the transfer of staff from the Department to T&TS would have been completed at the start of the year. The transfer actually took place during the third quarter, hence the variance against the Approved Budget.

Operation of Estates
- **Spend of £3,556,745, an underspend of £490,234 (12.1%) against Final Approved Budget**

The Department incurs expenditure in relation to the Operation of the Estates and this expenditure includes energy consumption as part of the estates district heating systems. It has been widely publicised that energy prices increased significantly during 2008, which was largely anticipated in the Approved Budget, however these increases reversed during the second half of the year in line with the deteriorating global economic outlook

Premises and Maintenance
- **Spend of £7,348,378, an overspend of £723,903 (10.9%) against Final Approved Budget**

The increase in expenditure on premises and maintenance between 2008 and 2007 was due to programmed maintenance increasing in order to bring key assets back to an acceptable standard and to deal with increasing maintenance costs as the assets age.

The availability of additional rental income allowed for an acceleration of the programme of works necessary to address the backlog of maintenance in the social housing stock. Significant proportions of this programme target the improvement of the thermal efficiency of homes and have a cumulative benefit in reducing energy use across the stock.

Capital Expenditure Projects

Total Capital Expenditure during the year was £14.71million which reflects the progress made on a wide variety of capital projects. A summary of current capital projects with estimated total cost to completion in excess of £500,000 are contained in the table below:

Housing

Scheme	Estimated Total Cost £000	Spent in the Year £000	Spent to Date £000
Le Squez Phase 2	12,000	612	693
Le Marais Low Rise Phase 1	4,831	3,219	4,831
Le Marais Low Rise Phase 2	6,965	4,818	5,843
Salisbury Crescent	6,500	313	347
The Cedars	6,062	3,074	3,462
Clos de Roncier	3,125	810	1,802
Hampshire Gardens	2,852	7	7
Journeaux Street	1,500	357	357
Clos du Fort Phase 1	1,444	964	1,439
Le Geyt Flats Phase 7	969	23	43
Clos de Quennevais	735	23	47
La Carriere Estate	719	7	7
Other projects less than £500k and projects with no spend which were closed in the year	22,388	482	21,676
Total	**70,090**	**14,709**	**40,554**

The following is a brief summary of the larger Capital Expenditure Projects:

Le Squez Phase 2

Phase 2 of Le Squez will provide 76 homes and will be designed in accordance with guidance on environmental impact issues where possible. The project will include: a public amenity space, communal gardens, children's play spaces, footpath links, a cycle path to aid access to the new estate as well as providing better integration between Samares School, Youth Service, NSPCC and the FB Sports Fields.

Le Marais Low Rise Phase 1

Funding for this project was initially provided by the Housing Development Fund ("HDF"). On completion of the properties and their subsequent sale the project became self-funding and the earlier costs (£3.6 million) were transferred from the HDF to the Housing Department in 2008.

Le Marais Low Rise Phase 2

Le Marais phase 2 is due for completion in Spring 2009. This project involves the demolition of 48 existing but outdated homes and the development of 47 new units which will include: 28 three and four bedroom houses and 19 one and two bedroom flats. A number of homes have been specifically designed for disabled occupation.

Salisbury Crescent

This project will provide 34 units including life-long and family homes. Preparatory site work is complete and the main contract should commence in the Summer of 2009.

The Cedars

This project commenced in April 2008 and is expected to complete in Spring 2009. This project will significantly refurbish these 74 homes.

Housing

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Estate Services		
5,044,600	5,045,435	Maintenance	5,405,701	4,503,243
1,980,400	1,980,739	Operations	1,781,988	1,792,113
1,051,900	1,051,940	Cleaning	1,077,069	973,656
8,076,900	8,078,114		8,264,758	7,269,012
		Tenant Services		
324,800	325,151	Assisted Living	404,495	312,000
231,400	231,714	Tenant Participation	244,129	179,209
1,665,200	1,665,759	Lettings	1,893,954	1,401,469
2,221,400	2,222,624		2,542,578	1,892,678
		Finance Services		
(32,312,900)	(31,992,170)	Rent and Fee Collection	(32,612,680)	(32,076,861)
-	-	Rent Subsidy	(9,853)	24,128,790
(32,312,900)	(31,992,170)		(32,622,533)	(7,948,071)
(22,014,600)	**(21,691,432)**	**Net Revenue Expenditure**	**(21,815,197)**	**1,213,619**

Housing

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
-	-	Hire and Rentals General	42,806	27,500
33,090,472	32,770,472	Housing Rents	33,015,151	32,362,160
169,390	169,390	Fees and Fines	193,055	191,246
34	34	Miscellaneous Income	102,883	15,249
-	-	Recharges General	19,580	8,615
2,359,704	2,359,704	Recharges to States Tenants	2,542,918	2,487,441
-	-	Other Receipts	12,884	680
35,619,600	35,299,600		35,929,277	35,092,891
		Expenditure		
1,997,495	1,997,495	Manpower - States Staff Costs	2,283,307	2,427,681
50,911	50,911	Manpower - Non States Staff Cost	183,029	60,198
531,524	531,524	Supplies and Services	475,278	301,886
242,548	245,716	Administrative Costs	272,999	292,068
6,624,475	6,624,475	Premises and Maintenance	7,348,378	5,932,589
4,046,979	4,046,979	Operation of Estates	3,556,745	3,274,459
91,068	91,068	Incidental Expenses and Charges	(11,998)	43,076
20,000	20,000	Grants and Subsidies General	16,195	15,482
-	-	Housing Rent Abatements	1,152	14,848,301
-	-	Housing Rent Rebates	(11,005)	9,110,770
13,605,000	13,608,168		14,114,080	36,306,510
(22,014,600)	**(21,691,432)**	**Net Revenue Expenditure**	**(21,815,197)**	**1,213,619**

Planning and Environment

Department Highlights:

- **Net spend of £6,068,013, an increase of 2.5% on 2007**
- **Underspend of £14,934 (0.2%) against Final Approved Budget**

Actual v prior year actual

The increase in net spend from 2007 to 2008 was 2.5%; 29% of this expenditure was incurred by the Planning and Building Division and 71% by the Environment Division. Expenditure rose by £0.30 million (3.3%) but was offset by an increase in income of £0.15 million (5.0%).

Actual v Final Approved Budget

The department had a underspend against budget of 0.2% which is made up of minor variances across the department.

Additional budget allocation

In 2008 an additional £67,347 was voted to the Planning and Environment Department in excess of the original budget agreed in the Business Plan. This amount represents a transfer of property budgets totalling £28,555 from Jersey Property Holdings, a carry forward of £43,373, which was utilised on specialist training in respect of handling anticipatory diseases such as Blue Tongue, Avian Flu and Foot and Mouth Diseases together with specialist environmental input to the Environmental Impact Assessment Process, and a net transfer of £4,582 to the Chief Minister's Department.

2008 capital vote

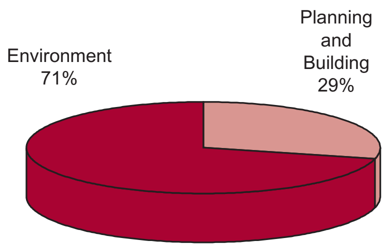
In the 2008 Business Plan, an additional £0.3 million was voted for the department's capital schemes. This was to cover:

- £0.2 million for urban renewal;
- £0.1 million for minor capital.

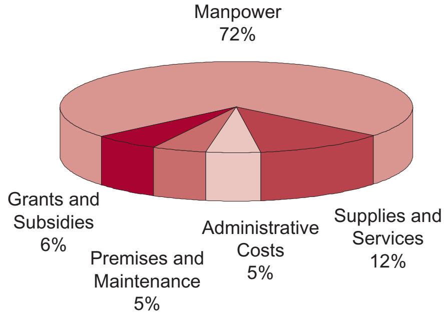
Capital	Total £000
Total value of approved capital schemes	8,120
Spent in the Year £000	318
Spent to date £000	7,136

Additional details on revenue expenditure results and in year capital spend are explained below.

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	6,561	6,171
F.T.E.	119.8	114.79

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**6,016**
Carry Forward from 2007	43
Transfer to/from other Departments:	
Treasury and Resources - Property Holdings	29
Chief Minister's Department - Recruitment Advertising	1
Chief Minister's Department - Cross Departmental Survey	(6)
Final Approved Budget	**6,083**

Planning and Environment

Key Financial Results by Service Analysis

The results for the department's top 4 service areas (by net expenditure) were:

Environmental Management and Rural Economy
- **Net spend of £1,662,177, an underspend of £15,816 (0.9%) against Final**
- **Approved Budget**

Overall, the service activities which include Research and Development, Laboratories, Data information and Mapping, Monitoring and Reporting, Ecology, Land Management and Access, the Countryside Renewal Grant Scheme and the Implementation of Biodiversity Action Plans were broadly in line with their budget.

As part of the 2008 resource allocation process it was agreed that the Countryside Renewal Grant Scheme would reduce by £50,000 to £0.55 million. In 2008 the grant scheme made 52 grants to people managing land which includes practising farmers both as tenants or owner occupiers, and landowners who are not actively involved in farming. It includes natural areas of land that lie outside any actively farmed land.

Environmental Protection
- **Net spend of £992,365, an overspend of £18,583 (1.9%) against Final Approved Budget**

Overall, net expenditure in Environmental Protection was in line with the approved budget. The reason for the small overspend was due to an increased overhead apportionment of costs included within the corporate resources section. This included such costs as building maintenance and administration.

2008 saw the recruitment of a Waste Regulator who will ensure that waste operators are regulated against the conditions of agreed licences. This post will be funded by the income received from Waste Licences.

Development Control
- **Net spend of £901,084, an underspend of £10,016 (1.1%) against Final Approved Budget**

Overall, net expenditure in Development Control was in line with the approved budget of £0.911 million. The net expenditure rose by 8.1% when compared to 2007. The additional expense was incurred in manpower costs by the employment of contract staff to assist with reducing the volume of applications. Planning Application Fees at £0.841 million were up by 3.6% on 2007.

In 2008, as part of the 2009 Business Plan process, the Minister for Planning and Environment secured States Approval to introduce a new fee structure for commercial developers which will enable the Department to commit to reducing waiting times and raising standards across the whole development control function.

Meteorology
- **Net spend of £723,550, an overspend of £63,582 against (9.6%) Final Approved Budget**

The majority of this overspend is attributable to lower than expected income from sales of services and additional expenses were incurred in manpower costs due to the unforeseen requirement to fund overtime to cover staff shortages. The overspend against the 2008 approved budget has been funded by re-allocation of planned underspends in other service areas within the department.

Planning and Environment

Key Financial Results by Income and Expenditure Category
The results for the 2 highest income lines are as follows:

Fees and Fines
- **Income of £2,080,588, a surplus of £181,892 (9.6%) against Final Approved Budget**

The increase in income compared to budget arose from higher than estimated levels of income, particularly from Planning Application Fees (£0.096 million) and Legal Searches (£0.066 million).

During the last quarter of 2008 there was a downward trend in the number of applications and legal searches made which reflects, in part, the economic downturn. It is envisaged that this trend may continue well into 2009, which will affect the level of income for 2009.

Sale of Services
- **Income of £743,833, a surplus of £17,083 (2.4%) against Final Approved Budget**

The increase in income compared to budget is mainly attributable to the department undertaking unplanned rechargeable works on behalf of the Waterfront Enterprise Board.

The income rise of 3.5% on 2007 is principally due to annual price increases which are consistent with the States Anti-Inflation Strategy, which imposes a limit of 2.5% on price increases.

The results for the 3 highest expenditure lines are as follows:

Manpower – States' Staff Costs
- **Spend of £6,523,618, an underspend of £39,658 (0.6%) against Final Approved Budget**

Overall, staff expenditure was in line with the approved budget. Within staff expenditure underspends from staff vacancies allowed the department to assist with the short term staff funding pressures in Development Control and the Meteorological Department.

The expenditure rise in 2008 over 2007 was due to pay awards at 3.2% plus the recruitment of the Waste Regulator, the cost of which is to be funded from Waste Licences.

Supplies and Services
- **Spend of £1,124,210, an overspend of £66,879 (6.3%) against Final Approved Budget**

The overspend against Approved Budget primarily relates to increased costs on hired services (£0.056 million) and an obligation under the percent for art scheme whereby the expenditure (£0.030 million) was incurred in supplies and services and was offset by income posted to miscellaneous income.

The expenditure reduced by 9.5% from 2007 due to less monies being spent on consultants (£0.068 million) and a reduction in hired services (£0.045 million).

In 2008, the Department reviewed its Transport Policy and will be implementing changes that will reduce the number of fleet cars used by the Department.

Planning and Environment

Grants and Subsidies

- **Spend of £567,107, an underspend of £32,765 (5.5%) against Final Approved Budget**

The Department manages two grant schemes the Historic Building Grant Scheme and the Countryside Renewal Grant Scheme. The Historic Building Grant Scheme was approved by the States in 1995 in recognition of the additional responsibilities which the owners of registered buildings carry, because repair works to an old building can be more costly than repairs to a modern property. There are currently over 4,000 listed buildings in Jersey. The Historic Building Grant Scheme's 2008 budget is £60,000, the spend was £17,884. The Countryside Renewal Grant Scheme budget allocated to grants totalled £522,033 and the spend was £528,586.

Capital Schemes

Total Capital Expenditure during the year was £0.318 million which reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Scheme	Amount Voted £000	Spent in the Year £000	Spent to Date £000
Central Environmental Management Vote	1,138	(1)	934
Urban Renewal	539	36	314
Island Plan Review	500	220	262
TOTAL	**2,177**	**255**	**1,510**

Planning and Environment

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Planning and Building Division		
911,100	911,100	Development Control	901,084	833,498
202,100	202,100	Building Control	220,509	361,178
508,600	512,538	Policy and Projects	490,923	421,573
152,500	152,500	Historic Buildings	145,550	148,116
17,400	17,400	Mapping	(5,258)	15,408
		Environmental Division		
1,672,400	1,677,993	Environmental Management and Rural Economy	1,662,177	1,628,982
268,800	268,598	Environmental Policy and Awareness	208,896	202,936
963,200	973,782	Environmental Protection	992,365	948,161
426,100	428,746	Fisheries and Marine Resources	446,806	433,061
241,900	278,222	States Veterinary Officer	281,411	270,314
651,500	659,968	Meteorology	723,550	656,447
6,015,600	**6,082,947**	**Net Revenue Expenditure**	**6,068,013**	**5,919,674**

Planning and Environment

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
16,563	16,563	Sale of Goods	31,664	37,889
726,750	726,750	Sale of Services	743,833	718,925
80,000	80,000	Commission	76,157	81,171
153,001	105,000	Hire and Rentals	15,375	32,449
1,898,696	1,898,696	Fees and Fines	2,080,588	2,017,809
101,828	101,828	Miscellaneous Income	100,608	11,953
-	-	Interest	378	382
4,162	4,162	Other Receipts	3,798	2,959
-	-	Grants and Subsidies	52,500	52,583
2,981,000	2,932,999		3,104,901	2,956,120
		Expenditure		
6,563,276	6,563,276	Manpower - States' Staff Costs	6,523,618	6,171,235
1,000	1,000	Manpower-Non States' Staff Cost	37,128	-
1,054,595	1,057,331	Supplies and Services	1,124,210	1,242,870
422,710	458,766	Administrative Costs	500,102	428,322
354,797	335,351	Premises and Maintenance	413,057	373,371
350	350	Incidental Expenses and Charges	7,692	2,192
599,872	599,872	Grants and Subsidies	567,107	657,804
8,996,600	9,015,946		9,172,914	8,875,794
6,015,600	**6,082,947**	**Net Revenue Expenditure**	**6,068,013**	**5,919,674**

Social Security

Department Highlights:

- **Net spend of £145,498,167, an increase of 38.9% on 2007**
- **Underspend of £873,101 (0.6%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was £40.8million (38.9%).

With the exception of inflationary increases, the majority of this related to Income Support benefit expenditure (£32 million), with the balance on supplementation (£3 million).

Actual v Final Approved Budget

Overall the Department had an underspend against budget of 0.6%. This arose through a number of factors; Income Support costs were lower than forecast as a result of a greater number of people moving out of the transitional system of protected benefits than originally forecast and the transfer of welfare administration to the Department also saw a larger reduction in benefit administration costs. In addition, the Department received a higher than expected surplus under the 65+ shared surplus agreement from the scheme administrator, Westfield Healthcare.

Staff Analysis

The staff analysis includes staff employed by the Social Security and Health Insurance Funds

Additional budget allocation

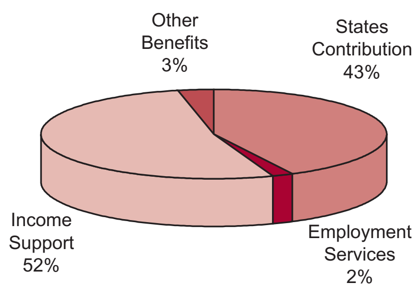
During the year a net reduction of £224,832 was approved to the Social Security budget against the original agreed in the 2008 Business Plan. This amount represented additional budget allocations from Treasury & Resources in respect of GST benefit and for Recruitment Advertising and reductions as a result of transfers to Housing and Health & Social Services (see Reconciliation table for details).

2008 capital vote

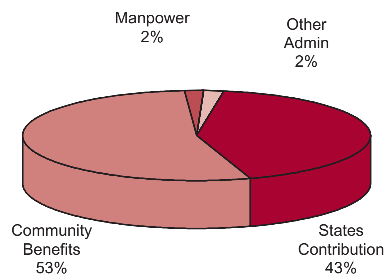
There were no amounts voted to the Department during 2008 in respect of capital schemes.

