STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2007

Council of Ministers

F.H. Walker	Senator	Chief Minister
T.A. Le Sueur	Senator	Treasury and Resources and Deputy Chief Minister
P.F.C. Ozouf	Senator	Economic Development
M.E. Vibert	Senator	Education, Sport and Culture
S. Syvret	Senator	Health and Social Services
W. Kinnard	Senator	Home Affairs
T.J. Le Main	Senator	Housing
F.E. Cohen	Senator	Planning and Environment
P.F. Routier	Senator	Social Security
G.W.J. de Faye	Deputy	Transport and Technical Services

W.D. Ogley Chief Executive

DRAFT ANNUAL BUSINESS PLAN 2007
PROPOSITION

The States are asked to decide whether they are of opinion:

to receive the draft Annual Business Plan 2007 and –

a) to approve the summary key objectives and performance criteria for 2007 of the following States funded bodies as shown in the Annex to the draft Annual Business Plan –

   i Chief Minister's Department, as detailed in pages 8 to 10 of the Annex
   ii Economic Development Department, as detailed in pages 24 and 25 of the Annex
   iii Education, Sport and Culture Department, as detailed in pages 35 to 37 of the Annex
   iv Health and Social Services Department, as detailed in pages 48 to 50 of the Annex
   v Home Affairs Department, as detailed in pages 61 and 62 of the Annex
   vi Housing Department, as detailed in page 74 of the Annex
   vii Planning and Environment Department, as detailed in page 81 to 83 of the Annex
   viii Social Security Department, as detailed in pages 94 and 95 of the Annex
   ix Transport and Technical Services Department, as detailed in pages 104 and 105 of the Annex
   x Treasury and Resources Department, as detailed in pages 114 and 115 of the Annex
   xi States Assembly and its services, as detailed in pages 135 and 136 of the Annex
   xii Jersey Airport, as detailed in page 142 of the Annex
   xiii Jersey Harbours, as detailed in pages 148 to 150 of the Annex

b) to agree that total States net expenditure for each of the years 2007 to 2011 should not exceed the amounts set out in Summary Table C, page 58;

c) to approve the summary set out in the Summary Table A, page 56, being the gross revenue expenditure of each States funded body totalling £606,972,400, and having taken into account any income due to each of the States funded bodies, the net revenue expenditure of each States funded body totalling £516,075,100, to be withdrawn from the consolidated fund in 2007;

d) to approve the summary set out in Summary Table B, page 57, being the estimated income and expenditure and estimated minimum contribution, if any, that each States trading operation is to make to the States consolidated fund in 2007;

e) to approve each of the capital projects in the recommended programme of capital projects for each States funded body for 2007, as set out in Summary Table D, page 59 that requires £43,499,000 to be withdrawn from the consolidated fund;

f) to approve each of the capital projects in the recommended programme of capital for each States trading operation, as set out in Summary Table E, page 60, that require funds to be drawn from the trading funds in 2007;

g) to approve in principle the total net revenue expenditure for the States funded bodies, as set out in Summary Table C, page 58, for the period 2008 to 2011 and the proposed programme of capital projects for the States funded bodies for 2008 to 2011 as set out in the Summary Tables F to I, pages 61 to 64 respectively;

h) to approve the Annual Property Plan for 2007, including the schedule of properties for disposal in 2007, as detailed in Summary Table J, pages 65 and 66 of the report; and

i) to approve the Legislation Programme for 2007, as set out in Summary Table K, pages 67 to 69 of the report.

CHIEF MINISTER **P.92 /2006**

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Annex to Draft Annual Business Plan (Separate Document)

1. FOREWORD AND FINANCIAL FRAMEWORK

1.a FOREWORD

COUNCIL OF MINISTERS

This is the first draft Annual Business Plan under the new Public Finances (Jersey) Law 2005. The draft Business Plan follows the recently approved States Strategic Plan which sets out the States vision for the next five years including the broad financial framework. This draft Annual Business Plan provides the detail behind that framework and proposes the allocations to both individual departments and capital projects.

The Strategic Plan looks to maintain Jersey's position of pre-eminence in the international arena. In order to compete in the face of growing competition we must protect and improve the level of services and investment in social, environmental and economic initiatives. The Ministers share my determination to carry forward strong financial discipline to the future but this will not be an easy task. When we are compared to similar governments across the world, our performance shows that it is going to be hard to deliver further major efficiencies above and beyond the £20 million savings we have already committed to. However the Council of Ministers remain committed to do everything possible to improve efficiency and deliver value for money.

To achieve the vision of the Strategic Plan financial discipline must be evident throughout the States. The public service must stand up to the mark and take a more coordinated approach to financial planning in the medium and long term. This draft Business Plan will help us all to achieve this. The plan focuses on the forward planning for all States resources. It contains all the proposals for the annual spending and financial allocations. It also includes proposals for property and law drafting and, as part of the capital allocations, identifies the programme for information technology.

The Council of Ministers has worked hard to ensure that the funding, allocated in this plan, is aligned with the States strategic priorities. It should be noted however, that further work needs to be done to bring forward and implement a few of the amendments to the Strategic Plan. Significant issues, such as Student Awards and funding the Prison, are also under review and may require changes. Once properly evaluated, and approved where necessary by the States, all these changes will be implemented and resources allocated in the Business Plan.

In addition to the resource allocation this plan also contains the objectives and priorities for each department. The annex to the plan describes the objectives allocated to individual services and the performance measures that will be used to assess how well they are achieved.