Additional details on revenue expenditure results and in year capital spend are explained below:

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	5,875	5,170
F.T.E.	142	129

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**146,596**
Transfer subsidised product budget to Health and Social Services	(175)
Recruitment Advertising	3
Transfer rent rebates and abatement budget to Housing	(320)
Goods and Services Tax Benefit	267
Final Budget	**146,371**

Social Security

Key Financial Results by Service Analysis

The results for the Department's top 4 service areas (by net expenditure) were:

Income Support
- **Net spend of £76,171,249, an underspend of £561,019 (0.7%) against Final Approved Budget**

The new Income Support system, which commenced on 28 January 2008, reported an underspend against approved budget of £561,019. The net expenditure reported above includes expenditure relating to the legacy benefits paid in January but now absorbed within the new scheme. Expenditure on benefit (including residential care) was as planned and in accordance with the budget. The spend on transition, the amount set aside to protect those households affected by the removal of existing benefits, and welfare administration was lower than budgeted. Expenditure on transition was £9.3 million against a budget of £9.7 million, whilst administration was £1.4 million against a budget of £1.8 million.

During the year a permanent budget transfer of £320,000 was made to Housing, to align the cash limits of each department following the transfer of the rent subsidies budget in 2008, which is now part of Income Support.

Supplementation
- **Net spend of £61,842,397, an overspend of £627,697 (1.0%) against Final Approved Budget**

The cost of supplementation, which is used to top up Social Security contributions for those who earn below the earnings limit and protects their benefit and pension entitlement, reached £61.8 million for the year. It is driven by a number of factors which include the number of employees, distribution of their pay and the current earnings ceiling. The final outturn included an adjustment of £600,000 relating to the receipt of earlier year contributions from a large employer, which was only ratified in the final month of the year.

The first six months of the year saw contributor numbers at similar growth levels as 2007, with the number of those supplemented increasing by 2.8% over the same period for 2007. However, the second half of the year showed a slowing down in contributor numbers, with those receiving supplementation less than forecast.

Invalid Care Allowance
- **Net spend of £2,232,333, an underspend of £168,867 (7.6%) against Final Approved Budget**

Invalid care allowance is paid to those of working age who choose to stay at home to provide care to someone with a severe disability. The cost is driven by the number of beneficiaries which rose during the year but then fell back to 2007 levels in the final quarter. Though expenditure was higher than 2007 by 4%, the predicted increase, based on past trends, was less than expected.

Christmas Bonus
- **Net spend of £1,684,193, an underspend of £16,007 (1.0%) against Final Approved Budget**

Christmas Bonus is a non-contributory benefit with eligibility linked to the receipt of existing benefits (contributory and non-contributory) or age. The number of beneficiaries paid in 2008 was 18,702, an increase of 0.9 % on 2007. The increase in costs from 2007 reflects the uplift in the rate of benefit and rise in the numbers of beneficiaries.

Social Security

Key Financial Results by Income and Expenditure Category

The results for the highest income line is as follows:

Fees and Fines
- **Income of £6,790, a shortfall of £8,410 (55.3%) against Final Approved Budget**

The Department receives minimal income, with that only received from Employment Agency and Employment Relations registration fees. During 2008, the Royal Court determined that the Employment Tribunal did not have jurisdiction to levy fines under employment law. As a result, fines levied during the year were refunded which explains the large variance in income received compared with earlier years.

The results for the 3 highest expenditure lines (with the exception of Supplementation and Income Support Benefit which are explained above) are as follows:

Manpower – States Staff Costs
- **Spend of £2,586,240, an underspend of £156,460 (6.0%) against Final Approved Budget**

The increase is due to the pay award of 2.5% and the transfer of the Parish Welfare staff to facilitate the move to Income Support - as explained by the increase in the number of full time staff administering State funded benefits from 2007, set out in the Staff Analysis table.

Grants & Subsidies General
- **Spend of £1,357,967, an underspend of £27,301 (2.0%) against Approved Budget**

The increase in spend largely reflects inflation increase and an additional one-off payment to Jersey Employment Trust (JET), increasing their grant to £804,100 for 2008.

Administration Costs
- **Spend of £465,628, an underspend of £441,672 (48.7%) against Final Approved Budget**

Departmental administration costs fell significantly from 2007 as a result of the reduction in IT and administration costs, compared with those incurred prior to the introduction of the new Income Support system.

Capital Schemes

The Department incurred no States funded Capital Expenditure during the year.

Other developments

The main focus of the Department during the year was the introduction of the new Income Support scheme which commenced on 28 January 2008. This was a key achievement for the Department and a significant change for the Island's Social Benefit systems, with the objective of introducing fairness and equity. The impact of the new scheme on claimants is being monitored with a view to carrying out a full review in 2010.

The Department has made good progress on developing the residential care element of Income Support during 2008. This will be built on in 2009 with the view to incorporating this under Income Support. Recommendations will also be made for a long-term funding scheme.

Social Security

Supplementation continues to account for a significant part of States spend. This has been the subject of comment in recent years and during 2009 it is planned to change the way in which future budgets for supplementation can be determined to ensure a greater degree of certainty.

Social Security

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
61,214,700	61,214,700	States Contribution to the Social Security Fund	61,842,397	58,627,017
460,800	460,800	Health and Safety at Work	390,244	392,631
1,036,100	1,036,100	Employment Services	926,633	917,460
493,400	493,400	Employment Relations	556,897	485,203
729,100	729,100	Jersey Employment Trust	804,100	711,300
2,401,200	2,401,200	Invalid Care Allowance	2,232,333	2,139,826
200,000	200,000	Child Care Support	5,315	-
138,400	138,400	Dental Benefit Scheme	123,133	134,264
271,700	96,700	Social Fund	101,665	215,301
572,900	572,900	Jersey 65+ Health Scheme	305,323	71,459
16,400	16,400	Non Contributory Death Grants	16,752	23,413
1,700,200	1,700,200	Christmas Bonus	1,684,193	1,610,099
312,100	312,100	TV Licence 75+	206,775	207,901
267,000	267,000	GST Benefit	131,158	-
		Income Support Benefits		
76,782,100	76,732,268	Income Support - Implementation / Transition / Benefit	73,056,494	1,101,032
-	-	States Contribution to Health Insurance Exceptions	124,718	1,441,460
-	-	Non Native Welfare and Residential Care	609,765	6,674,956
-	-	Native Welfare and Residential Care	1,010,708	10,825,607
-	-	Family Allowance	409,053	5,832,088
-	-	Attendance Allowance	358,100	4,301,639
-	-	Disability Allowance	105,178	1,191,251
-	-	Childcare Allowance	(86,606)	630,938
-	-	Disability Transport Allowance	567,528	6,812,027
-	-	Milk at a Reduced Rate	16,311	385,628
146,596,100	**146,371,268**	**Net Revenue Expenditure**	**145,498,167**	**104,732,500**

Social Security

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
15,200	15,200	Fees and Fines	6,790	9,525
15,200	15,200		6,790	9,525
		Expenditure		
2,742,700	2,742,700	Manpower - States Staff Costs	2,586,240	2,033,253
7,800	7,800	Manpower - Non States Staff Costs	122,743	178,115
535,000	535,000	Supplies and Services	411,613	1,223,817
907,300	907,300	Administrative Costs	465,628	1,330,630
227,900	227,900	Premises and Maintenance	199,702	119,661
23,400	23,400	Incidental Expenses & Charges	232	-
1,382,100	1,385,268	Grants & Subsidies General	1,357,967	1,256,441
61,214,700	61,214,700	States Contribution to the Social Security Fund	61,842,397	59,902,606
79,570,400	79,342,400	Community Benefits	78,518,435	38,697,502
146,611,300	146,386,468		145,504,957	104,742,025
146,596,100	**146,371,268**	**Net Revenue Expenditure**	**145,498,167**	**104,732,500**

Transport and Technical Services

Department Highlights:

- **Net spend of £21,465,775, an increase of 1.0% on 2007**
- **Underspend of £208,180 (1.0%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was 1.0%. Expenditure rose by £4.04 million (11.4%) but was offset by an increase in income of £3.83 million (27.0%). The significant increase in expenditure and income arose as a result of the transfer of the Jersey Harbours Engineering Section and Housing Cleaners in 2008 into the department.

Actual v Final Approved Budget

Overall the department had an underspend against budget of 1.0%. This was largely due to an underspend on the Community Safety Grants Fund (£0.20 million).

Additional budget allocation

In 2008 the Transport and Technical Services Department original budget reduced by £203,045 (net). This amount comprised a transfer between revenue and capital (£450,000) which related to a capital loan repayment from Jersey Harbours, offset by the 2007 carry forwards (£242,969 million) and transfers to/from the Chief Minister's and Treasury and Resources Departments.

2008 capital vote

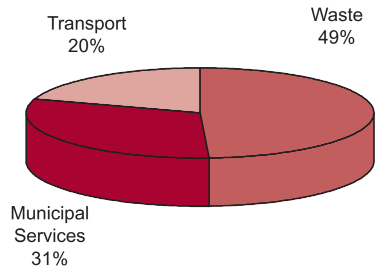
In the 2008 Business Plan, an additional £11.32 million was voted for the Department's capital schemes. This was to cover:

- £4.50 million for infrastructure maintenance;
- £2.97 million for Sludge Treatment;
- £3.50 million for the new Energy from Waste Plant;
- £0.35 million for minor capital.

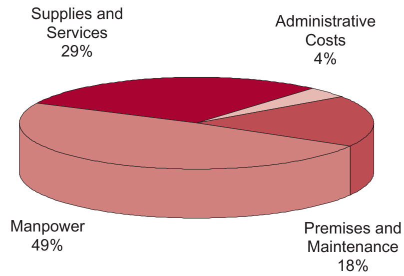
In addition, during 2008, the responsibility for delivering the La Collette Fuel Farm Fire Fighting Equipment capital project totalling £4.37 million transferred from the Economic Development Department to the Transport and Technical Services Department.

Capital	Total £000
Total value of approved capital schemes	291,390
Spent in the Year £000	11,734
Spent to date £000	169,103

Service Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	19,256	17,209
F.T.E.	523.59	501.96

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**21,877**
Carry Forward from 2007	243
Transfer to/from other Departments:	
Chief Minister's Department - Cross Departmental Survey	(10)
Chief Minister's Department - Recruitment Advertising	1
Treasury and Resources - Property Holdings	(10)
Treasury and Resources - Shared Services	23
Capital Transfer - Repayment of Capital Loan	(450)
Final Approved Budget	**21,674**

Transport and Technical Services

Additional details on revenue expenditure results and in year capital spend are explained below.

Key Financial Results by Service Analysis

The results for the department's top 4 service areas (by net expenditure) were:

Transport Policy and Buses
- **Net spend of £4,465,867, an underspend of £217,033 (4.5%) against Final Approved Budget**

In 2008 Connex Transport (Jersey) Ltd carried 3,118,385 passengers, including concessionary journeys, an increase of 5.8% on the previous year. This generated £2.89 million in fare revenue for the States an increase of 3.2% from 2007. The service area also encompassed School Buses which cost £1.18 million in 2008, an increase of 2.1% from 2007.

The majority of the underspend was attributable to higher than expected bus fare income as passenger numbers on the Connex bus services continued to increase compared to previous years.

Liquid Waste
- **Net spend of £4,442,657, an overspend of £103,271 (2.4%) against Final Approved Budget**

The net revenue expenditure rose by 11.5% on 2007 due to the section having to defer non-essential maintenance works budgeted in 2007 being undertaken in 2008. This enabled the Department to remain within its cash limit in 2007 due to the Department having to fund unforeseen expenditure on the Bellozanne Energy from Waste Plant and the reduction in tipping fee income.

The overspend in 2008 primarily related to increased maintenance expenditure on pumping stations and telemetry assets.

Highways and Infrastructure Maintenance
- **Net spend of £3,225,588, an overspend of £36,188 (1.1%) against Final**
- **Approved Budget**

The net revenue expenditure rose by 14.9% on 2007 due to the section having to cease discretionary expenditure on non-essential maintenance projects in 2007 to enable the Department to balance the budget as a whole.

Overall, net expenditure in Highways and Infrastructure Maintenance was in line with the approved budget of £3.19 million. Within this area a favourable variance in support services enabled greater expenditure on highways maintenance. Highways incorporate the maintenance and improvements of States roads and footpaths. £554,816 was spent on planned resurfacing of roads and £358,458 on road patching repairs.

Solid Waste
- **Net spend of £2,676,918, an overspend of £542,618 (25.4%) against Final Approved Budget**

The net expenditure reduced by 16.7% on 2007 due to the Department's tipping fee income increasing from 2007 and the section not having to fund any significant emergency repair works.

The main reason for the overspend related to the requirement for additional ash pits, the increased cost of recycling and the operation of the abattoir.

Transport and Technical Services

Key Financial Results by Income and Expenditure Category

The results for the 2 highest income lines are as follows:

Fees and Fines

- **Income of £8,757,719, a surplus of £755,791 (9.4%) against Final Approved Budget**

The increase in income over budget was attributable to higher than expected bus fare income on the Connex and school bus services (£0.280 million), increased fee income from Driving Tests (£0.067 million) and a reclassification of fees relating to Town Cleaning (£0.380 million). A permanent budget transfer for this reclassification of income will take effect in 2009.

Recharges General

- **Income of £4,407,042, a surplus of £3,229,659 (274.3%) against Final Approved Budget**

Income rose due to the full year transfer of the Jersey Harbours Engineering Section and the Housing Cleaners in September 2008. The increase in income was offset by increases to non staff expenditure.

Work undertaken by the Transport and Technical Services for other States Departments and External Organisations is classified as recharge income. The increase in income was mainly attributable to the Department undertaking unplanned rechargeable work on behalf of Jersey Harbours.

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs

- **Spend of £19,139,585, an underspend of £517,692 (2.6%) against Final Approved Budget**

Expenditure increase of 11.6% on 2007 was due to the pay award of 3.2% plus the transfer of the Jersey Harbours Engineering Section (£1.031 million) and the Housing Cleaners (£0.195 million) to the Department, which were subsequently recharged to Jersey Harbours and Housing.

The underspend on staff expenditure related to vacancies plus sickness payments received that had not been budgeted for.

Supplies and Services

- **Spend of £13,392,767 an overspend of £61,425 (0.5%) against Final Approved Budget**

Expenditure increased by 5.5% on 2007 which is due to inflation plus the transfer of the Jersey Harbours Engineering Section and the Housing Cleaning Section to the Department. The supplies and services costs associated with these two sections were subsequently recharged back to Jersey Harbours and Housing.

Overall, expenditure on supplies and services was in line with the approved budget of £13.31 million. Within this were underspends in Liquid Waste due to the Department being unable to ship Hazardous Waste to the UK in 2008, this allowed the Department to increase its expenditure on maintenance of key infrastructure assets.

Transport and Technical Services

Premises and Maintenance • **Spend of £7,031,841 an overspend of £1,673,649 (31.2%) against Final Approved Budget**

The increase in expenditure on premises and maintenance between 2008 and 2007 was due to programmed maintenance increasing in order to bring key assets back to an acceptable standard and to deal with increasing maintenance costs as the assets age. The increases were in the areas of pumping stations, sewage treatment works and the Bellozanne Energy From Waste Plant.

The overspend related to a number of factors which included the requirement for additional ash pits, increased maintenance on highways resurfacing and pumping stations.

Capital Schemes

Total capital expenditure during the year was £11.734 million which reflected the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 is contained in the table below:

Scheme	Amount Voted £000	Spent in the Year £000	Spent to Date £000
Energy from Waste - Plant and Ancillary Work	106,723	2,604	5,799
Infrastructure – Drainage, Highways and Sea Defences	44,644	5,530	42,288
South La Collette Reclamation	26,600	71	26,509
In-Vessel Composting	4,549	(16)	327
Fire Fighting System	4,371	176	176
Sewage Treatment Works	3,007	42	2,076
Sludge Thickener Phase II	2,974	-	-
Town Park	2,618	489	1,034
Sludge Phase 1 Thickener	1,774	87	120
Waste - Minor Capital	1,370	511	1,270
Solid Waste Incinerator	1,300	542	542
Abattoir and Animal Carcass Incinerator	885	383	885
La Collette II Infrastructure and Landscaping	850	47	91
Contingency for the Bellozanne Energy from Waste Plant	744	678	678
Solid Waste Treatment - La Collette	607	120	381
Odour Control	607	387	397
Total	**£203,623**	**£11,651**	**£82,573**

Transport and Technical Services

The 2008 spend reflected the progress made on a wide variety of individual schemes. The main schemes were as follows:

- £2.604 million was spent on the new Energy from Waste Plant; the capital project (and the recommended funding route) was approved by the States, at their meeting on the 9th July 2008. P73/2008 (T&R) provided for a release of funds amounting to £102.81 million from the Consolidated Fund to the Transport and Technical Services Department in 2008.
- £3.188 million was spent on drainage and pumping station maintenance;
- £0.818 million relates to repairs being undertaken to the sea walls of which £0.536 million related to repairing the sea wall caused by flood damage;
- £0.678 million was spent on the repairs to the Bellozanne Chimney.

Transport and Technical Services

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Waste		
4,335,400	4,339,386	Liquid Waste	4,442,657	3,983,234
2,334,000	2,334,000	Energy from Waste	2,352,609	2,442,722
2,134,300	2,134,300	Solid Waste	2,676,918	3,214,659
1,598,700	1,598,700	Drainage	1,473,693	1,237,685
-	(450,000)	Jersey Harbours (Note 1)	(416,438)	-
		Municipal Services		
3,189,400	3,189,400	Highways and Infrastructure Maintenance	3,225,588	2,807,052
(1,615,000)	(1,615,000)	Buildings (Note 2)	(1,614,890)	(1,575,495)
918,300	918,300	Coastal and Footpath Maintenance	867,145	768,266
2,042,500	2,042,500	Cleaning	1,842,785	1,688,321
2,339,400	2,339,400	Parks and Gardens	2,347,638	2,243,400
		Transport		
4,682,900	4,682,900	Transport Policy and Buses	4,465,867	4,611,630
(82,900)	160,069	Driver and Vehicle Standards	(197,797)	(173,753)
21,877,000	**21,673,955**	**Net Revenue Expenditure**	**21,465,775**	**21,247,721**

Note 1:
The Jersey Harbours net revenue income totalling £0.416 million represented a capital repayment made by Jersey Harbours in respect of building works that were undertaken to facilitate the transfer of the Jersey Harbours Engineering Section to the Transport and Technical Services Department.