We live in challenging times, we have agreed a Strategic Plan that sets out the way forward and we are putting the mechanisms in place to go forward to meet those challenges. We are investing in what we believe in and in the vision we have for the Island of Jersey in the future.

I strongly commend this document to the States and I must take this opportunity to thank those members of staff who have worked on the draft Annual Business Plan and on the wider strategic, fiscal and economic issues.

Senator F H Walker
Chief Minister **July 2006**

1.b FINANCIAL FRAMEWORK

TREASURY AND RESOURCES MINISTER

In accordance with the Public Finances (Jersey) Law 2005, the draft Annual Business Plan proposes the expenditure limits for all States funded bodies for 2007 and included in the proposition are in principle decisions that will set spending limits for a total of five years. Following debate of the draft Annual Business Plan in September the States will then consider the annual Budget report that will propose the measures through which the approved expenditure limits can be funded. Thus separate decisions will be taken, at different times, on expenditure and funding.

The forecasts show that the States finances remain in a healthy position and the improvement in the 2005 outturn, returning a surplus of £3 million, was a welcome contribution to balances. The Strategic Plan, approved in June 2006, outlined the financial framework for the next five years, which showed that forecast budgets were broadly balanced over the five-year planning cycle and, with the current balances on the States Consolidated Fund, its “current account”, the financial position was sustainable until 2011.

The five-year forecasts contained in Table 3.1 of Section 3 of this document show that the financial position has improved, both reflecting the 2005 outturn and the latest trends in States revenues.

Referring to the indicative forecasts for the longer-term, as illustrated in the graph in Table 3.2 of Section 3, this improvement must not be allowed to lead to any complacency as the forecast deficits in the longer term are still significant. As part of this Business Plan process the estimates of the reduction in tax revenues, the “black hole”, as a result of the move to a “0/10” corporate tax structure are being reassessed. Whilst this work has yet to be completed early indications are that the net loss of corporate tax revenues is unlikely to vary significantly from the initial forecast of £80-£100 million. Consequently, the forecasts in this Business Plan use the mid-point of this range, i.e. £90 million in reduced corporate tax revenues by 2013.

The focus of the States must be to maintain the financial policies which have served it well over the last few years; low inflation, balanced budgets, improvements in efficiency and sustainable growth in priority areas of public spending. These policies are part of the framework within the Fiscal Strategy which, together with the timely introduction of new tax measures, must be pursued to substantially mitigate the impact of the move to “0/10”. All our forecasts are based on a presumption that this will happen and that the underlying policies will be maintained.

The financial framework includes investment in economic growth and priority services of health, welfare and social benefits. There has been some criticism of the reinvestment or reallocation of efficiency savings to these priority services. But in fact this has already been approved as part of the resource allocation in previous business plans. Furthermore, unless there is a view that we can cut a swathe through our existing services then the only way of achieving real growth in the priority services is by reprioritising these savings. What is important is that this investment is sustainable and the latest forecasts, at Table 3.1, show a balanced financial position over the five year planning period.

Beyond the period of the Strategic Plan, and even beyond 2009, the forecasts can only be indicative. These forecasts will be reviewed at least annually, as part of the annual business planning process and the underlying assumptions checked and verified. If at these reviews there arises the possibility of deficits in the future years then appropriate measures will have to be considered. The Council of Ministers believes it has presented a fairly cautious resource forecast. The Council also believes it is possible that financial performance may exceed the estimates and has committed itself to reviewing the financial position, at least annually, to ensure that by the end of the period of the Strategic Plan there is no likelihood of a structural deficit.

There is much that can and is being done to contribute to further improvement in States finances in the meantime. It is particularly important that the States keeps its spending within the current financial framework and a number of initiatives and processes will drive the necessary constraint and discipline.

A new framework of financial and performance reporting and monitoring is being established. This starts with the premise of rolling three-year financial allocations for departments and the fact that the new Public Finances (Jersey) Law 2005 makes no provision for a General Reserve contingency. This will improve financial discipline and require departments to plan ahead and work within their financial allocations.

There will be an annual business planning process informed by the quarterly reporting to the Council of Ministers. This will identify emerging pressures, prioritise these and if necessary determine a reallocation of resources between departments as appropriate. If one-off pressures are identified during the year, then these should first be addressed within each department, but ultimately the Council could consider these pressures as part of the priorities to which to allocate any funds available from the year end carry forward process.

The financial and performance reporting and monitoring can also inform resource allocation. Using performance measures, it should be possible to identify the impact in performance terms of the prioritisation of resources. These outcomes could result in a more effective allocation of resources as part of future processes.

The business planning process must incorporate the capital and legislation programmes and require departments to consider more carefully the revenue and manpower resource implications of their bids. Where these implications are identified then they can form part of the resource prioritisation process, but where departments fail to identify them, that department must expect to meet the requirement from existing allocations. The recent strategic plan review specifically required any resource implications of new initiatives to be identified such that they could be included in the proposed financial framework.

The final phase of integrating strategic and business planning with resource allocation is to be able to reflect the full financial implications of particular objectives. This would be achieved in stages, gradually bringing financial allocations more in line with objectives over a period of time. Ultimately, this would require a move to resource accounting; changes to the current accounting and budgeting structures, as well as changes to the financial system.

In summary, the financial framework aims to provide sustainable public services through tight controls on States spending, improved public sector efficiency leading to balanced budgets and contributing to low inflation. Alongside the constraints on expenditure it is essential that the measures approved in the Fiscal Strategy are implemented in accordance with the current timetable.