Note 2:
The Buildings net revenue income totalling £1.615 million represented a payment made by Jersey Car Parking in respect of rent for the multi-storey car parks. This arrangement for reimbursing the Department for the lost income caused by the transfer of the Car Parks Section to a Trading Account was agreed with the former Finance and Economics Committee when the Trading Fund was established.

Transport and Technical Services

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
1,238,154	1,238,154	Sale of Goods	1,162,455	1,078,314
440,750	440,750	Sale of Services	520,885	485,593
		Commission	-	4,326
205,390	205,390	Hire & Rentals General	237,586	251,603
8,001,928	8,001,928	Fees and Fines	8,757,719	8,077,292
2,406,308	2,856,308	Miscellaneous Income	691,077	111,352
2,199,087	2,199,087	Charges	2,200,295	2,154,790
957,783	1,177,383	Recharges General	4,407,042	1,986,404
		Interest	2,118	2,044
9,000	9,000	Grants & Subsidies	9,571	10,645
15,458,400	16,128,000		17,988,748	14,162,363
		Expenditure		
19,438,966	19,657,277	Manpower - States Staff Costs	19,139,585	17,150,919
20,000	20,000	Manpower-Non States Staff Cost	116,834	58,552
13,305,617	13,331,342	Supplies & Services	13,392,767	12,697,079
952,516	943,964	Administrative Costs	1,624,826	1,372,485
5,364,907	5,358,192	Premises & Maintenance General	7,031,841	6,275,885
(1,781,106)	(1,786,289)	Incidental Expenses & Charges	(1,954,524)	(2,223,597)
5,000	247,969	Grants & Subsidies General	55,629	32,870
29,500	29,500	Non Service Costs	47,565	45,891
37,335,400	37,801,955		39,454,523	35,410,084
21,877,000	**21,673,955**	**Net Revenue Expenditure**	**21,465,775**	**21,247,721**

Treasury and Resources

Department Highlights:

- **Net spend of £17,058,995, a decrease of 4.2% on 2007**
- **Underspend of £160,894 (0.9%) against Final Approved Budget**

Actual v prior year

The decrease in spend from 2007 to 2008 was 4.2%, (£711,324), and mainly related to the £658,300 efficiency savings that were allocated to the Department in the 2008 Business Plan.

Actual v Final Approved Budget

Overall the department had an under spend against final approved budget of 0.9%, £160,892. This was mainly attributable to vacancies within the States' Treasury.

Additional budget allocation

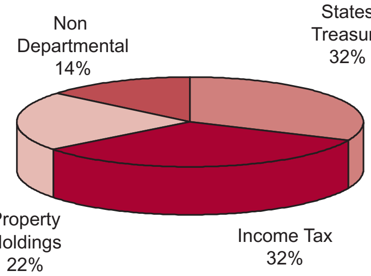
In 2008 an additional £344,789 was voted to the Treasury & Resources Department in excess of the original budget agreed in the Business Plan. This amount represents an increase of £490,449 voted to Jersey Property Holdings and £35,630 to the States' Treasury, which was partly offset by a budget reduction of £181,290 in the Income Tax department.

The additional budget voted to the Jersey Property Holdings was mainly in respect of the following:

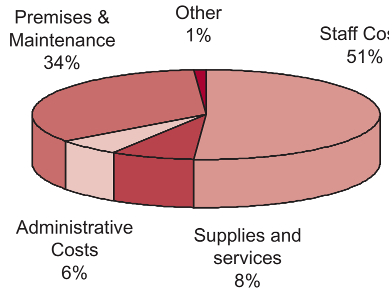
- £96,927 in respect of expenditure incurred in the Historic Child Abuse Enquiry;
- £276,000 capital budgets transferred to revenue to move towards GAAP compliance;
- £328,778 for the Property Condition Survey;
- £238,294 revenue surplus from the operation of the Central and Beresford Street Markets transferred to the Markets Capital Fund as per the agreement of the former Finance and Economics Committee (Act B7, 18/6/2003).

The Income Tax budget decrease relates to the transfer of 3 GST posts to the Customs and Immigration Department in Home Affairs.

Service Analysis



Expenditure Analysis



Note: Charts 1 & 2 exclude capital repayment (depreciation) and interest charges

Department Staff

Number of full time equivalent staff

	2008	2007
Total	235.59	239.05

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**16,875**
Market surplus to capital	(238)
Historic Child Abuse Enquiry	97
Capital to Revenue	276
Property Condition Survey	328
Transfer 3 GST posts Customs	(181)
Other transfers	63
Final Budget	**17,220**

Treasury and Resources

2008 capital vote

The table below provides a summary of the total value of capital schemes that were live in 2008, together the total spend to date.

Capital	Total £000
Total value of approved capital schemes	**145,256**
Spent in the Year £000	**11,796**
Spent to date £000	**117,447**

In the 2008 Business Plan, an additional £5,661,000 (including inflation) was voted for the Department's capital schemes. This was for work undertaken by Property Holdings on behalf of the Education, Sport and Culture Department on remedial works to the main original Highlands College 'A' Block.

Key Financial Results by Service Analysis

The results for the department's top 4 service areas (by net expenditure) were:

Jersey Property Holdings

- **Net spend of £3,682,906, an overspend of £51,957 (1.4%) against Final Approved Budget**

The budget has increased by £490,449 since the Business Plan, as detailed in the 'Additional budget allocation' section above.

Architectural Services under-achieved their income due to reductions in workload by £103,882 as a result of lower construction content in the capital programme.

Strategy overspent by £122,619. The cost of dilapidations relating to office moves amounted to £30,000 of the overspend. The balance relates to the cost of work undertaken on the States' Office Strategy, the budget for which is under Property Services and Maintenance.

Property Services and Maintenance underspent by £174,544. As explained above, £92,619 relates to the cost of work on the States' Office Strategy being budgeted here, whilst the costs are accounted for under Strategy. The remaining under spend occurred to off-set cost pressures within the other service areas within Jersey Property Holdings.

Income Tax

- **Net spend of £5,591,560, an underspend of £31,750 (0.6%) against Final Approved Budget**

The budget has decreased by £181,290 since the Business Plan, due to the transfer of 3 GST staff posts to Customs.

The majority of the underspend in Income Tax relates to vacancies within the Personal and Company Tax department.

Treasury and Resources

States' Treasury • **Net spend of £5,402,784, an overspend of £21,154 (0.4%) against Final Approved Budget**

The budget has increased by £35,630 since the Business Plan, due to the following:

- £60,000 transfer to Chief Minister's Department to fund the Fiscal Policy Panel;
- £47,000 transfer to the Change (Capital) Fund, to repay funds borrowed in 2007 to support establishing a central States' Procurement Team;
- £170,745 funding from the Change (Capital) Fund, towards the GAAP project costs;
- £65,277 transfer from the Chief Minister's Department to fund the Systems team to support the new Human Resources Information System (HRIS) module;
- £93,391 transfer to other Departments due to a change in responsibilities for various financial processing tasks.

Investments underspent by £76,390 due to staff vacancies of £38,000 and a higher than anticipated recharge of staff time spent working on States funds of £39,000.

Financial Services staff costs were underspent by £112,350 due to an increase in the amount of staff time recharged out, which off-set additional costs of £110,859 in the Systems department caused by increased software licence fees.

Internal Audit was underspent by £60,526 due to lower costs in relation to the 2008 Internal Audit Plan.

Procurement was overspent by £161,651. The additional costs relate to the planned development of a States-wide Corporate Procurement Team. Funding from other States Departments for this team is not available until 2009, when procurement savings will start to be realised and therefore Treasury and Resources have funded these initial costs through under spends in other service areas.

Insurance • **Net spend of £2,381,745, an underspend of £202,255 (7.8%) against Final Approved Budget**

The States' secured a reduction in insurance premiums through a re-tendering process.

Key Financial Results by Income and Expenditure Category

The results for the 3 highest income lines are as follows:

Hire and Rentals • **Income of £2,214,473, a surplus of £93,738 (4.4%) against Final Approved Budget**

The budget has increased by £48,001 since the Business Plan, due to a transfer of funding from the Environment Department relating to property rentals.

Jersey Property Holdings over achieved their income target by £93,000, due to additional rents received to cover maintenance works on Morier and Maritime House.

Treasury and Resources

Sale of Services • **Income of £1,650,869, a surplus of £708,872 (75.3%) against Final Approved Budget**

Jersey Property Holdings is the only service area to have budget and income for "Sale of Services". It relates to income from the facilities' management of public buildings.

The income surplus is due to additional income received from the facilities' management of two new buildings. It is offset by increased premises and maintenance costs.

Recharges & Recoverable Costs • **Income of £1,570,497, a surplus of £1,013,642 (182%) against Final Approved Budget**

Recharges have previously netted off against the staff budget. In accordance with the move to GAAP, staff costs have been restated gross and the recharges figure has also been grossed up. Of the surplus, £300,000 relates to this change. There is an equivalent overstatement of costs under manpower.

£500,000 of the surplus relates to Jersey Property Holdings. This was made up of £302,000 for recharges of and, recharges made to States' Departments towards the essential health and safety works, and £195,000 for recharges of ad-hoc works undertaken for other departments and 99 year leaseholders.

The remaining surplus of £213,000 relates to an increase in the recharge of staff time by States' Treasury of £112,000 and income tax costs of £101,000.

The results for the 3 highest expenditure lines are as follows:

Manpower – States Staff Costs • **Spend of £12,293,938, overspend of £280,201 (2.3%) against Final Approved Budget**

The budget has decreased by £262,163 since the Business Plan, due to the following:

- £60,000 transfer to Chief Minister's Department to fund the Fiscal Policy Panel;
- £65,277 transfer from the Chief Minister's Department to fund the Systems team to support the new Human Resources module;
- £94,258 transfer to other Departments due to a change in responsibilities for financial management processes;
- £181,290 transfer to Customs for 3 GST related posts;
- £8,108 Historic Child Abuse funding to cover costs incurred by Jersey Property Holdings.

Underspends on manpower, due to staff vacancies, arose in Jersey Property Holdings of £128,000 and Income Tax of £37,000. However, Property Holdings used contracted staff to support the vacancies.

Procurement was overspent by £161,651, due to the additional costs relating to the planned development of a States-wide Corporate Procurement Team, as described in the States' Treasury section above.

The remaining overspend of £283,000 relates to States' Treasury. No additional staff have been taken on, but recharges have previously netted off against the staff budget. In accordance with the move to GAAP, staff costs have been restated gross and the recharges figure has also been grossed up.

Treasury and Resources

Premises and Maintenance • **Net spend of £8,140,643, an overspend of £776,625 (10.5%) against Final Approved Budget**

The budget has decreased by £122,297 since the Business Plan, due to the following:

- £238,294 Jersey Property Holdings transferred the revenue surplus from the operation of the Markets to the Markets Capital Fund;
- £19,446 transferred to Jersey Property Holdings from the Environment Department;
- £65,358 Historic Child Abuse funding to cover costs incurred by Jersey Property Holdings;
- £5,483 transferred to Jersey Property Holdings relating to a lease;
- £25,710 Jersey Property Holdings transferred capital budgets to revenue to move towards GAAP compliance.

Of the total overspend against this budget head, £822,000 relates to Jersey Property Holdings.
This was made up of:

- £370,000 for essential additional Health & safety work (of which £302,000 was recharged).
- £43,000 for dilapidations and costs on vacating an office at the end of its lease.
- £91,000 essential maintenance works on Morier and Maritime House (funded by an increased rental income).
- £318,000 other essential maintenance works.

The remaining over spend was covered by income surpluses as described in the sections above.

Supplies & Services • **Net spend of £1,863,034, an underspend of £373,895 (16.7%) against Final Approved Budget**

The budget has increased by £502,975 since the Business Plan, due to the following:

- £47,000 transfer to the Change (Capital) Fund, to repay funds borrowed in 2007 to support establishing a central States Procurement Team;
- £170,745 funding from the Change (Capital) Fund, towards the GAAP project costs;
- £328,778 transfer to Jersey Property Holdings for Property Condition Surveys;
- £40,000 Jersey Property Holdings transferred capital to revenue to review the capital resource allocation process;
- £10,400 transfer to Jersey Property Holdings from Transport and Technical Services to fund software.

A budget provision was originally set aside to fund the costs associated with the completion of the sale of Jersey Telecom. However these costs were managed downwards and produced an underspend of £160,000.

The Treasury department were responsible for implementing Resource Accounting and Budgeting across the States of Jersey, which involved a large training over head. Much of this work was completed in house thus negating the need to use external resources to create training programmes and thereby producing a £71,000 under spend on project costs.

Jersey Property Holdings produced an under spend of £104,000 against its hired services budget head.

Capital Schemes

Total Capital Expenditure during the year was £11.8 million. £10.3 million of which was spent by Jersey Property Holdings on behalf of States' Departments. This reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Treasury and Resources

2008 Capital Schemes over £500,000

Scheme	Amount Voted £'000	Spent in the Year £'000	Spent to Date £'000
Income Tax			
GST Implementation	1,628	1,226	1,447
States' Treasury			
Financial Information System	9,858	277	9,693
Jersey Property Holdings			
Haut de la Garenne	2,598	2	2,483
Highlands A Block	6,073	1,406	1,690
Mont a L'Abbe	2,108	9	2,077
Grouville	2,177	(3)	2,064
St Peter	5,123	3,537	4,562
Grainville Phase 3	4,593	11	4,497
Re-location of Sea Cadets	600	-	193
Markets	2,556	35	678
Cell Block Reconstruction Ph 3	11,319	4,599	7,049
Police Relocation Phase 1	13,294	121	593
Grainville Phase 4	701	30	30
Change (visioning) fund	680	-	-
Youth Service Works	528	1	1
Other current schemes - under £500k	2,069	545	588
Closed schemes	79,351	-	79,802
Total	**145,256**	**11,796**	**117,447**

Repayments and interest on Capital Debt

The budget of £45,029,600 was based on an estimate made in early 2007 of which capital projects would complete by the end of 2008.

At the end of 2008 fewer capital projects were completed than the estimate, giving rise to an underspend of £4,824,364.

Note: A capital repayment charge is made as an approximation to any depreciation charge that would be applicable under UK GAAP.

Treasury and Resources

Historic Child Abuse Enquiry funding summary

A summary of the Historic Child Abuse Enquiry costs and subsequent funding for 2008 are provided below.

Historic Child Abuse Funding 2008	**Income & Expenditure Category - 2008 Actual**					
Department & Service Analysis	**Manpower-States Staff Costs £**	**Supplies and Services £**	**Administrative Costs £**	**Incidental Expenditure and Charges £**	**2008 Actual £**	**2008 Approved Final Budget £**
Chief Minister's Department: Communications Unit	-	78,194	4,893	-	83,087	83,087
Treasury & Resources: Property Services & Maintenance	8,108	-	23,409	65,358	96,875	96,875
Health & Social Services Service Management overhead		81,167	3,045	-	84,212	84,212
Surgical Wards	2,385	-	-	-	2,385	2,385
Adult Mental Health Services	16,278	-	-	-	16,278	16,278
Special Needs Service	95,005	550	40	1,405	97,000	97,000
Children's Services	20,177	10,955	4,035	-	35,167	35,167
Social Services Allocation	4,083	-	4,277	-	8,360	8,360
Home Affairs: Serious & Series Crimes Investigation	1,127,076	2,280,000	1,092,638	22,285	4,521,999	4,521,999
Law Officer's:Court and Case Costs	-	-	926,453	-	926,453	926,453
Economic Development: Tourism & Marketing	-	210,000		210,000	210,000	210,000
Total	**1,273,112**	**2,660,866**	**2,058,790**	**89,048**	**6,081,816**	**6,081,816**
Total Budget	1,273,112	2,660,866	2,058,790	89,048	6,081,816	6,081,816

Treasury and Resources

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		States' Treasury		
1,080,300	1,208,463	Corporate Financial Strategy	1,203,340	1,226,438
372,000	376,156	Decision Support	379,189	446,693
222,900	229,279	Investments	152,889	153,781
1,604,400	1,390,207	Financial Services	1,277,857	1,513,982
1,128,000	1,222,706	Systems	1,333,565	1,053,252
620,400	630,576	Internal Audit	570,050	597,635
318,000	324,243	Procurement	485,894	532,667
5,346,000	**5,381,631**		**5,402,784**	**5,524,448**
		Income Tax Department		
3,163,800	3,160,258	Personal Tax Assessing	3,139,854	2,829,206
876,800	874,216	Company Assessing	857,787	978,082
284,900	283,734	Policy Development	282,887	266,297
196,400	195,882	Investigations & Compliance	195,761	198,674
396,900	401,800	Tax Collection & Arrears	406,856	501,737
885,800	707,420	Goods & Services Tax	708,415	632,344
5,804,600	**5,623,310**		**5,591,560**	**5,406,340**
		Property Holdings		
5,100	130,882	Architectural Services	234,764	178,931
321,200	304,128	Strategy	426,747	294,802
2,814,200	3,195,939	Property Services & Maintenance	3,021,395	3,862,698
3,140,500	**3,630,949**		**3,682,906**	**4,336,431**
		Non-Departmental		
2,584,000	**2,584,000**	Insurance	**2,381,745**	**2,503,100**
16,875,100	**17,219,889**	**Net Revenue Expenditure Total**	**17,058,995**	**17,770,319**
		Non-Cash Limit Items		
45,029,600	**45,029,600**	Repayments and Interest on Capital Debt	**39,024,467**	**41,282,418**

Treasury and Resources

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
12,300	12,300	Sale of Goods	9,946	10,230
941,997	941,997	Sale of Services	1,650,869	1,519,102
2,080	2,080	Commission	1,352	(3,894)
2,072,734	2,120,735	Hire and Rentals	2,214,473	1,923,637
1,647,800	1,647,800	Fees and Fines	1,455,457	1,384,800
50,634	50,634	Miscellaneous Income	172,826	39,793
556,855	556,855	Recharges and Recoverable Costs	1,570,497	1,093,111
5,284,400	**5,332,401**		**7,075,420**	**5,966,779**
		Expenditure		
12,275,900	12,013,737	Manpower - States Staff Costs	12,293,938	11,527,199
57,000	57,000	Manpower - Non States Staff Costs	54,257	48,369
1,733,954	2,236,929	Supplies and Services	1,863,034	2,159,435
563,331	837,606	Adminstrative Costs	1,487,994	869,048
7,486,315	7,364,018	Premises and Maintenance	8,140,643	8,835,212
43,000	43,000	Incidental Expenses and Charges	288,067	199,858
		Grants and Subsidies	6,482	97,977
22,159,500	**22,552,290**		**24,134,415**	**23,737,098**
16,875,100	**17,219,889**	**Net Revenue Expenditure**	**17,058,995**	**17,770,319**
		Non-Cash Limit Items		
45,029,600	**45,029,600**	Repayments and Interest on Capital Debt	**39,024,467**	**41,282,418**

Non Ministerial States Funded Bodies

Department Highlights:	• **Net spend of £16,055,537, an increase of £2,154,059, 15.5% on 2007** • **Underspend of £572,497 (3.4%) against Final Approved Budget**

Financial Overview

The Non Ministerial Departments are presented here in a consolidated presentation, however these departments are established under the Public Finance (Jersey) Law 2005 as separate States funded departments for which no Minister is directly responsible.

Actual v prior year

The consolidated Non Ministerial Department's position shows an increase in spend from 2007 to 2008 of £2,154,059 15.5%.

This relates to:

- £400,000 pay award and non-staff inflation;
- £926,453 Historic Child Abuse Enquiry Costs;
- £200,000 Comptroller and Auditor General Reviews and Reports (funded from 2007 carry forward);
- £250,000 less income received by the Viscount's Department in 2008;
- £250,000 expenditure on upgrading Systems in the Viscount's Department and an internal review on Crown and States fine income.

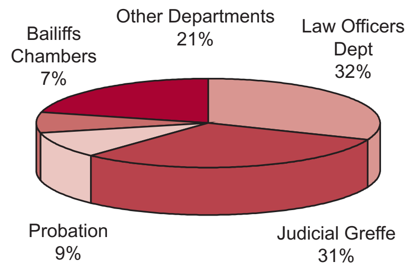
Actual v Final Approved Budget

Overall the departments have an underspend against budget of £572,497 3.4%, which primarily relates to the Law Officers Department (£165,467) and Comptroller and Auditor General (£250,429).

Additional budget allocation

In 2008 an additional £1,081,434 (net) was voted to the departments in excess of the original budget agreed in the business plan. This amount represents £926,453 for Historic Child Abuse Enquiry and carry forwards, including £76,000 being approved for transfer to the Law Officers Department revenue budget.

Service Analysis



Department Staff

Number of full time equivalent staff

	2008	2007
Total	**168.54**	170.73

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£
Original Budget	**15,547**
Historic Child Abuse enquiry	926
Comptroller & Auditor General - carry forward	318
Law Officers Department - carry forward	76
Other departments - carry forwards	51
Court and Case Costs	(291)
Transfer from States Assembly	1
Final Budget	**16,628**

Capital	**Total £000**
Total value of approved capital schemes	**9,761,197**
Spent in the Year	**60,253**
Spent to date	**9,422,386**

Non Ministerial States Funded Bodies

2008 capital vote

The Capital table on the previous page provides a summary of the total value of capital schemes that were live in 2008, together with the total spend on them both during the year and since they were voted.

All capital expenditure in 2008 related to the Magistrates Court schemes.

There were no new capital schemes during 2008.

Key Financial Results by Service Analysis

Bailiff's Chamber

- **Net spend of £1,198,968 an underspend of £10,116 (0.8%) against Final Approved Budget.**

During 2008, the Bailiff's Chambers managed its operations within its net revenue budget of £1,209,083. This was despite pressures arising during the year from the unpredictable nature of costs relating to the number and size of cases heard before the Courts and the cost of official visits.

Law Officers

- **Net spend of £4,987,718 an underspend of £165,467 (3.2%) against Final Approved Budget**

The underspend is largely due to delays in the recruitment of staff and other associated costs.

In 2008, an additional £1,002,453 (gross) was voted to Law Officers' Department in excess of the original budget agreed in the Business Plan. This amount represents a 2007 carry forward of £76,000 and £926,453 for costs incurred in respect of the Historical Abuse Investigation.

Judicial Greffe & Viscounts

Judicial Greffe

- **Net spend of £4,976,070 an underspend of £36,349 (0.7%) against Final Approved Budget**

Viscounts Department

- **Net spend of £1,104,717 an underspend of £32,871 (2.9%) against Final Approved Budget**

As part of the programme of integration, the Judicial Greffe and Viscounts Departments are now generically referred to as the Court Service. Considerable operational activity was experienced throughout the Court Service during the year.

During 2008, the Court Service was able to manage its operations within the allocated budget set for the year. In 2008, the Viscount's Department remitted three further tranches from former litigation reserves to the Treasury as one-off payments: these again contributed to the achievement of an under-spend for the year. However, the workload of the Court Service is increasing. In spite of this, existing standards of performance are being maintained and extended out of existing levels of budgetary allocation.

Non Ministerial States Funded Bodies

Official Analyst

- **Net spend of £554,003 an underspend of £31,897 (5.4%) against Final Approved Budget**

The Official Analyst's Department continues to meet the forensic, environmental, consumer and health protection analysis needs of States departments, local business and members of the public whilst maintaining the breadth of experience and equipment required to deal with novel problems. Manpower costs represent 66% of the Department's gross expenditure.

Office of the Lieutenant-Governor

- **Net spend of £710,865 an underspend of £16,599 (2.3%) against Final Approved Budget**

The budget was used to provide support for the Lieutenant-Governor's wide ranging responsibilities and duties, to fund the running costs of Government House and the Office of the Lieutenant-Governor and to refurbish a unit of staff accommodation.

Data Protection

- **Net spend of £219,814 an underspend of £19,786 (8.3%) against Final Approved Budget**

Net revenue expenditure was almost exactly on budget. A carry forward of just under £20,000 represents payment required for compliance work which took the form of a one-off payment to the department. Work progresses to improve the level of notifications and resulting income to the department.

Of the department's gross expenditure 83% of the costs relate to manpower and therefore the Data Protection Commission is heavily reliant on registration income to fund its committed costs. Additional legal costs required by the Department to support an ongoing matter, are being funded by another States department as there is no budget for extra-ordinary expenditure. This remains a concern for the Commissioner.

Probation

- **Net spend of £1,500,617 an underspend of £8,983 (0.6%) against Final Approved Budget**

Jersey Probation and After Care Service (JPACS) managed its budget to within less than one percent of the cash limit set. The largest single area of expenditure is staffing which accounted for £1.48 million of the revenue budget allocation of £1.51 million, before recharging and income. It follows therefore, that the service is particularly vulnerable to pressures in this area.

During 2008 overall workload, with the exception of non-criminal work, remained at a similar level to previous years although there were variations in how this workload was made up. Particular focus remained on developing services for serving prisoners with 77 new prisoners being allocated to Probation Officers in 2008.

13,000 hours of Community Service were performed by offenders who would otherwise have received prison sentences. Operational efficiency savings in Community Service were made through a new shared vehicle leasing arrangement with Transport and Technical Services and through giving up the lease on a privately rented property to operate from our Lemprière St. building.

The effectiveness of Probation Orders was maintained with a statistically significant reduction in risk of reconviction by those under our supervision. Work for the Family Division of the Royal Court continued to pose significant resource difficulties which will be resolved by the appointment of an additional member of staff from January 2009.

Non Ministerial States Funded Bodies

Comptroller and Auditor General

- **Net spend of £779,778 an underspend of £250,429 (24.3%) against Final Approved Budget**

The Comptroller and Auditor General examines how the public bodies in Jersey spend money and looks at how best they can achieve value for money, by managing their finances to the highest standards.

The Office was established by the States of Jersey, under the Public Finances (Jersey) Law, but remains independent of Government.

The majority of the £250,429 underspend relates to outstanding pieces of work, which will be carried out in 2009. Funds will be carried forward to support this.

Non Ministerial States Funded Bodies

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Bailiff's Chambers		
630,029	636,208	Royal Court	672,992	615,805
109,665	109,665	States Assembly	109,665	126,547
23,240	23,240	Licensing	9,429	7,218
127,266	127,266	Civic Head	127,266	150,882
19,000	19,000	Jurats Expenses	15,000	15,000
20,000	20,000	Distinguished Visitors	21,921	38,237
210,000	210,000	Court and Case Costs	283,788	473,441
-	(22,295)	Court and Case Costs - see note below	(96,083)	(139,138)
86,000	86,000	Commemorative Functions	54,990	32,034
1,225,200	**1,209,084**		**1,198,968**	**1,320,026**
		Law Officers' Department		
1,155,800	1,109,918	Criminal Prosecutions	1,013,432	993,095
1,294,900	1,350,105	Legal Advice	1,281,118	1,256,148
380,000	380,857	Conveyancing	358,786	339,846
318,400	343,500	Civil Proceedings	326,181	260,563
636,800	650,742	Interjurisdictional Assistance	619,396	552,622
32,700	33,152	Duties of the Attorney General	33,670	33,069
2,269,000	3,221,778	Court and Case Costs	3,420,154	2,260,681
-	(1,121,367)	Court and Case Costs - see note below	(1,319,746)	(1,098,235)
(815,500)	(815,500)	COCF Recharges	(745,273)	(669,989)
5,272,100	**5,153,185**		**4,987,718**	**3,927,800**
		Judicial Greffe		
743,600	751,636	Samedi, Family, Appellate and Interlocutory Service	792,100	712,650
1,015,000	1,023,036	Magistrates Court	1,003,900	930,406
366,000	374,037	Maintenance of Registries	316,360	336,530
1,755,500	1,755,500	Court and Case Costs	3,416,476	4,063,831
-	1,108,210	Court and Case Costs - see note below	(552,766)	(1,355,998)
3,880,100	**5,012,419**		**4,976,070**	**4,687,419**
		Viscount's Department		
92,300	92,300	Coroner	123,772	105,303
355,400	355,400	Désastre	51,274	(118,822)
432,700	432,700	Enforcement	583,076	158,191
148,600	148,600	Assize Jury Functions	218,312	169,462
60,400	60,400	Curatorships	80,095	70,793
304,000	304,000	Court and Case Costs	134,523	100,653
-	(255,812)	Court and Case Costs - see note below	(86,335)	(71,873)
-	-	Council of Ministers funding reallocation	-	-
1,393,400	**1,137,588**		**1,104,717**	**413,707**
		Official Analyst		
585,900	585,900	Forensic, Environmental Analysis	554,003	537,933
585,900	**585,900**		**554,003**	**537,933**

Non Ministerial States Funded Bodies

Net Expenditure - Service Analysis (continued)

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Office of the Lieutenant Governor		
726,600	727,464	Duties of the Lieutenant Governor	710,865	735,536
726,600	**727,464**		**710,865**	**735,536**
		Office of the Dean of Jersey		
21,700	21,700	Office of the Dean of Jersey	22,987	22,320
-	1,287	Council of Ministers funding reallocation	-	-
21,700	**22,987**		**22,987**	**22,320**
		Data Protection Commission		
219,600	239,600	Data Protection Commission	219,814	242,356
219,600	**239,600**		**219,814**	**242,356**
		Probation		
1,340,102	1,340,102	Probation & Aftercare	1,319,889	1,249,820
169,498	169,498	Community Service	180,728	191,468
1,509,600	**1,509,600**		**1,500,617**	**1,441,288**
		Comptroller and Auditor General		
712,400	1,030,207	Comptroller and Auditor General	779,778	573,093
712,400	**1,030,207**		**779,778**	**573,093**
15,546,600	**16,628,034**	**Net Revenue Expenditure**	**16,055,537**	**13,901,478**

Non Ministerial States Funded Bodies

Court & Case Costs Department	2008 Budget	2008 Spend	Variance	**Column A** 2008 cost of non-drug & non-terrorism related criminal cases	**Column B** Income contribution from COCF for criminal cases	**Column C** Budget transfers to balance overspenders	**Column D** Over or underspend
Judicial Greffe	1,755,500	3,416,476	1,660,976	552,766	552,766	1,108,210	0
Law Officers	2,295,325	2,493,704	198,379	1,533,880	1,319,746	-1,121,367	0
Viscounts	304,000	134,523	-169,477	86,335	86,335	-255,812	0
Bailiff	210,000	283,788	73,788	96,083	96,083	-22,295	0
Home Affairs	500,000	1,247,591	747,591	456,327	456,327	291,264	0
	5,064,825	**7,576,082**	**2,511,257**	**2,725,391**	**2,511,257**	**0**	**0**

Note on Court and Case Costs

Court and Case costs are demand led and exceptionally volatile in a way that cannot be controlled by a Department. In addition, the expenditure is so large that Departments cannot be expected to absorb the effects of the volatility.

As shown above, in 2008 Court and Case Costs exceeded budget by £2.5 million. In order to fund this cost the Minister of Treasury and Resources sanctioned funds to be provided from the Criminal Offences Confiscation Fund (COCF). Under the Proceeds of Crime (Jersey) Law 1999 there are restrictions on the use of COCF monies, which mean that only non-drug and non-terrorism related criminal cases can be funded from it. Column A in the table above shows how much has been spent by each department on such cases. Column B shows the COCF income contribution made to off-set these costs.

To reflect the uncontrollable nature of the Court and Case Costs and therefore ensure that a department neither gains nor loses financially, budget has been transferred between them, to achieve a break even position. Column C in the table above shows the budget transfers needed to reach breakeven point (Column D). For example, after reimbursement of funds from the COCF (Column B), the Law Officer's Court and Case Costs budget is underspent by £1,121,367 (Column C). Budget equivalent to this underspend has then been transferred from their budget to areas of overspend, for example Judicial Greffe, which had an overspend of £1,108,210 (Column C).

States Assembly and its services

Department Highlights:

- **Net spend of £4,724,199, an increase of £95,087, 2.1% on 2007**
- **Underspend of £388,614 (7.6%) against Final Approved Budget**

Actual v prior year

The increase in spend from 2007 to 2008 was 2%, mainly due to annual staff pay awards and increase in States' members remuneration.

Actual v Final Approved Budget

Overall the department had an underspend against budget of 7.6%. This is due to a combination of a large underspend by the Scrutiny section, unexpected staff vacancies, and a portion of the States' members' remuneration not taken up.

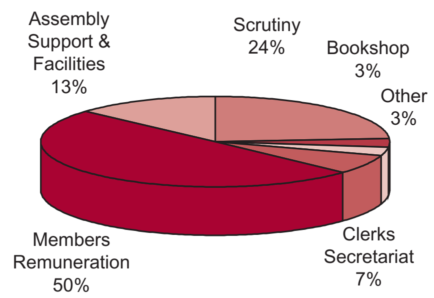
Additional budget allocation

The States Assembly was allocated £30,000, 9% of 2007 underspend, to enable the Privileges and Procedures Committee to run a campaign to encourage voter registration and participation in the 2008 elections.

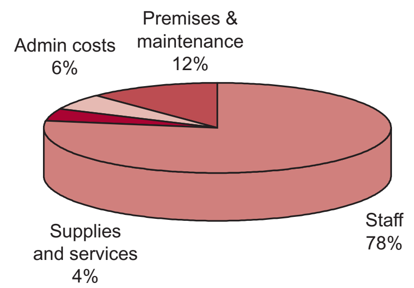
2008 capital vote

There were no capital projects in this department in 2008.

Service Analysis



Expenditure Analysis



Department Staff

Number of full time equivalent staff

	2008	2007
Total	**30.52**	29.52

2008 Budget
Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**5,084**
Carry forward	30
Council of Ministers Funding Reallocation	(1)
Final Approved Budget	**5,113**

States Assembly and its services

Key Financial Results by Service Analysis

The results for the department's top 2 service areas (by net expenditure) were:

Members Remuneration	• **Net spend of £2,343,685, an underspend of £46,515 (2%) against Final Approved Budget**

Actual spend was less than approved budget due to not all members taking up the remuneration.

Scrutiny	• **Net spend of £1,331,121, an underspend of £339,579 (3%) against Final Approved Budget**

As in previous years actual spend was less than approved budget as the total cost of reviews undertaken was less than initially anticipated by the Scrutiny panels, and also partly because of the impact of the elections during the latter part of 2008.

Key Financial Results by Income and Expenditure Category

Income for the States Assembly is mainly from the bookshop and from recharges and is not significant.

The results for the highest expenditure line is as follows:

Manpower – States Staff Costs and States Members remuneration	• **Spend of £3,810,056, an underspend of £130,788 (3%) against Final Approved Budget**

Although figures show that actual spend was £3.8 million against an approved budget of £1.6 million, it should be noted that, Members remuneration is now included in Manpower costs in 2008 Actual, due to a move towards GAAP accounting.

Other developments

There were no significant developments within this department during 2008.

States' Assembly and its services

Net Expenditure - Service Analysis

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
1,472,700	1,472,700	Scrutiny	1,133,121	1,172,898
45,700	45,700	States Messenger	44,851	45,577
94,300	94,300	Inter-Parliamentary Relations	93,072	124,917
127,900	127,900	Bookshop	134,172	124,854
14,800	14,800	Complaints Panel	13,791	14,597
338,400	338,400	Clerks Secretariat	329,540	304,251
2,390,200	2,390,200	Members Remuneration	2,343,685	2,249,385
600,100	630,100	Assembly Support & Facilities	631,967	592,633
-	(1,287)	Council of Ministers funding reallocation	-	-
5,084,100	**5,112,813**	**Net Revenue Expenditure**	**4,724,199**	**4,629,112**

Income and Expenditure Category

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
24,000	24,000	Sale of Goods	16,593	18,120
30,000	30,000	Sale of Services	32,578	38,159
163,347	163,347	Recharges General	146,270	194,155
217,347	217,347		195,441	250,434
		Expenditure		
1,550,688	1,550,688	Manpower - States Staff Costs	3,810,056	1,438,188
348,200	378,200	Supplies & Services	217,432	241,623
413,360	413,360	Administrative Costs	297,132	329,061
599,043	599,043	Premises & Maintenance General	595,020	621,289
2,390,156	2,390,156	States Members Remuneration	-	2,249,385
5,301,447	5,331,447		4,724,199	4,879,546
-	(1,287)	Council of Ministers funding reallocation	-	-
5,301,447	5,330,160		4,919,640	4,879,546
5,084,100	**5,112,813**	**Net Revenue Expenditure**	**4,724,199**	**4,629,112**

Economic Development

Jersey Airport

Department Highlights:

Transfer to Trading Fund - £ 4,058,546 – an increase of £0.9million (28.2%) on 2007 and £154,746 (4.0%) higher than budget due to exchange rate movements of £0.8million. If these are excluded the increase in transfer to Trading Fund is £0.1million (3.5%)

Actual v prior year

The net surplus for the year transferred to the Trading Fund was £4.1 million (£3.0 million excluding Communications Services) compared with £3.2million in 2007 and £4.5million in 2006.