Senator T A Le Sueur
Minister for Treasury and Resources **July 2006**

2. STATES STRATEGIC PLAN REVIEW 2006 to 2011

2. STATES STRATEGIC PLAN REVIEW 2006-2011

2.1 States Strategic Plan

In putting together the first strategic policy statement, as required under the States of Jersey Law (2005), the Council of Ministers decided that stability and continuity were the important platforms from which to build future policies, particularly as the 2005 to 2010 Strategic Plan, approved by the States in June 2004, had been produced after a widespread public consultation process through “Imagine Jersey”.

The Council of Ministers had four months in which to produce the Plan from the date of its appointment in December 2005. In preparation, senior officers had already reviewed the previous Plan to identify those initiatives that had already been completed and highlight any omissions or developments since the previous Plan had been published. The Council of Ministers then met on a number of occasions and with Assistant Ministers identified strategic priorities and developed the Plan. At these meetings, it was agreed that the previous Plan’s thrust towards stabilising and growing the economy was proving to be successful and it was therefore time to address the more pressing social issues, such as the introduction of a comprehensive income support scheme to protect the less well off and investment in upgrading social housing stock and roads infrastructure, as well as further investment in order to continue economic growth. This would require investment over and above the spending limits agreed by the States in the 2006 Budget debate. It was agreed that the £20 million efficiency savings which would be realised as a result of the Change programme would be re-invested into these programmes. The draft plan included a proposal to transfer the current surplus from the Dwelling Houses Loan Fund. As a result of the improvement in the forecast of States revenues, the Council of Ministers accepted an amendment to instead invest this balance in a Stabilisation Fund. Proposals for a Stabilisation Fund are expected to be brought to the States alongside the 2007 Budget proposals later this year.

2.2 Strategic Commitments

The Strategic Plan starts with the premise that Jersey is a special place in which to live and work. There are, however, some issues that have to be addressed. There are also significant challenges that we must prepare for.

The Council of Ministers agreed that its vision for the future for Jersey could be encapsulated within six main themes:

- 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;

and that their strategic programme would be committed to working towards delivering this vision.

Under each of the Commitments are a series of headings that set out the outcomes that the Council of Ministers wants to achieve. The achievement of each outcome will be shaped by everything we do, including routine service provision and those major new initiatives which are described in a set of numbered statements set out in each of the sections.

2.3 Financial Framework

The Strategic Plan sets out the financial framework in which the strategic commitments will be delivered. Any changes to priorities or additional initiatives will need to be delivered within this framework. The framework includes the core business of the States as well as the new initiatives set out in the Strategic Plan. The objectives and most of the initiatives are already funded within the spending limits previously agreed by the States in the 2006-2010 Business Plan.

The resource statement in the Strategic Plan shows that the Plan is broadly in balance over the period of the Plan and the Council of Ministers is committed to ensuring that there is no structural deficit at the end of the period. This position has now been improved by the revised financial forecasts in this draft Annual Business Plan.

The Council of Ministers is committed to achieving all possible efficiencies in the delivery of public services. The £20 million being realised as a result of the Change Programme will result (and is already resulting) in real cash savings which will be utilised to fund increased spending on high priorities identified in the plan.

The efficiencies will release £20 million per annum by 2009 from the following areas:

• Human resource management	£0.7m
• Finance functions	£1.1m
• Information technology functions	£0.9m
• Corporate procurement	£1.9m
• Property	£5.5m
• Cross-departmental and other initiatives	£1.2m
• Departmental efficiencies	£8.7m

The detail of these savings year-on-year can be found in Section 4.6.

In addition, departments are committed to delivering many of the new initiatives within the spending limits approved by the States in the 2006-10 Business Plan through changes in working and further increased efficiency. The highest priorities for increased spending are:

- healthcare;
- rising costs of welfare and introduction of the income support scheme;
- investment in economic growth;
- vocational training;
- refurbishment of social rented housing;
- road maintenance; and
- bringing the Teachers pension scheme into balance.

The expenditure implications of this increase in funding are set out in Sections 4.3 (revenue) and 6.2 (capital). These initiatives, including the costs of implementing the fiscal measures, will result in additional revenue expenditure of £15 million per annum by 2011. This will reduce in 2012 to £11 million when the transitional relief for income support is phased out. A further £3 million per annum of capital funding is being invested in the social housing infrastructure.

The Strategic Plan is fully funded from within existing spending limits when the contributions from savings and the revised forecasts of States revenues are taken into account. The forecasts beyond 2009 can only be considered as indicative, particularly with the scale of change anticipated in our tax policies.

The aim is steady and sustainable public finances for Jersey. This will be achieved by having a policy of balanced budgets over a five year planning cycle. The Council of Ministers has committed itself to ensuring that there should be no structural deficit by the end of the Plan period.

2.4 States Property Plan

In July 2005 the States approved P.93/2005 which set out certain principles for the future management of States property. One aspect of this was the development of the States Property Plan, which outlines the strategy for introducing greater efficiency to the delivery of services through improved property management and for extracting optimum benefit from the States property portfolio. This strategy identifies a number of States-owned properties which might be put to better use. Proposals will normally be brought to the States for approval in the draft Annual Business Plan and proposals for 2007 are included at Section 7 of this report.

2.5 Priorities

As part of the 2007 business planning process, departments have summarised their main aims and priorities in relation to the Strategic Plan, along with the key indicators of success which will be used to assess successful implementation. These objectives, along with their links to the Strategic Plan, can be found in the Annex to the Annual Business Plan as part of the commentary preceding each Department's spending plans.