Actual v Final Approved Budget

The Airport made a surplus which was higher than budgeted by £0.2million. The variance to budget is principally due to the favourable Euro/Sterling exchange rate for income received in respect of the Channel Islands Control Zone. Payment is received in Euros and the strengthening of the Euro during the year contributed to an unbudgeted exchange rate movement of £0.8million. The favourable movement on the Euro compared to Sterling masks an unfavourable variance against budget of £0.6 million, of which £0.35 million represented a shortfall against planned income on Arrivals Duty Free. The Airport was unable to secure the appropriate approvals to support this.

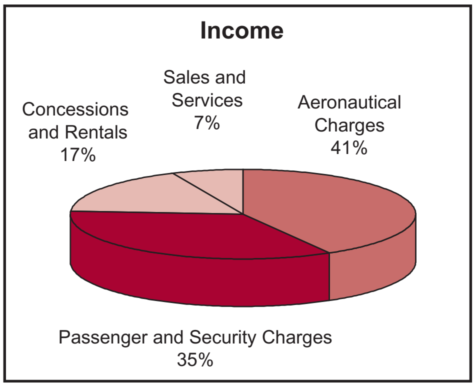
The overall favourable position was reported throughout the year at managerial and ministerial meetings and has enabled the Airport to commit to necessary expenditure of a one-off nature during the year.

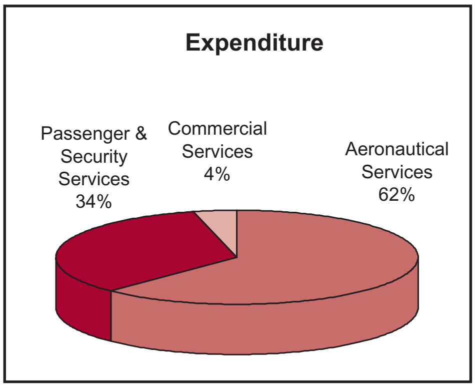
Additional budget allocation

There was no additional revenue budget allocation during 2008. However, an increase in the security expenditure budget part way through the year of £165,400 was matched with a corresponding increase in security charge budget.

During 2008 ministerial approval was granted for additional capital expenditure of £7.05m comprising the following

- Increase to budget for runway resurfacing to meet international safety standards;
- Increase to budget of Major Foam Tender procurement in response to exchange rate movement following tendering process;
- New project – Airside Retail Development project which will generate additional revenues with a projected payback period of 3.5 years;
- New project – Installation of Multiplexers to support business critical communications on decommissioning of Jersey Telecoms analogue lines.





Staff Analysis

Staff	2008	2007
Cost £000	**10,361**	9,931
F.T.E.	**188.51**	187.51

Capital	Total £000
Total value of approved capital schemes £000*	80,299
Spent in the Year £000	18,932
Spent to date £000	43,315

Economic Development

Jersey Airport

2008 capital vote

In the 2008 Business Plan, £26.6 million was voted for the department's capital schemes. This was to cover:

- Runway re-surfacing and Airfield Ground Lighting (AGL);
- Hold Baggage System and out of gauge x-ray;
- Telebag system;
- Aeronautical Transmitters and receivers;
- DVOR Doppler Beacon/DME;
- Fire Tender rescue 5;
- Passenger Coaches (following a review this project was not progressed and subsequently the funding was allocated to the Air Traffic Control Centre project);
- Perimeter Security Fencing;
- Design of the demolition of the 1937 building;
- Feasibility/Design of the Arrivals/Pier/Forecourt;
- Construction of the Arrivals/Pier/Forecourt;
- Fire Pump replacement;
- Minor Capital allocation (2008)

All capital projects are funded from trading fund balances with the exception of certain "below ground" works which are funded from general revenues.

Additional details on revenue income and expenditure results and in year capital spend are explained below.

Key Financial Results by Income and Expenditure Category

The results for the 3 highest income lines are as follows:

Aeronautical Charges (including Channel Islands Control Zone)

- **Income of £9,764,256, a surplus of £1,109,056 (12.8%) against Final Approved Budget**

The year was characterised by the introduction of new carriers (e.g. easyJet) and new routes (e.g. Paris, Luton, Liverpool) as well as growth on the Guernsey route. This combined with higher than expected income from parking charges resulted in a favourable variance of £0.15million.

Income relating to the Channel Island Control Zone exceeded the budget by £0.95million. The budget for 2008 was set prudently at a similar level to 2007 and the movement in Euro/Sterling exchange rate had a significant favourable impact. The Airport also successfully re-negotiated the financial protocol of the Memorandum of Understanding between the UK and France covering the period up to 2012.

Passenger & Security Charges

- **Income of £8,095,610, an shortfall of £311,390 (3.7%) against Final Approved Budget**

Passenger numbers grew positively to 1.6million (up 2.5% on 2007). General aviation and overall income was higher than 2007 by £0.7million (9.5%). The separation of the security charge from the passenger landing charge enabled the Airport to begin to recover the increasing security costs required to enable it to meet its changing obligations under the Aviation Security programme.

Economic Development

Jersey Airport

Concessions & Rentals

- **Income of £4,005,019, an overspend of £241,981 (5.7%) against Final Approved Budget**

Income from concessions and rentals totalled £4.0 million in 2008 up 12.5% from 2007 largely due to the airside/landside changes made in 2007. The shortfall against budget of £0.24million related to a provision included in the budget of £0.35 million for Arrivals Duty Free for which the appropriate approvals could not be secured.

Continued growth in commercial income is critical to the Airport's financial future in the face of constrained aeronautical revenues. In line with its strategic aim the Airport will be embarking upon a project to increase non-aeronautical revenues in 2009 following ministerial approval for the enhancement of the airside departures retail offer in November 2008.

The results for the 3 highest expenditure lines are as follows:

Aeronautical Services

- **Expenditure of £10,452,071, an overspend of £241,671 (2.4%) against Approved Final Budget**

During 2008 the Airport was obliged to deliver 2 key outcomes:

1) Issue of an operating licence for the Aerodrome at the end of 2008 by the Director of Civil Aviation (DCA)
2) Certification as an Air Navigation Service Provider (ANSP) by the French & UK Authorities in order to continue to provide services in relation to the CI Control Zone.

Both of the above have resulted in increased activity and cost in terms of training, external assessment and technical support from e.g. Civil Aviation Authority and National Air Traffic Services. Both were successfully achieved and have resulted in the award of the quality standard ISO9001 in October 2008 in relation to Air Navigation Service Provision. This quality standard will be rolled out to the rest of the organisation as part of a 2-year programme.

The first full year of operation of the Airfield Operations Department has identified additional costs that were not originally anticipated such as the need for standby arrangements.

Ongoing activities in relation to water remediation, both legal and remedial, continue to incur costs until full resolution is achieved. Legal negotiations between the affected parties continued throughout 2008 with the Airport working closely with the Law Officers' Department and it is expected that agreement will be reached during the first half of 2009. Expenditure of £120k during 2008 included legal fees, connection of affected properties to mains water, provision of bottled water to residents not connected to mains and a provision for water charges.

During the second half of 2008 the Airport began a masterplanning project and commissioned Phase 1 (Operational planning) as part of a 3-phase approach to a 30 year masterplan. It is anticipated that this project will be completed in the third quarter of 2009.

At the same time the Airport also commissioned a review of its financial viability as part of a continuing review of its strategic direction. This project is due to be completed in the first quarter of 2009.

Economic Development

Jersey Airport

Passenger and Security Services • **Expenditure of £5,704,576, an overspend of £198,676 (3.6%) against Approved Final Budget**

Expenditure on Security increased by £0.3 million (17%) on the previous year as a result of increasing the number of security staff needed to meet an unplanned change under the Aviation Security programme principally relating to the reintroduction of the two bag rule. The increased cost was in part offset by the increase in security charge which had been separated from the passenger charge at the beginning of 2008.

Expenditure on decorating the passenger pier to reflect the Jersey brand was undertaken during 2008 and this along with the security contract cost increase contributed to the spend over and above approved budget.

Commercial Services • **Expenditure of £656,937, an overspend of £52,237 (8.6%) against Approved Final Budget**

Expenditure in 2008 not foreseen at the time of budget setting included a feasibility study into developing the airside retail offer. This has resulted in additional capital funding being approved.

Capital Schemes

£18.9 million was spent on approved capital schemes. Of this £12.3 million related to the runway re-surfacing project. This is an example of "below ground works" the costs of which are financed from general revenues up to a limit of £40.2million. However, only £14.0 million of the runway costs will be funded in this way, the remaining costs will be met from the Airport's Trading Fund.

Economic Development

Jersey Airport

A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Scheme	**Amount Voted £000**	**Spent in the Year £000**	**Spent to Date £000**
ATC Equipment	1,250	536	574
South Apron	9,200	4,709	8,108
Runway	19,144	12,274	12,575
Freight Taxiway	2,313	310	1,034
Air Traffic Control Centre	8,396	209	1,718
Aviation Services Building	3,703	4	4
Fire Tender Rescue	596	1	1
Perimeter Security Fencing	520	0.1	0.1
Arrivals/Pier/Forecourt design/feasibility	780	5	5
Arrivals/Pier/Forecourt construction	6,400	-	-
Delayed projects over £500,000	6,018	-	-
Completed Works (retentions paid in 2008)	19,192	338	18,206
Other Projects less than £500,000	2,787	546	1,090
TOTAL	**80,299**	**18,932**	**43,315**

The Airport continues to work closely with Treasury and Resources on its ongoing financial planning. This is essential to ensure its longer term financial viability in terms of being able to meet its ongoing requirement to replace its essential infrastructure. This is especially important given the States commitment to fund “below ground works” from General Revenues.

Economic Development

Jersey Airport

Operating Account

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
8,670,000	8,655,200	Aeronautical Charges (Note 1)	9,764,256	8,898,322
8,184,000	8,407,000	Passenger and Security Charges	8,095,610	7,391,137
4,247,000	4,247,000	Concessions and Rentals	4,005,019	3,559,611
1,571,700	1,446,500	Sales and Services	1,562,991	1,569,638
1,274,800	1,314,800	Communications Services	1,182,313	1,154,996
23,947,500	**24,070,500**		**24,610,189**	**22,573,704**
		Expenditure		
10,239,900	10,210,400	Aeronautical Services	10,452,071	9,788,317
5,398,600	5,505,900	Passenger & Security Services	5,704,576	5,268,066
599,300	604,700	Commercial Services	656,937	589,300
1,139,900	1,179,700	Communications Services	1,072,048	1,096,344
17,377,700	**17,500,700**		**17,885,632**	**16,742,027**
6,569,800	**6,569,800**	**Gross Operating Surplus**	**6,724,557**	**5,831,677**
		Less:		
2,666,000	2,666,000	Loan Repayments	2,666,011	2,666,011
3,903,800	3,903,800	**Net Surplus**	4,058,546	3,165,666
3,903,800	**3,903,800**	**Transfer to Trading Fund**	**4,058,546**	**3,165,666**

Note 1: Aeronautical Charges contains CI Control Zone Income. 2007 figures restated to exclude sales & services which were included in 2007 accounts originally.

Economic Development

Jersey Airport

Trading Fund

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
22,422,598	22,422,598	**Balance brought forward 1 January**	26,379,395	29,873,598
		Add:		
3,903,800	3,903,800	Transfer of Operating Surplus	4,058,546	3,165,666
500,000	500,000	Interest	1,281,819	1,483,341
4,403,800	4,403,800	**Total Additions**	5,340,365	4,649,007
		Less:		
13,367,500	13,367,500	Capital Expenditure - above ground works	1,465,020	1,720,207
11,414,600	11,414,600	Capital Expenditure - below ground works (note 1)	17,467,190	9,264,003
(2,841,000)	(2,841,000)	Less: States Contribution to Below Ground Works	(2,841,000)	(2,841,000)
21,941,100	21,941,100	**Total Expenditure**	16,091,210	8,143,210
4,885,298	**4,885,298**	**Balance carried forward 31 December**	**15,628,550**	**26,379,395**

Note 1: P198/2002 agreed that below ground capital works should be met from General Revenues. These works are shown as being funded through the Airport Trading Fund and offset by the States Contribution to Below Ground Works from 2006.

Below Ground Works – Summary

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
15,480,132	15,480,132	**Balance outstanding brought forward 1st January**	12,195,835	5,772,832
		Add:		
		Fire Training Ground	2,030	7,288
		Apron and Taxiway re-sealing		2,076
500,000	500,000	North Apron Area	239,050	4,385,436
4,285,600	4,285,600	South Apron Area	4,642,458	3,381,164
6,309,000	6,309,000	Runway Re-surfacing	12,273,612	270,706
200,000	200,000	Freight Taxiway	310,040	697,497
-	-	Ground Water Remediation		519,836
120,000	120,000	Fire Pump replacement		
11,414,600	11,414,600	**Total Expenditure on Below Ground Works**	17,467,190	9,264,003
		Less:		
(2,841,000)	(2,841,000)	States of Jersey Funding Contribution	(2,841,000)	(2,841,000)
24,053,732	**24,053,732**	**Balance outstanding carried forward 31 December**	**26,822,025**	**12,195,835**

Economic Development

Jersey Harbours

Department Highlights:

- **Net surplus Transfer to Trading Fund of £1,935,689 which is £741,220 (62%) in excess of Final Approved Budget.**
- **Additional income of £170,028 (1%) against Final Approved Budget**
- **Gross Operating Expenditure £21,192 (0.2%) under Final Approved Budget**

Actual v prior year

The planned decrease in net surplus in 2008 compared to 2007 resulted in the main due to the £450,000 service charge for the first year payment to Transport and Technical Services in relation to the costs associated with Port Engineering moving to Transport and Technical Services in 2006 as detailed in the Transport and Technical Service "Technical Services Transformation" business case.

Actual v Final Approved Budget

Overall the department has exceeded budgeted income by 1%. This has been achieved despite decreases in passenger traffic as a result of difficult trading conditions. Income for the Port Estate was better than expected whilst external financing arrangements were not pursued resulting in removal of repayments estimated at £550,000. The Net Surplus Transfer to the Trading Fund is therefore £741,220 in excess of Approved Budget.

Additional budget allocation

In 2008 an additional £142,000 (net) was voted to Jersey Harbours in excess of the original budget agreed in the Business Plan. This amount represents £8,000 transferred to capital in respect of the purchase of a new Coastguard vehicle and £150,000 in fulfilment of the Transport and Technical Service "Technical Services Transformation" business case.

2008 capital vote

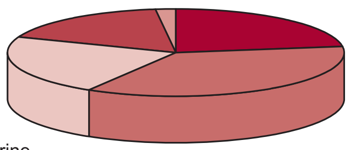
In the 2008 business plan, £3.8m was approved for the department's capital schemes. This was to cover:

- Elizabeth Terminal (phase I) development
- NNQ (phase I) development
- Pilots vessel
- Fuel Berth
- Ro-Ro Ramp (West Berth)
- Dredge Pump and Barge
- Minor Capital Allocation (2008)

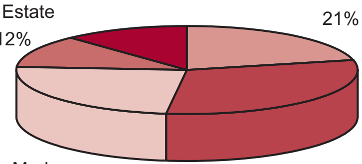
All capital projects are funded from trading fund balances as opposed to central funds.

Additional details on revenue expenditure results and in year capital spend are explained overleaf.

Income Analysis



Expenditure Analysis



Staff Analysis

Staff	2008	2007
Cost £000	3,790	3,541
F.T.E.	88	89

2008 Budget Reconciliation of Original Budget to Final Approved Budget

	£000
Original Budget	**(4,076)**
Vehicle for Beach Life Guards	(8)
TTS business case	150
Final Approved Budget	**(3,934)**

Capital	Total £000
Total value of approved capital schemes	7,696
Spent in the Year	1,837
Spent to date	2,337

Economic Development

Jersey Harbours

Key Financial Results by Service Analysis

Income

The results for the department's top 3 service areas (by income) were:

Commercial Port
- **Income of £4,876,833 a shortfall of £41,967 (1%) against Final Approved Budget**

During 2008 there was a shortfall in income of 1% compared to budget. This has occurred as expected growth factored into the budget was not realised due to a deterioration of economic conditions and loss of income related to the change in use of land on the New North Quay in order to provide leisure facilities.

Passenger Port
- **Income of £3,118,329, a shortfall of £155,571 (5%) against Final Approved Budget**

During 2008 there was a shortfall in income of 5% compared to budget. This has also resulted from the challenging economic environment leading to disappointing overall visitor figures and the withdrawal of a major carrier.

Bad weather has also contributed to this outcome with approximately 7% of sailings being cancelled.

Marine Leisure
- **Income of £3,030,347 a surplus of £75,047 (3%) against Final Approved Budget**

During 2008 the increase in income compared to budget resulted from new income streams relating to the Jersey Boat Show. These were generated in part, due to reconfiguration of marina berths to allow more berths.

Expenditure

The results for the department's top 3 service areas (by expenditure) were

Commercial Port
- **Expenditure of £2,914,832, an overspend of £420,812 (17%) against Final Approved Budget**

There is a material disparity with regard to premises and general maintenance costs when comparing 2008 Approved Budget to the 2008 Actuals. This disparity has occurred principally as a result of the impact of the Transport and Technical Service "Technical Services Transformation". 2008 was only the second full year of Service Level Agreement. This original Approved Budget (as prepared in April 2007) was reviewed during 2008 and appropriate internal transfers were made for internal monitoring and reporting. It should be noted that overall premises and general maintenance costs in relation to the Service Level Agreement with Transport and Technical Services came in on budget.

Year on year expenditure decreased by 13%. This was mainly due to a fall in premises and general maintenance, with significant conservancy work, particularly on buoys and beacons, not completed in 2008.

Economic Development

Jersey Harbours

Marine Leisure • **Expenditure of £2,316,632 an overspend of £396,270 (21%) against Final Approved Budget**

As noted in the commercial port, the allocation of premises and general maintenance costs has been impacted by the Transport and Technical Service "Technical Services Transformation". Additionally costs relating to the 2008 Jersey Boat Show and service costs for the new service facilities at the Elizabeth Marina were managed after the finalisation of the 2008 Approved Budget.

Year on year expenditure has increased by 40%. This is due to increases in premises and general maintenance. This is principally as a result of un-anticipated repairs required due to storm damage inflicted in March 2008 and a major refurbishment of the Elizabeth Marina gates. Other significant increases in comparative expenditure year on year were for the Jersey Boat Show (as offset by income streams as detailed above).

Passenger Port • **Expenditure of £2,028,919, an underspend of £107,665 (5%) against Final Approved Budget**

In the main this was made up by reduced expenditure on premises and general maintenance.

Year on year expenditure was 6% less in 2008 compared to 2007. This was mainly due to a fall in premises and general maintenance costs, specific to the Passenger Port.

Capital Schemes

Total Capital Expenditure during the year was £1.837 million which reflects the progress made on a wide variety of individual schemes. A summary of current capital schemes with total amount voted in excess of £500,000 are contained in the table below:

Scheme	Amount Voted £000	Spent in the Year £000	Spent to Date £000
St Aubins Subsidence & Remedial	777	-	13
Replacement Crane	1,596	1,236	1,596
Pilot Vessel	650	-	-
West berth RO-RO ramp	1,900	-	-
Projects less than £500,000	2,773	601	728
Total	**7,696**	**1,837**	**2,337**

Other developments

Forthcoming changes / activities

- The General Economic downturn exposes all our business units to a potential financial risk, particularly if building and construction works decline leading to a decline in freight shipped. Less significantly, the general economic downturn is expected to result in a fall in passenger and marine leisure activities.
- East of Albert: Whilst this project is currently under conceptual development, decisions made in 2009 leading to approval of this plan may lead to additional expenditure, currently not planned.

Economic Development

Jersey Harbours

Operating Account

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
		Income		
3,208,000	3,273,900	Passenger Port	3,118,329	2,890,089
4,583,000	4,918,800	Commercial Port	4,876,833	4,932,245
2,936,000	2,955,300	Marine Leisure	3,030,347	2,918,830
2,513,000	2,092,000	Port Estate	2,362,082	2,550,955
240,000	240,000	Coastguard	262,437	289,887
13,480,000	13,480,000		13,650,028	13,582,006
		Expenditure		
2,100,000	2,136,584	Passenger Port	2,028,919	2,150,028
2,451,000	2,494,020	Commercial Port	2,914,832	3,360,920
1,890,000	1,920,362	Marine Leisure	2,316,632	1,649,277
1,920,500	1,948,724	Port Estate	1,138,071	955,778
1,042,500	1,046,310	Coastguard	1,126,354	1,196,377
9,404,000	9,546,000		9,524,808	9,312,380
4,076,000	3,934,000	**Gross Operating Surplus**	4,125,220	4,269,626
		Less:		
450,000	450,000	Transport & Technical Service Charge	450,000	-
550,000	550,000	Other Repayments	-	-
1,287,131	1,287,131	Capital Return paid to the States	1,287,131	1,397,508
452,400	452,400	Revenue Return to the States	452,400	366,000
1,336,469	1,194,469	**Net Surplus**	1,935,689	2,506,118
1,336,469	**1,194,469**	**Transfer to Trading Fund**	**1,935,689**	**2,506,118**

Economic Development

Jersey Harbours

Trading Fund

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
4,348,596	4,348,596	**Balance brought forward 1 January**	6,952,917	4,908,430
		Add:		
1,336,469	1,336,469	Transfer of Operating Surplus	1,935,689	2,506,118
4,500,000	4,500,000	Financing Requirement	-	-
250,000	250,000	Sales of Assets	(6,647)	59,932
50,000	50,000	Interest	1,196,849	381,885
6,136,469	6,136,469	**Total Additions**	3,125,891	2,947,935
		Less:		
		Capital Expenditure:		
-	-	St Catherine's Breakwater	-	402,964
8,119,000	8,119,000	Other Capital Expenditure	1,836,797	500,484
8,119,000	8,119,000	**Total Expenditure**	1,836,797	903,448
2,366,065	**2,366,065**	**Balance carried forward 31 December**	**8,242,011**	**6,952,917**

Transport and Technical Services

Jersey Car Parking

Department Highlights:

- **Transfer to the Trading Fund of £1,921,809, an increase of 1.5% on 2007**
- **Increase of £979,309 (103.9%) against Final Approved Budget**

Actual v prior year actual

The increase in the net operating surplus from 2007 to 2008 was 1.5%.

Income rose by £307,026 (5.1%) which is the result of an increase in paycard sales (£265,560) and income from interest (£65,781). Expenditure rose by £188,046 (4.5%) due to works budgeted in 2007 being undertaken in 2008.

Actual v Final Approved Budget

Overall Jersey Car Parks had a surplus against budget of £979,309 (103.9%). This consists of a surplus in income of £722,077 (12.9%) together with an underspend on expenditure of £257,232 (5.6%).

2008 Trading Fund Expenditure

Trading Fund expenditure at £1,505,253 relates to expenditure on concrete degradation work at Patriotic Street (£1,164,811), suicide prevention work (£55,506) and a feasibility study for Ann Court Car Park (£284,936).

Other developments

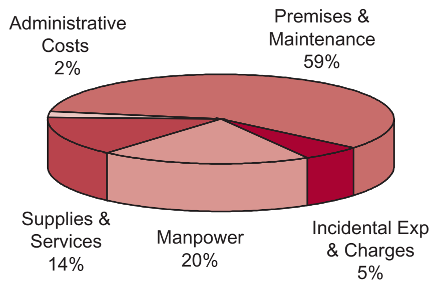
The draft Integrated Travel and Transport Plan for Jersey 2008-2012 sets out further initiatives to be developed in respect of parking which include:

- Construct a multi storey car park at Ann Court to replace Gas Place and Minden Place Car Parks;
- Feasibility of a decked extension to Snow Hill Shoppers car park;
- Introduction of charges for disabled parking;
- Increased motorcycle parking provision;
- Increased cycle parking facilities; and
- Rationalisation of on-street parking including increased charges.

The Council of Ministers considered this plan in October 2008 and deferred its decision for the new Council of Ministers in 2009.

Additional details on revenue expenditure results are explained below.

Expenditure Analysis



Staff Analysis

The actual FTE for 2008 was 21. This figure has been reported as part of the TTS staff analysis.

Reconciliation of Original Budget to Final Approved Budget

There have been no additions to the original budget, therefore the final approved budget agrees to the original budget.

Transport and Technical Services

Jersey Car Parking

Key Financial Results by Income and Expenditure Category

The results of income are as follows:

Operating Income
- **Net income of £6,326,877, an increase of £722,077 (12.9%) against Final Approved Budget**

The increase in income over budget was due to the following:

Paycard Income: Paycard sales at £4,126,726, were up on budget by £476,726 (at approximately 851,296 units). This is largely due to the prudent forecast of 2008 income in anticipation of the introduction of GST.

Season Ticket Income: Season Tickets sales at £912,713 were on budget.

Rental Income: Rent is charged to the Health and Social Services Department for using car parking spaces at Patriotic Street Car Park and the CI Co-Operative Society for using car parking spaces at Red Houses and Georgetown. In 2008 actual rental income totalled £185,568, an increase of £7,445 against the approved budget.

Parking Fine Income: Parking Fines at £497,219 were on budget.

Interest Received: Income in relation to interest received on the Trading Fund at £565,065 was up £215,065 on budget. This was due to an increase in interest rates and higher net asset balances being held.

The results for the 3 highest expenditure lines are as follows:

Premises and Maintenance
- **Net spend of £2,573,509, an underspend of £165,891 (6.1%) against Final Approved Budget**

Although lift maintenance work was higher than budget due to 2007 work being undertaken in 2008, this was offset by savings made on building and electrical services maintenance and resurfacing.

Manpower – States Staff Costs
- **Net spend of £867,704, an underspend of £26,737 (3.0%) against Final Approved Budget**

The underspend on staff expenditure related to vacancies plus sickness payments received that had not been budgeted for.

Supplies and Services
- **Net spend of £627,269 an overspend of £39,169 (6.7%) against Final Approved Budget**

The increase in expenditure from 2007 was due to work budgeted in 2007 being undertaken in 2008 which included CCTV camera upgrades and equipment purchases.

The overspend related to a number of factors, including overspends in printing, computer software and equipment purchases.

Transport and Technical Services

Jersey Car Parking

Operating Account

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
5,604,800	5,604,800	**Total Income**	6,326,877	6,019,851
		Expenditure		
891,000	891,000	Manpower - States Staff Costs	864,263	806,177
9,000	9,000	Manpower-Non States Staff Cost	3,441	16,966
588,100	588,100	Supplies & Services	627,269	546,783
152,200	152,200	Administrative Costs	91,793	55,693
2,739,400	2,739,400	Premises & Maintenance General	2,573,509	2,521,870
282,600	282,600	Incidental Expenses & Charges	241,393	269,533
-	-	Grants & Subsidies General	3,400	-
4,662,300	4,662,300	**Total Expenditure**	4,405,068	4,217,022
942,500	**942,500**	**Gross Operating Surplus**	**1,921,809**	**1,802,829**
-	-	Proceeds from Sale	-	91,500
942,500	**942,500**	**Transfer to Trading Fund**	**1,921,809**	**1,894,329**

Trading Fund

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
9,943,103	9,943,103	**Balance brought forward 1 January**	9,943,103	8,282,916
		Add:		
942,500	942,500	Transfer of Operating Surplus	1,921,809	1,894,329
942,500	942,500	**Total Additions**	1,921,809	1,894,329
		Less:		
1,000,000	1,000,000	Concrete degradation repair work and structural work on Multi-Storey Car parks	1,220,317	159,142
-	-	Feasibility Study - Anne Court Car park	284,936	-
-	-	St Helier Regeneration Strategy	-	75,000
1,000,000	1,000,000	**Total Expenditure**	1,505,253	234,142
9,885,603	**9,885,603**	**Balance carried forward 31st December**	**10,359,659**	**9,943,103**

Transport and Technical Services

Jersey Fleet Management

Department Highlights:

- **Transfer to the Trading Fund of £8,633, a decrease of 88.8% on 2007**
- **Decrease of £140,945 (94.2%) against Final Approved Budget**

Actual v prior year

Jersey Fleet Management achieved a small operative surplus in 2008.

The decrease in the net operating surplus from 2007 to 2008 was 88.8%. This consisted of a small decrease in income of £14,863 (0.5%) together with an increase in expenditure of £53,526 (1.7%).

The decrease in income consisted of increases in fuel sales (£109,552) and annual lease charges (£163,172) together with a decrease in one off recharges (£293,371).

The increase in expenditure was due to unforeseen significant price increases in fuel (£120,205) coupled with an increase in annual lease costs (£121,125) due to the supplier recharging additional GST costs arising on the subsequent sale of leased vehicles.

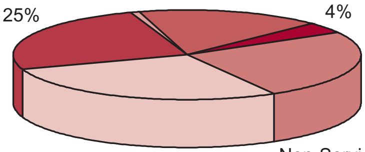
As a result of the impact of fuel charges and leasing costs, the charges levied to other Departments for the leasing of plant and machinery has had to be reviewed, and a new pricing mechanism will be introduced for 2009.

Actual v approved budget

Overall the Department had an underspend against budget of £140,945 (94.2%). This consisted of an increase in income of £126,274 (4.2%) together with an increase in expenditure of £267,219 (9.3%).

The approved budget was prepared in April 2007. Since then Jersey Fleet Management has been through a period of significant change with the merger of the Blue Light workshops which transferred from the Home Affairs Department, incorporation of vehicles from Jersey Harbours and challenging market conditions, including significant fluctuations in fuel prices. Jersey Fleet Management will need to consolidate and review its processes and move forward into 2009 with a revised charging mechanism.

Expenditure Analysis



Staff Analysis

The actual FTE for 2008 was 22. This figure has been reported as part of the TTS staff analysis.

Reconciliation of Original Budget to Final Approved Budget

There have been no additions to the original budget, therefore the final approved budget agrees to the original budget.

Service Analysis

2008 Budget £		2008 Actual £	2007 Actual £
(854,819)	Fleet Management	(713,617)	(742,134)
361,933	Workshop Services	332,959	326,823
263,507	Fuel Services	269,604	253,764
79,801	Administration	102,421	84,525
(149,578)	**Total**	**(8,633)**	**(77,022)**

Transport and Technical Services

Jersey Fleet Management

The increase in income over the approved budget was due to increased fuel sales (£89,000) and rental charges (£54,511). The increase in expenditure was due to the increase in the cost of fuel (£90,585), increase in the annual lease charge due to the recharge of additional GST costs incurred by the supplier (£121,045) and an increase in equipment maintenance (£41,061).

Additional details on revenue expenditure results and in year capital spend are explained below.

Key Financial Results by Service Analysis

The results for the trading operation's 3 main service areas were:

Fleet Management

- **Net income of £713,617, a decrease of £141,202 (16.5%) against Final Approved Budget**

Fleet Management provides advice on selection, procurement, maintenance and disposal of vehicles and plant. In addition, Fleet Management provides comprehensive vehicle leasing packages to States Departments that offer all the financial and efficiency benefits of corporate fleet management.

The increase in expenditure over the approved budget related to increased cost on equipment maintenance (£18,727); manpower costs (£37,302) and the annual lease charge for vehicles (£93,951). The latter is offset in part by increased income (£49,596).

Workshop Services

- **Net spend of £332,959, a decrease of £28,974 (8.0%) against Final Approved Budget**

The workshop provides servicing and repairs for Departments on both owned plant and machinery, and that leased from Jersey Fleet Management. This covers the complete range from cars, light and heavy commercial vehicles, heavy mobile plant to agricultural and horticultural machinery.

The reasons for the decrease in expenditure were savings on manpower costs (£25,438) and equipment purchases (£20,701). The latter was partly offset by an increase in equipment maintenance (£14,110).

Fuel Services

- **Net spend of £269,604, an increase of £6,097 (2.3%) against Final Approved Budget**

This service consists of self-service pumps sited at La Collette and Bellozanne Depots (activated by security key). The price recharged to States Departments reflected the advantageous contract prices obtained under the States Fuel Contract and shows a saving over retail forecourt prices of approximately 15%.

The net spend on fuel reflects the fact that annual plant charges are inclusive of fuel, and therefore the income is received into Fleet Management and not into this service area. The increase in expenditure over budget was due to an increase in the cost of grounds maintenance (£5,930) coupled with the significant price increase in fuel in the year (£87,412) which was partly offset by an increase in income from Departments (£86,774).

Transport and Technical Services

Jersey Fleet Management

Review of Assets

The increase in the net book value of assets from 2007 to 2008 was £243,901.

Fixed Assets	**Net Book Value 2008 £'000**	**Net Book Value 2007 £'000**	**Increase/ (Decrease) £'000**
Motor Vehicles	2,381	2,010	371
Fixtures and Fittings	17	21	(4)
Plant	501	624	(123)
Net Book Value	**2,899**	**2,655**	**244**

Transport and Technical Services

Jersey Fleet Management

Operating Account

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
3,030,793	3,030,793	**Income**	3,157,067	3,171,930
		Expenditure		
910,103	910,103	Manpower	886,842	857,551
578,279	578,279	Supplies and Services	788,039	565,274
8,130	8,130	Administration Costs	17,743	20,455
486,553	486,553	Premises and Maintenance	526,530	492,699
108,000	108,000	Incidental Expenses and Charges	128,082	373,662
790,150	790,150	Non-Service Costs	801,198	785,267
2,881,215	2,881,215		3,148,434	3,094,908
149,578	149,578	**Operating Surplus**	8,633	77,022
149,578	**149,578**	**Transfer to Trading Fund**	**8,633**	**77,022**

Trading Fund

2008 Business Plan £	2008 Final Approved Budget £		2008 Actual £	2007 Actual £
992,009	992,009	**Balance brought forward 1 January**	992,009	1,035,039
		Add:		
149,578	149,578	Transfer of Operating Surplus	8,633	77,022
149,578	149,578	**Total Additions**	8,633	77,022
		Less:		
150,000	150,000	Increase to the net book value of fixed assets	243,901	120,052
150,000	150,000	**Total Expenditure**	243,901	120,052
991,587	**991,587**	**Balance carried forward 31 December**	**756,741**	**992,009**

Reserves

Reserves

Strategic Reserve
The Strategic Reserve Fund is established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005. This is a permanent reserve, where the capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline, such as the sudden collapse of a major Island industry or from major natural disaster.

The total market value of the assets of the Reserve at year end was £507.6 million (2007: £510.1 million).

The net realised surplus for the year was £27.7 million (2007: £27.2 million). At 31 December 2008 there was an unrealised loss on investments of £30 million (2007: £4.3 million unrealised loss). This represents a potential loss of less than 6% of its 2007 value and is a result of the downturn in global financial markets. This loss will only be realised if the investments are sold at their current estimated value.

In 2007, as part of the business plan, the States voted to transfer £10 million to the Strategic Reserve, representing special dividends received from Jersey Telecom and Jersey Electric Company in 2006.