The summary objectives and priorities for 2007 for each department are submitted to the States for approval as part a) of the proposition and, it is the intention that there will be an opportunity to reconfirm the objectives and priorities of departments each year as part of the Annual Business Plan approvals.

2.6 Strategic and Business Planning Cycle

There is a clear linkage between the high-level priorities set in the Strategic Plan and the detailed departmental business plans that are published annually. Table 2.1 shows this relationship. This process will be developed and improved as time goes on, but States members, Scrutiny and the public will be able to see the direct link between the Strategic Plan and departmental annual business plans.

Table 2.1 Strategic and Business Planning

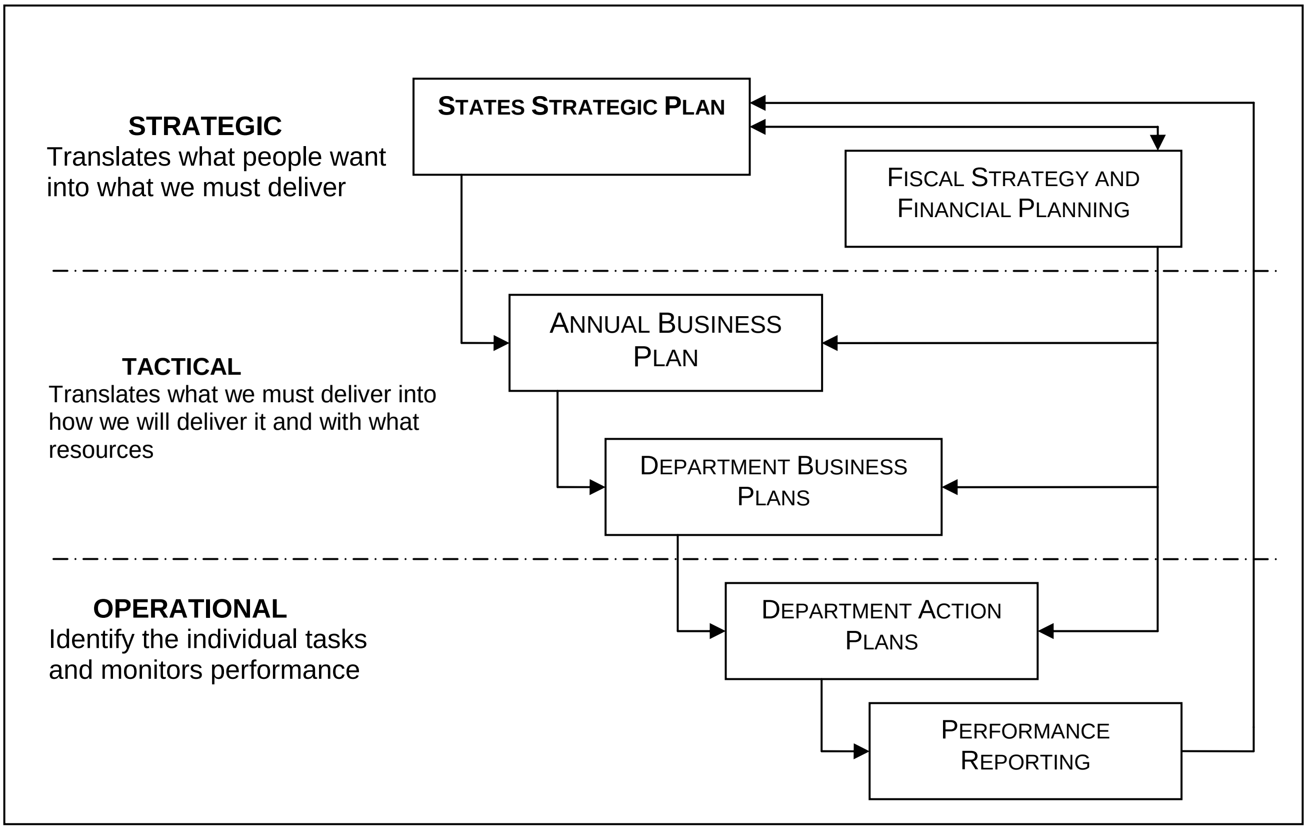


Table 2.1 shows the relationships between the strategic and business planning processes These processes are part of a year round financial planning and monitoring cycle. Whilst the strategic plan review will take place as a minimum every three years, the business planning process is an annual cycle. With the new Finance Law requiring expenditure allocations to be taken to the States annually in September, the cycle is targeted with delivering outcomes and proposals at that time.