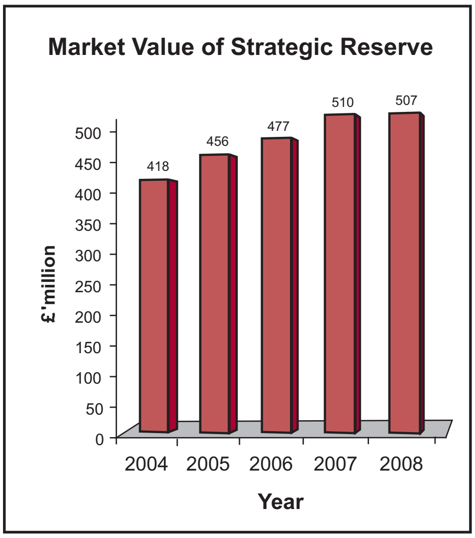
Stabilisation Fund
The Stabilisation Fund was established by the States in December 2006. The purpose of the fund being to make fiscal policy more countercyclical, providing some protection from the adverse impact of economic cycles, and create a more stable economic environment with low inflation. This will involve taking money out of the economy and paying it into the Fund when it is growing strongly and drawing money down from the Fund to support the economy when it is performing more weakly. The Fiscal Policy Panel is now established, comprising three leading international economists, who advise the Minister as to when economic conditions merit money being paid into or withdrawn from the Fund.

Jersey is leading the way in this aspect of economic policy by bringing in independent economic advice into the fiscal policy framework. This will bring transparency into policy making and help continue to build credibility and develop successful economic policy.

The initial target level which was a guideline rather than a limit for the fund was 15-20% of total States net expenditure, equivalent to £75-£100m at the time. The fund was established with a £32 million transfer from the Dwelling House Loans Fund in 2006. A further £38 million was transferred in 2008 so that together with the interest earned the total value of the fund as at 31 December 2008 was £74.7 million. In accordance with advice from the Fiscal Policy Panel a further £63 million was transferred into the fund in January 2009.

Consolidated Fund
The Consolidated Fund was established under the Public Finances (Jersey) Law 2005. This is the fund through which the majority of the States' income and expenditure is managed. General Revenue Income and Departments' expenditure on public services is all accounted for through this fund.

Details of the income and expenditure accounted for through this fund are provided in the Treasurer's Report.



Strategic Reserve

Income and Expenditure Account for the Year ended 31 December 2008

	2008 £	2007 £
Income:		
Bank Interest	1,846,355	1,441,667
Investment Income	22,997,837	18,948,810
Profit on Disposal of Investments	5,518,329	9,246,765
	30,362,521	29,637,242
Expenditure:		
Administrative Costs	1,264,678	1,305,137
Appropriation to Jersey Currency Notes	1,123,716	1,162,917
Withholding Tax	243,736	-
	2,632,130	2,468,054
Surplus for the Year	**27,730,391**	**27,169,188**

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	2008 £	2007 £
Surplus for the Year	27,730,391	27,169,188
Unrealised Gains/(Loss) on Investments	(30,166,916)	(4,352,299)
Total Recognised Gains/(Loss) for the Year	**(2,436,525)**	**22,816,889**

Balance Sheet as at 31 December 2008

	2008 £	2007 £
Fixed Assets:		
Investments - Market Value	506,130,400	506,212,621
	506,130,400	506,212,621
Current Assets:		
Debtors	7,994,534	15,166,561
Cash at Bank and in Hand	14,401,441	10,881,301
Current Liabilities:		
Creditor - Investments held on behalf of Jersey Currency Notes	20,571,367	21,833,019
Creditors (amount due within one year)	307,003	342,934
Net Current Assets	1,517,605	3,871,909
Net Assets	**507,648,005**	**510,084,530**
Funds Employed:		
Accumulated Reserve	523,904,539	486,249,033
Transfer from Consolidated Fund	-	10,000,000
Revaluation Reserve	(16,256,534)	13,835,497
Accumulated Revenue and Reserve Balances	**507,648,005**	**510,084,530**

Stabilisation Fund

Income and Expenditure Account for the Year ended 31st December 2008

	2008 £	2007 £
Income:		
Investment income	2,871,947	-
Interest on cash held	-	1,854,983
Surplus for the Year	**2,871,947**	**1,854,983**

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Surplus for the Year	2,871,947	1,854,983
Unrealised Profit on Revaluation of Investments	16,692	-
Total Recognised Gain Relating to the Year	**2,888,639**	**1,854,983**

Balance Sheet as at 31st December 2008

	2008 £	2007 £
Fixed Assets:		
Investments - Market Value	73,016,692	-
	73,016,692	-
Current Assets:		
Debtors - Temporary Advance to Consolidated Fund	1,178,778	33,854,983
Cash at Bank and in Hand	548,152	-
Net Current Assets	**1,726,931**	**33,854,983**
Net Assets	**74,743,622**	**33,854,983**
Funds Employed:		
Accumulated Reserve	74,743,622	33,854,983
Accumulated Reserve Balance	**74,743,622**	**33,854,983**

Consolidated Fund

Operating Cost Statement for the Year ended 31 December 2008

	2008 £'000	2007 £'000
Revenue		
Levied by the States of Jersey:		
Taxation Revenue	534,960	432,894
Island rates, duties, fees, fines and penalties	90,779	98,586
Total Revenue Levied by the States of Jersey	**625,739**	**531,480**
Earned through Operations		
Sales of Goods and Services	95,121	88,392
Investment Income	24,020	20,336
Other revenue	28,277	25,664
Total Revenue Earned through Operations	**147,418**	**134,392**
Total Revenue	**773,157**	**665,872**
Operating Expenditure		
Social Benefit Payments	149,577	135,984
Staff Costs	295,039	277,171
Other Operating Expenses	151,001	139,496
Grants and Subsidies payments	34,111	29,344
Capital Charge / Depreciation	39,302	39,391
Finance costs	4,359	4,395
Total Operating Expenditure	**674,292**	**625,781**
Non-operating expenditure		
Net foreign-exchange (gains)	(1,029)	-
Movement in pension liability	88,483	(6,702)
(Gains) on disposal of fixed assets	(9,401)	(5,254)
Total Non-operating expenditure	**78,053**	**(11,956)**
Total Expenditure	**751,442**	**613,825**
Revenue less Expenditure	**21,715**	**52,047**
Transfer to / from other Funds	(21,613)	(30,807)
Balance carried forward	**102**	**21,240**

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	2008 £'000	2007 £'000
Surplus for the Year	21,715	52,047
Unrealised Gain on Investments	964	184
Actuarial Gain in respect of Defined Benefit Pension Schemes	467	478
Total Recognised Gain Relating to the Year	**23,146**	**52,709**

Consolidated Fund

Balance Sheet as at 31 December 2008

	2008 £'000	2007 £'000
Tangible and Intangible Fixed Assets	721,433	700,564
Financial Assets		
Advances	8,427	12,340
Strategic Investments	108,563	108,563
Other investments	225,905	257,890
Debtors: amounts falling due after more than one year	4,492	1,674
Total Fixed Assets	1,068,820	1,081,031
Current Assets		
Stock and Work in Progress	4,837	4,862
Debtors	97,444	105,246
Cash at Bank and in Hand	31,298	27,261
Total Current Assets	133,579	137,369
Current Liabilities		
Inter-Fund balance	(33,478)	(61,228)
Bank overdrafts	(20,364)	(15,057)
Creditors	(51,466)	(132,195)
Total Current Liabilities	(105,308)	(208,480)
Net Current Assets / (Liabilities)	28,271	(71,111)
Total Assets Less Current Liabilities	1,097,091	1,009,920
Long Term Liabilities		
Finance Lease Obligations	(9,559)	(10,074)
PECRS Pre-1987 Past Service Liability	(206,280)	(110,565)
Provision for JTSF Past Service Liability	(103,100)	(110,000)
Defined Benefit Pension Schemes Net Liability	795	(284)
Provisions for liabilities and charges	(2,100)	(3,683)
Total Long Term Liabilities	(320,244)	(234,606)
Net Assets	**776,847**	**775,314**
Reserves: Accumulated Revenue and Reserve Balances	**776,847**	**775,314**

Separately Constituted Funds

Separately Constituted Funds

Dwelling Houses Loan Fund
In 1950 the States established a building loans scheme to enable first-time buyers to purchase homes. At that time, financial institutions had not yet become involved in lending for house purchases. The scheme was incorporated in Law (L23 1950) and a Special Fund (the Dwelling Houses Loan Fund) was established in order to finance loans to first-time buyers from States General Revenues.

States loans are granted by the former Housing Committee to residentially qualified first-time buyers who are able to demonstrate that they have a deposit and can meet the repayments of the loan.

Loans are secured by a simple conventional hypothec charged on the property in relation to which the loan is made, and bear interest with a minimum of 3% for flats and 5% for a house and a maximum of 7.5%. The current maximum loan available to first-time buyers is £120,000.

The surplus on the Fund for the year was £1,897,198 (2007: £1,787,362). This comprises interest charged to borrowers plus interest charged on advances to the Consolidated Fund less administration expenses.

Although the scheme has not been formally suspended, it is not anticipated that any further loans will be approved from the Fund. The Treasurer of the States is the Accounting Officer, and in the event of any new loans being issued, Ministerial approval would be required.

Assisted House Purchase Scheme
The Assisted House Purchase Scheme was established by the States of Jersey in 1977 to aid the recruitment of staff from the UK. The Scheme facilitated the purchase of suitable properties by the States on behalf of the employee. A property was purchased using funds from the Scheme, and held in the name of the States until such time as the employee has attained their residential qualifications. The employees' right to occupy the property was in the form of a lease with the option to purchase the freehold at the end of the period.

The Scheme ceased to purchase properties on behalf of employees from August 2005. Employees who would have been eligible for the Scheme must now arrange their own finance through the various Financial Institutions.

The surplus on the Scheme for the year was £164,485 (2007: £72,864).

99 Year Lease
The 99 Year Lease legislation was introduced in 1964/65 to allow the former Housing Committee to lend to individuals offering leasehold property as security. The Building Loan legislation of the day only allowed the committee to lend on freehold properties. At that time there was no share transfer or flying freehold legislation.

The surplus on the Fund for the year was £50,676 (2007: £51,253). This surplus is transferred to the Property Holdings Department's cash limit.

Although the scheme has not been formally suspended, it is not anticipated that any further loans will be approved from the Fund. The Treasurer of the States is the Accounting Officer, and in the event of any new loans being issued, Ministerial approval would be required.

Dwelling Houses Loans Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Charged to Borrowers	965,881	1,129,553
Interest Charged on Advances to the Consolidated Fund	974,282	783,505
	1,940,163	1,913,058
Expenditure:		
Administrative Costs	42,965	125,696
	42,965	125,696
Surplus for the Year	**1,897,198**	**1,787,362**

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Loans and Interest Outstanding	8,358,237	9,865,215
	8,358,237	9,865,215
Current Assets:		
Debtors	4,850	4,686
Cash Advanced to the Consolidated Fund	19,025,602	15,625,488
Current Liabilities:		
Creditors (amount due within one year)	19,755	23,654
Net Current Assets	19,010,697	15,606,520
Net Assets	**27,368,934**	**25,471,735**
Funds Employed:		
Accumulated Revenue and Reserve Balances	**27,368,934**	**25,471,735**

Assisted House Purchase Scheme

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Charged to Borrowers	421,725	425,841
	421,725	425,841
Expenditure:		
Administrative Costs	7,889	9,747
Interest Charged on Advances from the Consolidated Fund	249,352	343,230
	257,241	352,977
Surplus for the Year	**164,484**	**72,864**

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Loans and Interest Outstanding	5,507,992	7,280,165
	5,507,992	7,280,165
Current Assets:		
Debtors	89,646	331
Current Liabilities:		
Creditors (amount due within one year)	-	2,673
Cash Advanced from the Consolidated Fund	3,624,366	5,469,035
Net Current Liabilities	3,534,720	5,471,377
Net Assets	**1,973,272**	**1,808,788**
Funds Employed:		
Accumulated Revenue and Reserve Balances	**1,973,272**	**1,808,788**

99 Year Leases

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Charged to Borrowers	19,868	23,445
Interest Charged on Advances to the Consolidated Fund	33,613	31,836
	53,481	55,281
Expenditure:		
Administrative Costs	2,805	4,028
Surplus transferred to Property Holdings	50,676	51,253
	53,481	55,281

Note: The annual surplus is transferred to the Property Holdings Department's cash limit.

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Loans and Interest Outstanding	256,743	264,756
	256,743	264,756
Current Assets:		
Debtors	53	59
Cash Advanced to the Consolidated Fund	578,437	565,616
Current Liabilities:		
Creditors	4,861	59
Net Current Assets	573,629	565,616
Net Assets	**830,372**	**830,372**
Funds Employed:		
Accumulated Revenue and Reserve Balances	**830,372**	**830,372**

Separately Constituted Funds

Agricultural Loans Fund

In September 1974 the States approved a law to authorise the lending to farmers to:

- assist or enable them to acquire agricultural land;
- construct or convert their house or farm;
- purchase agricultural machinery and equipment;
- carry out improvements for more efficient and economic farming; and
- purchase livestock.

For the purposes of this Law the Agricultural Loans Fund was established.

As from 2005 the approval of new loans to farmers has been suspended.

The deficit on the Fund for the year was £45,873 (2007: deficit of £154,055), this is funded by a subsidy from the Economic development Department.

The Fishfarmer Loans Scheme

The Fishfarmer Loans Scheme was introduced by the States in 1995 to facilitate the provision of loans for:

- the purchase of machinery and equipment for use in connection with fish farming;
- the construction of buildings to house equipment associated with fish farming activities; and
- the purchase of land on which to carry out the activities directly involved with fish farming.

As from 2004 the approval of new loans has been suspended and therefore the Scheme did not advance any new loans in 2007 or 2008.

The final loans outstanding were paid off during 2007. As no further loans are to be issued, the scheme will now finish.

Agricultural Loans Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Charged to Borrowers	216,776	290,192
Subsidy received from Economic Development	45,874	154,055
	262,650	444,247
Expenditure:		
Administrative Costs	12,971	14,899
Interest Written Off	50,000	166,980
Interest on Temporary Advances from the Consolidated Fund	199,679	262,368
	262,650	444,247

1. The subsidy from EDD funds the annual deficit of the Fund

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Loans and Interest Outstanding	2,762,476	3,971,730
	2,762,476	3,971,730
Current Liabilities:		
Cash Advanced from the Consolidated Fund	2,762,476	3,971,730
Net Current Assets	**2,762,476**	**3,971,730**
Net Assets	-	-
Funds Employed:		
Accumulated Revenue and Reserve Balances	-	-

Fishfarmer Loans Scheme

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Charged to Borrowers	-	7,844
Subsidy received from Economic Development	-	1,002
	-	8,846
Expenditure:		
Administrative Costs	-	291
Subsidy transferred to Economic Development	-	-
Interest on Temporary Advances from the Capital Fund	-	8,555
	-	8,846

Note: The annual surplus/(deficit) is tranferred to/funded from the Economic Development Department.

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets		
Loans and Interest Outstanding	-	-
	-	-
Current Assets:		
Debtors	-	-
Current Liabilities:		
Cash Advanced from the Consolidated Fund	-	-
Net Current Assets	**-**	**-**
Net Assets	**-**	**-**
Funds Employed:		
Accumulated Revenue and Reserve Balances	**-**	**-**

Separately Constituted Funds

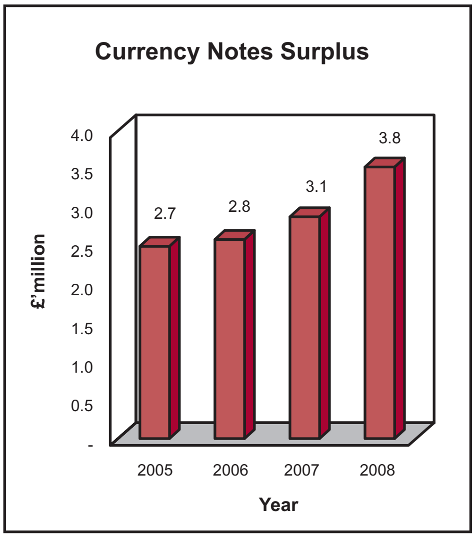
Jersey Currency Notes

Income has increased for the Fund by 18% in 2008. The Fund has maintained a high rate of return on its investments and bank deposits by utilising economies of scale.

Expenditure has increased as a result of the cost of additional notes issued. Currency in circulation has increased by 11.7% in 2008, from £75.6 million to £84.5 million.

The surplus has increased by 19.2%.

The investment in Strategic Reserve has suffered an unrealised loss of less than 6% of its 2007 value as a result of the downturn in global financial markets.

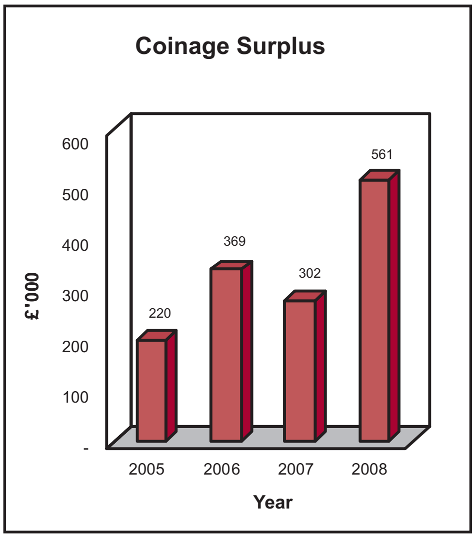


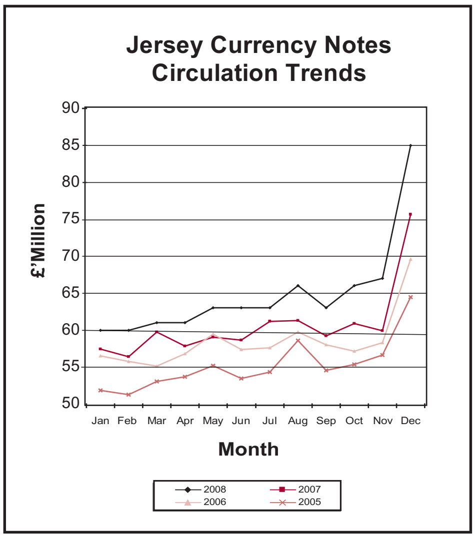
Jersey Coinage

Royalties from the sale of Jersey Coin to collectors have increased by 30% in 2008, a large proportion of which were due to the popularity of the Royal British Legion Poppy Coin in the final quarter of 2008.