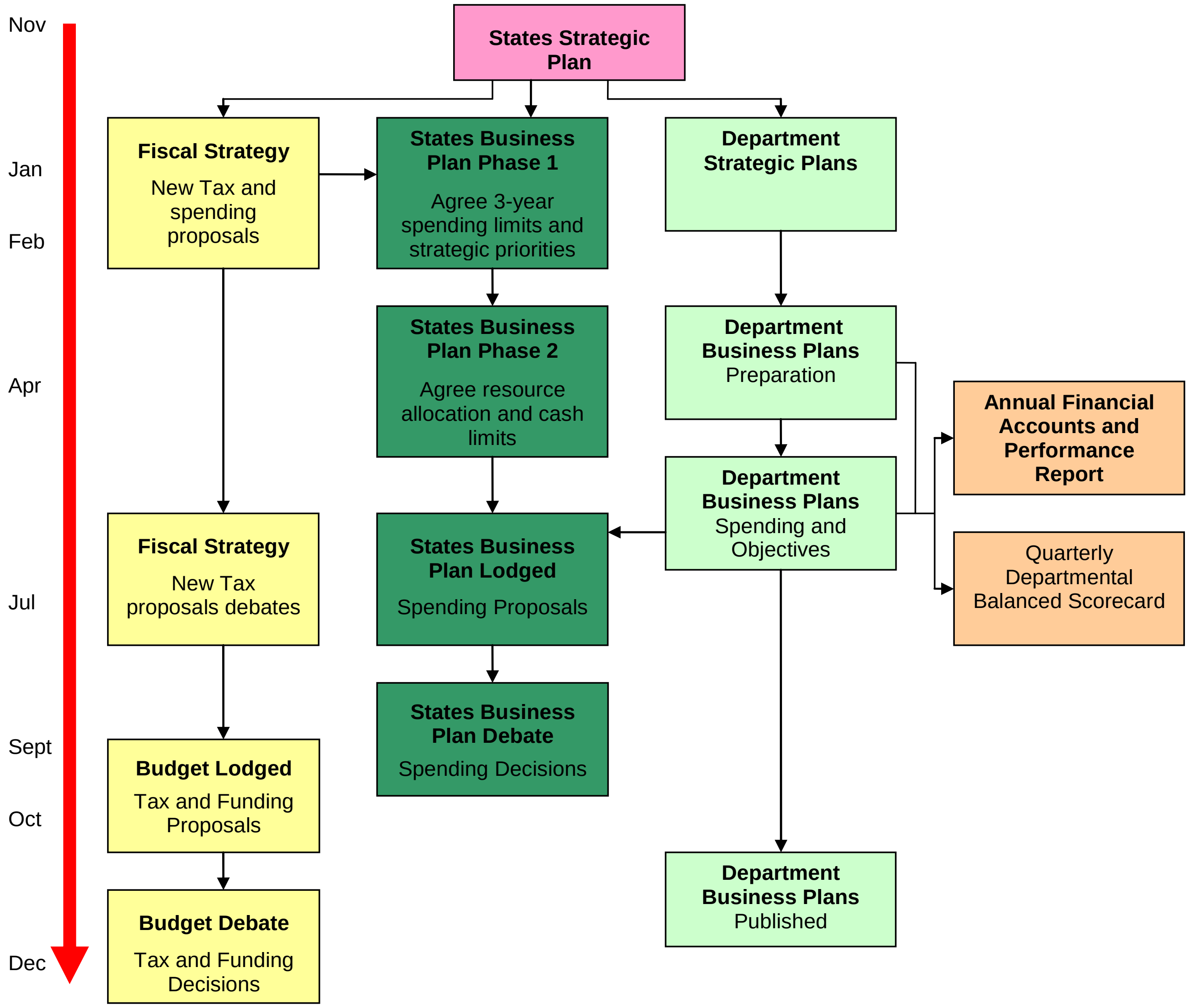
Table 2.2 illustrates how the parallel streams of activity arrive at a States Annual Business Plan in September, followed by more detailed department business plans immediately prior to the new financial year. The performance reports and financial accounts will also be co-ordinated to be produced in time to inform the latter stages of the business planning process.

Following the States Annual Business Plan the Council of Ministers must then submit a Budget report making proposals for the appropriate levels of tax and funding for debate in December. In previous years where changes in taxes were to be proposed these have tended to be included as part of the main Budget debate. As part of the changes under ministerial government it is now the intention of the Council of Ministers to recognise the significance of these debates on new taxes and consequently to timetable separate debates in the States, typically in advance of the Budget in which the new tax revenues need to be included.

The timetable for the Fiscal Strategy as described in Section 3.6 accommodates separate debates for “20 means 20”, GST and the “0/10” proposals.

By clearly identifying the financial planning cycle the intention is to give both Scrutiny and other States members a clear indication of when they can be involved in the different processes and provide for more open government, wider consultation and better decision making.

Table 2.2 – Typical Business and Financial Planning Cycle



2.7 Scrutiny

The Council of Ministers published its early draft Strategic Plan at the beginning of March in order to give Scrutiny, other States members and the public as much opportunity as possible to comment on the Plan in time for amendments to be made prior to lodging in April as required under the States of Jersey Law. The Social Affairs Scrutiny Panel and Corporate Services Scrutiny Panel met with their respective Ministers in late May to discuss amendments and, where there was agreement on proposals, the Council of Ministers was pleased to lodge amendments to its Plan.

The Corporate Services Scrutiny Panel was also invited to participate in the States Annual Business Planning process, with proposals and timetables being submitted to the Panel in January. This included the format and outline content for the draft Annual Business Plan. Due to the tight timescales this year there has been a significant overlap between the Strategic and Business Planning processes and further discussion is scheduled to take place with the Corporate Services Scrutiny Panel to consider its involvement in a more regular annual business planning process for 2008.

2.8 Change Programme

During 2005 the main emphasis of the Change Programme was on ensuring the structures and processes were put in place to deliver the year on year savings targets. This included the transformation of the way Human Resources, Financial Support Services and Information Services worked so that they provided services corporately for the whole of the public service. In 2005, all departments contributed to the overall achievement of the year-on-year savings efficiency targets of £6 million. The actual efficiencies achieved were in excess of the £6 million target of which £1.5 million was achieved through efficiencies in Corporate Services.

The 2006 efficiency targets of £4 million, of which £2.1 million is targeted to come from efficiencies in Corporate Services, will be achieved. The organisation is on course to achieve the efficiency target of £20 million by 2009 that was originally set.

Also in 2006, a permanent Customer Service Centre was opened at Cyril le Marquand House and there is work underway to develop technology that will support our continued aim to make services simpler to use and easier for the public to access.

In 2007, the focus will be on delivering an organisation development programme that includes:
- developing a ‘can do’ culture;
- building on the values work done in 2004/05;
- improving the skills of our people in communications, change management and project management; and
- adopting a performance management framework where excellence is supported.

2.9 Values

The core values of the States, which continue to guide the behaviour and performance of staff, are:

- We put the customer at the heart of everything we do;
- We take pride in delivering an effective public service for Jersey;
- We relentlessly drive out waste and inefficiency;
- We will always be fair and honest and act with integrity;
- We constantly look for ways to improve what we do and are flexible and open to change; and
- We will achieve success in all we do by working together.

3. FINANCIAL FORECAST 2006 to 2011

3. FINANCIAL FORECAST 2006 TO 2011

3.1 Overview

The financial forecast at Table 3.1 has been prepared from the latest estimates of States revenues and expenditure. The forecasts work from a base agreed in the 2006 Budget and then reflect the proposals from the States Strategic Plan for expenditure and the latest forecasts of States revenues based primarily on the actual results for 2005 and trends in the early part of 2006. In respect of States revenues the forecasts only include those fiscal measures which have been approved and implemented at this time and are then adjusted “below the line” to reflect those measures approved in principle but not yet implemented.

3.2 Strategic Plan Review – Financial Framework

As described in Section 2 in some detail, the new Council of Ministers has reviewed the Strategic Plan and proposed a new financial framework. This framework is based on sustainable investment in the economy and its priority public services resulting in increases in the spending proposals. In the Strategic Plan these were to be part funded from the balance available from the Dwelling Houses Loan Fund, but the improved forecasts of States revenues have meant that this balance can now be transferred to a Stabilisation Fund. The net effect of the financial framework has been to increase the spending limits in each of the forecast years. However, the financial position remains broadly balanced over the five-year planning period.

During the debate and approval of the draft States Strategic Plan the Council of Ministers was determined that even if additional objectives were approved the expenditure limits should not be further increased. The Council of Ministers will endeavour to ensure that the financial impact of those amendments which were successful are offset by compensating savings in other areas.

3.3 Draft Annual Business Plan

The forecasts of States revenues have been revised since those used to inform the review of the Strategic Plan in January and February. They are prepared on the basis of the 2005 Accounts which are now complete and have reported an improved financial position. The analysis has also used the early trends in revenues in 2006 to verify if the improvements in 2005 appear to be sustained for 2006 and future years.

The expenditure forecasts are based on the revenue expenditure proposals for the next three years from the Council of Ministers. These were agreed following the Strategic Plan Review and were issued to departments in April. Included in these expenditure proposals are minor transfers between departments representing further changes to the departmental structures as a result of the change to Ministerial Government. The amended objectives agreed during the strategic plan debate are assumed to be funded within existing spending limits.

The Capital expenditure forecasts are based on the priorities identified by the Council of Ministers in its review in February, which have now been translated into detailed programme of allocations for the next five years as endorsed by the Council of Ministers in May.

Table 3.1
Financial Forecast 2006 to 2011

Probable 2006 £m		2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
		<-------------------------	Estimates			------------------------->
	Income					
388	Income Tax	403	418	435	453	466
50	Impôts	49	49	48	48	48
19	Stamp Duty	19	20	20	21	21
24	Other Income	24	24	24	24	24
9	Island Rate	10	10	10	10	11
490	Total Income	505	521	537	556	570
	Expenditure and Transfers to Reserves					
449	Net Revenue Expenditure	474	492	507	518	532
39	Net Capital Expenditure Allocation	42	40	38	41	38
488	**Total States Net Expenditure**	516	532	545	559	570
-	Transfer to Strategic Reserve	-	-	-	-	-
488	**Total States Net Expenditure and Transfers**	516	532	545	559	570
2	**Forecast Surplus/(Deficit) for the year**	**(11)**	**(11)**	**(8)**	**(3)**	**0**
	Fiscal Measures to be approved:					
-	"0/10" Corporate Tax Structure	**-**	**(3)**	**(3)**	**(70)**	**(75)**
-	Goods and Services Tax	**-**	45	45	45	45
-	20 means 20 Income Tax Proposals	**-**	2	4	6	8
2	**Revised Forecast Surplus/(Deficit)**	**(11)**	**33**	**38**	**(22)**	**(22)**

There are a number of assumptions behind the Financial Forecast in Table 3.1. These are:

Income Tax

- *2006 tax revenues are based on specific assumptions for the increase in taxable profits, earned and unearned income, but for the forecast years a general assumption of 3% increase in base income tax revenues is presumed.*
- *The impact of the change to a corporate structure "0/10" has been reassessed within the range £80 million to £100 million between 2008 and 2013, and the mid-point of this range is included in the below the line adjustments.*

Impôts Duties

- *The forecasts reflect the predicted trends in consumption, which include a drop off for some goods, but also include an assumption that there would be annual increases in duty at a level equivalent to the Island RPI(x), reflecting the currently agreed Alcohol and Tobacco Strategies.*

Stamp Duty

- *The forecasts assume that house prices in particular will continue to increase at approximately 2.5% and that house sales will remain at current volumes.*

Other Income

- *Within the forecasts are components of other income that may both increase and decrease so a cautious appraisal has been made.*

Island Rate

- *The Island Rate will increase annually according to the Island RPI as prescribed in the Rates Law.*