The Fund has benefited from its improved cash investment arrangements and economies of scale with investment income having risen to more than double that of 2007.

Under the Currency Notes (Jersey) Law 1959 and the Decimal Currency (Jersey) Law 1971 the States produce and issue bank notes and coins into circulation. These are accounted for, at cost, as stock until they are formally made available for circulation by the Treasury and Resources Department when they are accounted for at face value. At the end of their useful life they are removed from circulation and destroyed. Currency available for circulation is either held by the Treasury or in circulation via retail banks.





Jersey Currency Notes

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Bank Interest	906,711	406,875
Investment Income	2,197,370	1,931,237
Investment Income received from funds invested in the Strategic Reserve	1,123,716	1,162,917
Profit on Disposal of Investments	4,267	85,044
Sale of Specimen Jersey Notes	4,623	3,748
Miscellaneous Income	236	-
	4,236,923	3,589,821
Expenditure:		
Administrative Costs	27,913	26,917
Cost of Notes Issued	192,304	142,547
Carriage and Sundry Expenses	279,344	284,299
	499,561	453,763
Surplus for the Year Transferred to Consolidated Fund	**3,737,362**	**3,136,058**

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Unrealised loss on Investments	(1,039,453)	(237,656)
Total Recognised Gains/(Loss) for the Year	**(1,039,453)**	**(237,656)**

Jersey Currency Notes

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Investments - Market Value	40,159,423	33,322,159
	40,159,423	33,322,159
Current Assets:		
Stocks	342,005	534,388
Debtors	847,184	843,266
Debtor - Investment held by Strategic Reserve	20,571,367	21,833,018
Cash at Bank and in Hand	28,248,252	22,244,957
Current Liabilities:		
Creditors (amount due within one year)	3,704,585	153,161
Jersey Notes in Circulation:		
Jersey Notes Available for Circulation	101,977,013	93,942,604
Jersey Notes in Hand	(17,450,007)	(18,294,070)
Net Current Liabilities	**(38,222,783)**	**(30,346,066)**
Net Assets	**1,936,640**	**2,976,093**
Funds Employed:		
Revaluation Reserve	536,640	1,576,093
Reserve	1,400,000	1,400,000
Accumulated Revenue and Reserve Balances	**1,936,640**	**2,976,093**

Jersey Coinage

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Bank Interest	263,167	252,365
Investment Income	376,429	133,862
Profit on Disposal of Investments	1,819	-
Royalties	92,948	71,376
Miscellaneous Income	2,728	415
	737,091	458,018
Expenditure:		
Administrative Costs	45,604	46,556
Stock Write-Off	3,958	13,675
Cost of Coins Issued	126,997	95,860
	176,559	156,091
Surplus for the Year Transferred to Consolidated Fund	**560,532**	**301,927**

Statement of Total Recognised Gains and Losses for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Unrealised gain on Investments	27,290	1,181
Total Recognised Gain for the Year	**27,290**	**1,181**

Jersey Coinage

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets:		
Investments - Market Value	7,430,073	2,300,964
	7,430,073	2,300,964
Current Assets:		
Stocks	187,981	182,013
Debtors	137,478	54,843
Cash at Bank and in Hand	175,400	4,574,584
Current Liabilities:		
Creditors (amount due within one year)	530,572	102,614
Coinage in Circulation:		
Coinage Available for Circulation	8,261,757	8,099,457
Coinage in Hand	(1,239,651)	(1,440,631)
Net Current Assets	**(7,051,819)**	**(1,950,000)**
Net Assets	**378,254**	**350,964**
Funds Employed:		
Revaluation Reserve	28,254	964
Reserve fund Numismatic Issues	350,000	350,000
Accumulated Revenue and Reserve Balances	**378,254**	**350,964**

Separately Constituted Funds

Tourism Development Fund

The Tourism Development Fund was established by the States in December 2001. The aim of the Fund is to stimulate investment in the tourism industry and infrastructure in order to improve Jersey's competitiveness and sustain the industry as a second pillar of the economy.

There are two distinct elements of the Fund's investment strategy:

- to support public and voluntary sector projects and infrastructure projects that make a crucial contribution to the attractiveness and appeal of Jersey as a tourist destination; and
- to stimulate investment in technology and marketing initiatives. This element is the smaller of the two, but is designed to support small scale commercial initiatives and events.

During the year the Tourism Development Fund authorised grants amounting to £673,372, 5% up on 2007. The Fund had a deficit for the year of £587,343 (2007: deficit of £534,538). The Fund had reserves as at 31 December 2008 of £1,107,097 (2007: £1,693,986).

Grants from the Fund are considered and approved by a committee of business leaders and senior officers from the Economic Development Department. Minutes of all decisions are maintained, and all grants accounted for by the States Treasury and Resources Department.

ICT Fund

The ICT Fund was established in 1998. Its purpose is to support the use of information systems and technology across Jersey in both public and private sectors; with particular importance being placed on the education of the Island's young people.

At 31st December 2008 the Fund has no remaining assets. Action will therefore be taken in 2009 to close it.

Channel Islands Lottery (Jersey) Fund

The Channel Islands Lottery is administered and governed by the Public Lotteries Board, which is constituted in accordance with the Channel Islands Lottery (Jersey) Regulations 1975.

Profits for 2008 totalled £556,768 (2007: £423,323). As in 2007, 20% of the annual surplus is retained in reserves as a contingency measure. For 2008, this figure is £111,354 (2007: £34,707). The balance for 2008 (subject to confirmation by audit) to be transferred to the Association of Jersey Charities is £445,414 (in 2007 £358,616 was transferred).

Total ticket sales for the year (inclusive of the Christmas Draw) were 5% down on the previous year. Of the 3,356,800 tickets sold across the Islands, 2,016,000 (60%) were sold in Jersey and 1,340,800 (40%) in Guernsey.

Tourism Development Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Income:		
Interest Received	88,171	109,653
	88,171	109,653
Expenditure:		
Grants	673,372	641,156
Treasury Recharges	2,142	3,035
	675,514	644,191
Surplus/(Deficit) for the Year	**(587,343)**	**(534,538)**

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Current Assets:		
Cash	1,261,157	1,699,440
Current Liabilities:		
Creditors (trade and others)	154,060	5,454
Net Current Assets	**1,107,097**	**1,693,986**
Net Assets	**1,107,097**	**1,693,986**
Funds Employed:		
Accumulated Revenue and Reserve Balances	1,107,097	1,693,986

ICT Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual £
Expenditure		
Establishment	-	-
Grant	23,590	-
Depreciation	341,004	592,885
	364,594	592,885
Deficit for the year	**(364,594)**	**(592,885)**

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Fixed Assets		
ICT Fund Assets	-	341,004
	-	341,004
Current Assets		
Cash	-	23,590
Net Assets	**-**	**364,594**
Funds Employed:		
Accumulated Revenue and Reserve Balances	**-**	**364,594**

Channel Islands Lottery (Jersey) Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Actual £	2007 Actual Restated £
Income		
Sale of tickets in Jersey	2,016,000	2,043,988
Sale of tickets to Guernsey	1,340,800	1,422,100
Time Expired Prize Income	119,219	47,213
Bank Interest	15,021	6,705
Other Lottery Income	1,580	12,367
	3,492,620	**3,532,371**
Expenditure		
Prize money paid and accrued	1,993,710	2,075,741
Guernsey's discount on ticket price	536,320	568,840
Agents' commission on winning tickets	267,773	272,765
Previous year's unclaimed prize money	19,001	24,946
Supplies and Services	58,184	103,073
Administrative Costs	60,864	63,683
Funds due to Association of Jersey Charities	445,414	358,616
Grant to Education, Sport & Culture	-	30,000
	3,381,266	**3,497,664**
Surplus for the Year	**111,354**	**34,707**

1 Ticket income is shown gross of discounts (13% to Jersey agents, 40% for Guernsey sales).
2 In 2007, £30,000 was transferred from the Fund to Education, Sport & Culture in recognition of historic balances held on their behalf.
3 Previous years' unclaimed prize money is shown as expenditure to reflect an apportionment to Guernsey in line with their sales.

Balance Sheet as at 31 December 2008

	2008 Actual £	2007 Actual £
Current Assets		
Debtors and Prepayments	951,054	1,084,119
Cash advanced to Consolidated Fund	796,943	80,932
	1,747,997	1,165,051
Current Liabilities		
Uncollected prizes	788,688	289,338
Balance held for Association of Jersey Charities	445,414	358,616
Other Creditors	67,801	182,358
	1,301,904	830,312
Net Current Assets	446,093	
Net Assets	**446,093**	**334,739**
Funds Employed:		
Accumulated Fund	**446,093**	**334,739**

Separately Constituted Funds

Housing Development Fund

The States approved P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economics Committee. The Treasurer of the States is now the Accounting Officer for the Fund.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99), which was updated in December 2006 (RC 94/2006).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

The following development was completed in 2008:

Development	**Number of Units**			
	Bedsit / 1 Bed	**2 Bed**	**3+ Bed**	**Total**
Aquila	26	-	-	26

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

During 2008, the Minister for Treasury and Resources agreed to rationalise the asset holding of the Housing Development Fund by incorporating into the balance sheet of the Housing Department, those properties performing the function of social rented housing units and to Treasury (Property Holdings), those sites with development potential.

Housing Development Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Final £	2007 Actual £
Income		
Hire and Rentals	348,693	653,880
Fees and Fines	30,891	28,554
Interest Charged on Advances to the Consolidated Fund	327,436	467,631
Sale of Sites	1,162,303	-
	1,869,323	1,150,065
Expenditure		
Administrative Costs	13,327	27,697
Premises and Maintenance	39,980	82,878
Incidental Costs	-	2,200
Loss on Sale	-	-
Grants and Subsidies	3,234,267	2,892,456
Depreciation	199,498	199,498
Write off of assets	1,385,991	
	4,873,063	3,204,729
Deficit for Year	**(3,003,740)**	**(2,054,664)**

Balance Sheet as at 31 December 2008

	2008 Final £	2007 Actual £
Fixed Assets		
Land and Buildings	-	17,794,911
	-	17,794,911
Current Assets		
Debtors	494	-
Cash Advance to the Consolidated Fund	4,867,588	6,460,069
	4,868,082	**6,460,069**
Current Liabilities		
Creditors (amount due within one year)	99,194	94,945
Net Current Assets	4,768,888	6,365,124
Net Assets	**4,768,888**	**24,160,035**
Funds Employed:		
Accumulated Reserves and Balances		
Reserves brought forward	24,160,035	26,214,699
Deficit for the year	(3,003,740)	(2,054,664)
Transfer of assets to the Consolidated Fund	(16,387,407)	-
Reserves carried forward	**4,768,888**	**24,160,035**

Glossary of Terms

Accounting Officer
The Accounting Officer is the person responsible for the proper financial management of a States' funded body in accordance with the law. In general, the Chief Officer is also the Accounting Officer.

Accounting Period
This is the length of time covered by the accounts. For the States of Jersey this is a period of twelve months commencing on 1 January. The end of the accounting period is the balance sheet date, 31 December.

Accruals Basis
This is one of the main accounting concepts. Income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Annual Budget
The States' Annual Budget sets out the taxation measures and the expected level of States income.

Annual Business Plan
An annual plan detailing the resources to be allocated to each States department together with the objectives of each department. It is through the Annual Business Plan debate, that the States Assembly allocates funding to Departments' Net Expenditure Cash Limits (budgets) from the Consolidated Fund.

Asset
An asset is something that the States of Jersey owns, sub-divided into fixed assets, financial assets and current assets.

- Fixed assets are assets which the States of Jersey has bought or constructed to provide services over a period of time. Fixed assets will have a life of more than one year, for example a school building;
- Financial assets are investments such as bonds or equities, loans made to third parties, or strategic investments. These assets are expected to be held for longer than one year and typically provide a return for the States;
- Current assets are assets typically sold or otherwise used within one year of the end of the accounting period (e.g. stock and debtors).

Audit of Accounts
An audit is an evaulation of the accounts by an independent expert. Please refer to the Auditor's Report for details of the work carried out.

Balance Sheet
A primary accounting statement that shows the assets, liabilities and reserves of the States of Jersey at the end of the accounting period.

Budget
A budget is a financial statement that expresses the States of Jersey's service delivery plans and capital programmes in monetary terms. These accounts report two budget figures:

- 2008 Business Plan: This is the original budget set and approved by the States Assembly;
- Final Approved Budget: This is the final budget after taking account of authorised changes during the year.

Capital Expenditure
Expenditure on the acquisition or construction of fixed assets that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

Cash Flow Statement

A primary accounting statement that explains the difference between the movement in cash and the reported surplus or deficit for the year. This contrasts to the Operating Cost Statement which reports accrued income and expenditure.

Cash Limit

A cash limit is a budget voted by the States Assembly to a States Non Trading Department.

Consolidated Fund

This is the fund through which the majority of the States' income and expenditure is managed. General Revenue Income and Departments' expenditure on public services is all accounted for through this fund.

Creditor

This is an amount of money the States of Jersey or its Funds owe for goods and services that have been supplied in the accounting period, but not paid for by the end of the accounting period.

Debtor

This is the amount of money owed to the States of Jersey or its Funds for goods and services that have been provided, but for which payment has not been received by the end of the accounting period.

Departmental Income

Departmental Income is income derived from charges made for services provided by the States' non-trading departments.

General Revenue Income

General Revenue Income comprises taxation, duties, the island rate, and other income to the Consolidated Fund.

Grants and Subsidies

The States of Jersey makes grants and pays subsidies for a range of purposes to support the community.

Gross Departmental Expenditure

Revenue expenditure incurred by States' non-trading departments in the course of providing public services, before taking account of Departmental Income.

Head of Expenditure

A head of expenditure is either the annual cash limit of a States funded body, or an amount allocated for a capital project.

Income

This is the money that the States of Jersey receives or expects to receive in the accounting period.

Leases

A financial arrangement that provides for the use of an asset without direct ownership. For accounting purposes leases can be either:

- Finance leases: A lease that transfers substantially all of the risks and rewards associated with owning the asset to the lessee (in these accounts the States of Jersey). Typically finance leases are entered into to finance large capital projects, or

- Operating Lease: A lease where the risks and rewards of ownership are not borne by the lessee. Operating leases are entered into for a range of assets such as vehicles or plant and machinery.

Liability
A debt or obligation owed by the States of Jersey to another party.

Materiality
This is one of the main accounting concepts. A transaction or balance is material if its omission or misstatement, would lead to a significant distortion of the financial position.

Ministerial States' Funded Bodies
A Ministerial States' Funded body is one for which a Minister is responsible to the States for its administration and funding.

Net Revenue Expenditure
The net of Gross Departmental Expenditure and Departmental Income. This is the key measure against which Accounting Officers are held to account for delivering services within an allocated cash limit.

Non Ministerial States' Funded Bodies
A non-Ministerial States' Funded bodies is one for which no Minister is responsible to the States for its administration or funding.

Non Trading Department
These are States' departments that are not designated as Trading Operations.

Notes to the Accounts
Detailed supporting information to the primary accounting statements.

Operating Cost Statement
A primary accounting statement showing the income and expenditure for the States in the current accounting period. As part of the move towards UK GAAP accounting the Operating Cost Statement has replaced the Income and Expenditure Account in 2008.

Provision
This is an amount set aside in the accounts (included in liabilities on the balance sheet) for probable payments due after the end of the accounting period that relate to events that have taken place in the current accounting period.

Prudence
This is one of the main accounting concepts. It requires that the States of Jersey accounts reflect a cautious and realistic view of the financial position of the States, for example the accounts only include income that we are confident will be realised.

Reserves
A reserve results from the accumulation of surpluses, deficits and appropriations over past years.

Retail Price Index (RPI)
Retail Price Index as compiled by the States of Jersey Statistics Unit.

Revenue Expenditure
The day to day expenses associated with the provision of services, including the cost of employing staff and purchasing supplies and services.

Revenue Levied by the States of Jersey
Income such as taxes, duties or fines, raised by the States of Jersey where no or nominal consideration is provided in return. Whilst the States of Jersey does provide a range of services to islanders, it does not do so directly in consideration for payments received.

Separately Constituted Special Funds
These are funds with a specific purpose and are usually established by legislation or a States' decision. These funds are included in the Aggregated accounts and have their own accounts, located at the back of the accounts book.

Stabilisation Fund
A States' fund established to make fiscal policy more countercyclical, providing some protection from the adverse impact of economic cycles, and creating in the Island a more stable economic environment with low inflation.

Statement of Total Recognised Gains and Losses (STRGL)
The STRGL is a primary statement that includes all gains and losses made in the accounting period whether realised or unrealised. For example, accounting standards currently applied by the States do not require the unrealised gains or losses on financial instruments to be included in the surplus for the year. These movements are instead recorded in the STRGL.

Stock and Work in Progress
These are items that the States of Jersey has purchased, or is developing, but has not yet used in the provision of services. For example, supplies held in a store prior to being issued for use.

Strategic Investments
Companies in which the States has a majority shareholding but which are not aggregated into the States' accounts. The aggregation of those Companies' accounts into the States' accounts would distort the presentation of the States' financial position.

Strategic Reserve
The Strategic Reserve is a permanent reserve, where the capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major island industry or from major natural disaster.

States Trading Operation
These are areas of operation of the States of Jersey, designated by the States by Regulations in the Finance Law to be a States Trading Operation. At present there are four States Trading Operations: the Airport, the Harbour, Jersey Fleet Management and Jersey Car Parking.