Revenue Expenditure

- *The increases provided within the revenue expenditure forecasts are described in detail in Section 4 of this report, and are net of the repayment of capital debt. Beyond 2009, the variations are principally within a total States expenditure increase of 2.5%, after having adjusted for the proposed Capital Programme. No additional efficiency savings are included beyond the £16 million revenue efficiency savings by 2009.*

Net Capital Expenditure Allocation

- *The forecasts are in line with the programme described in detail in Section 6 and after allowing for the "capital receipts (efficiency savings)" rising to £4 million per annum from 2009, to be achieved by Property Holdings.*

Strategic Reserve

- *No transfers are included in the forecast, but every opportunity will be taken to transfer any one off receipts which arise over the forecast period to either the Strategic Reserve or a Stabilisation Fund once established.*

Stabilisation Fund

- *Proposals will be developed and brought forward for the establishment of a Stabilisation Fund, initially set up from the £32 million identified as available from the Dwelling Houses Loans Fund. However, if this is established as a Special Fund, it will be separate from the Consolidated Fund and will not appear as part of the financial forecast.*

Forecast Surplus/(Deficit)

- *The forecasts show an improvement on previous forecasts but rely on a number of significant assumptions described above.*

Fiscal Measures still to be approved

- *The forecasts assume the tax measures approved in principle by the States in the Fiscal Strategy will be implemented in accordance with the agreed timescales and budget yields. As these figures are indicative then no adjustments are included for indexation.*

Revised Forecast Surplus/(Deficit)

- *The figures can only be forecasts and are as accurate as the assumptions they are based on. Beyond 2007 the forecasts in particular of States revenues can only be considered to be indicative.*

3.4 Revised Forecasts of States Revenues

Based on the 2005 results and the early trends of revenues in the first few months of 2006 the forecasts for impôts and stamp duty have been revised. In both cases the 2005 results exceeded the forecasts. For impôts duty, the 2005 results showed a change from the trend in the 2004 results, where consumption had fallen off quite significantly, and a return to income levels in line with the longer term trends. The 2006 and future forecasts have been increased by approximately £4 million per annum as a result. It has also been assumed that annual increases in line with RPI(x) will be applied, reflecting the currently agreed Alcohol and Tobacco Strategies.

There were a number of significant transactions within the stamp duty income in 2005 which helped contribute to the increase of £4 million over the 2004 figure. However, analysis of the latest data suggests that, when taking into account the prospect of a reasonably buoyant property market leading to increases in house prices, a forecast of £19 million should be achieved for 2007. No allowance has been made for any future duty increases or changes to share transfer transactions.

The forecasts for other income, which mainly consists of a number of small elements of investment income, should sustain a similar level to the 2005 results with no significant change expected in interest rates or in other returns on investments over the forecast period.

The forecasts for income tax are primarily based on the 2005 outturn. These results showed an increase of £7 million in income tax revenues compared to the amounts forecast in September 2005 for the 2006 Budget. The reasons for the increase have been analysed to establish the appropriate tax base from which to forecast future revenues. This analysis shows that the underlying tax base was fairly accurately forecast and that the additional income in 2005 was from adjustments to tax liabilities and provisions for post and prior year adjustments.

At this point in the year there is no more up to date information than the 2005 assessments on which to base the forward assumptions, either in respect of company profits or personal incomes. Until later in the year when a greater proportion of the current year assessments have been finalised the forecasts for income tax remain relatively unchanged. One minor change included in the revised forecasts is in respect of the EU retention tax. A conservative estimate of £1.5 million had been made for the six month period to be collected in 2006, but to date £13 million has been collected of which the States will retain 25% or just over £3 million. The rate of this EU retention tax increases over the next five years and it is likely that taxpayers will choose not to pay this tax and potentially move their funds outside the Island.

As in previous years the approved measures for ITIS and Economic Growth are included in the base five-year forecasts presented, and the additional revenue from the remaining measures of a 3% Goods and Services Tax (GST) and the proposed withdrawal of allowances for those on higher incomes (20% means 20%) are now included as adjustments to the bottom line position.

As it has been almost two years since the initial estimates of the effect of the “0/10” corporate tax proposals these are now being reviewed. The initial findings suggest that whilst there have been some variations in the detail of the figures, the estimated effect appears relatively unchanged and as such the latest estimate is still a reduction in corporate tax revenues in a range between £80-£100 million. A profile of reduced tax revenues starting in 2008 has been included, with the loss of income from Exempt Companies being only partly reimbursed by a proposed new company fee. This increases to £90 million in 2013, representing the mid-point of the predicted range of impact, and this has been included in the five-year forecasts at Table 3.1. The range of possible outcomes from £80-£100 million is reflected in the graph of the indicative forecasts to 2015 at Table 3.2.

3.5 Indicative Forecasts to 2015

In recent years’ States Business Plans an indicative forecast has been included to illustrate the scale and profile of the impact of the “0/10” corporate tax proposals beyond 2010.

Indicative forecasts have been produced for the period to 2015 based on the following assumptions:

- States expenditure is assumed to increase at the long-term target of RPI(x), currently in the order of 2.5%;
- The underlying States revenues, before the proposed new tax measures, are assumed to increase at a similar level of 2.5% in the longer-term;
- The proposed new tax measure of a Goods and Services Tax is implemented in line with the current timetable and generates additional revenues from 2008 of £45 million;
- The proposed new income tax measure of “20% means 20%” is implemented in line with the current timetable and generates additional revenues increasing from £2 million in 2008 to £10 million by 2012;
- The new corporate tax structure “0/10” is introduced with a forecast range of between £80 million to £100 million loss in tax revenues over the period 2008 to 2013; and
- The current Economic Growth Plan is extended for a further five years, with the effect that economic growth of between 0% and 2% in real terms is achieved through to 2015.

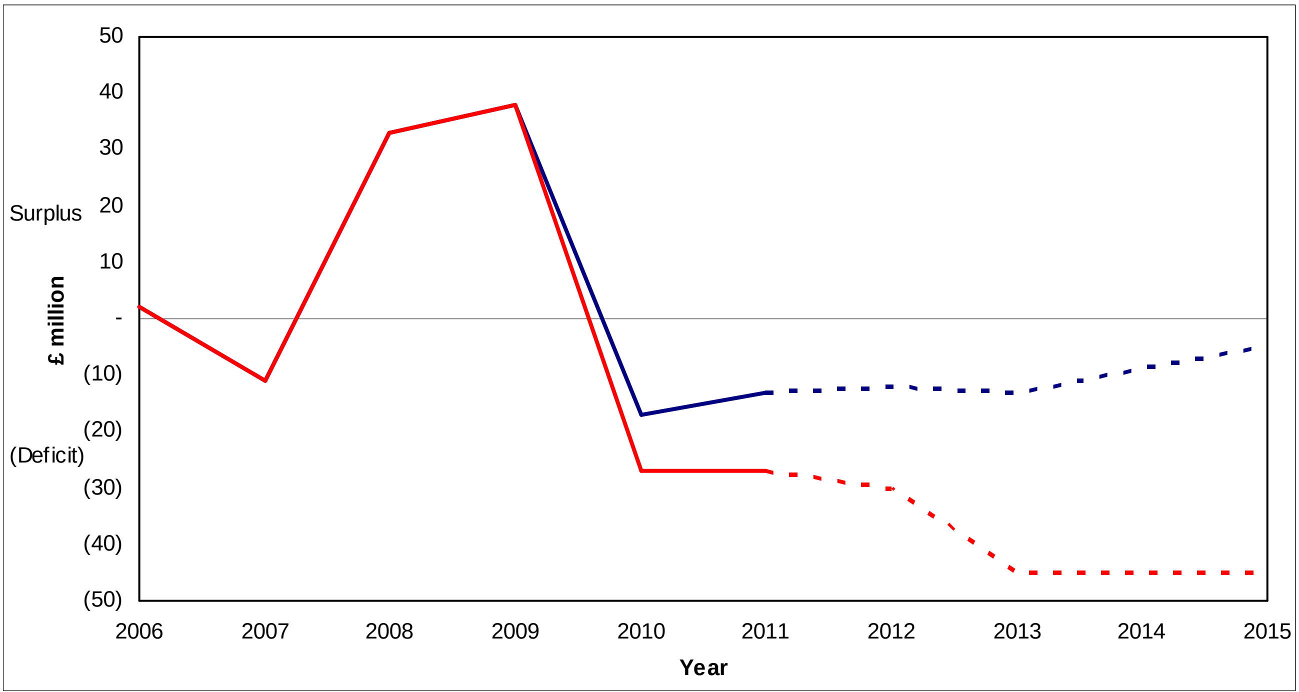
For the purpose of the indicative forecasts all other factors within the Jersey economy are assumed to remain constant or stable.

On the basis of these long-term and fairly imprecise forecasts, it can be seen, from the graph in Table 3.2, that there would be the potential for deficits in the longer term if no corrective action were taken.

However, the Council of Ministers will keep these forecasts under constant review and is committed to a balanced financial position over the five-year planning cycle. As the forecasts become accurate and, if the five-year financial position is not balanced, then such corrective action as may be necessary will need to be taken.

With those caveats on the accuracy of the forecasts and emphasising that the indicative forecasts are an illustration of the possible financial position, the graph is presented in Table 3.2

Table 3.2 Graph of Indicative Financial Forecast to 2015



Note:
A comprehensive list of assumptions is provided with Table 3.1.

The indicative forecast shows that, assuming GST is implemented in 2008 ahead of the impact of "0/10" from 2010, the States should benefit from two years of significant surpluses. These surpluses would provide a contingency which should allow the States time to review the initial impact of the move to "0/10" in 2010 before considering if any appropriate action is required to sustain a position of balanced budgets in the longer term. Consequently, the indicative forecast serves to emphasise the importance of adhering to the current fiscal strategy timetable if the States finances are to remain sustainable over the forecast period.

3.6 Fiscal Strategy – Remaining measures and timescales

<u>"0/10" Corporate Tax Structure</u>
Due to competitive and international pressures, in order to maintain a prosperous and competitive economy, the States agreed in July 2004 (P106/2004) to move to a "0/10" corporate tax structure by 2009. Extensive research on the detailed design of the "0/10" tax model has been undertaken resulting in:
- proposals published at the beginning of May 2006;
- consultation on these "0/10" proposals to be concluded during July 2006;

- a Report and Proposition to be presented to the States for 'in-principle' approval;
- the final "0/10" tax legislation to be lodged by the end of 2006; and
- "0/10" will be debated early in 2007.

In order to help fill the revenue deficit arising from the move to "0/10" and for the Island to become somewhat less reliant on corporate and direct taxation, the States agreed in July 2005 (P44/2005) to introduce a 3% broad-based Goods and Services Tax (GST) in early 2008.

Goods and Services Tax (GST)
The introduction of GST at 3% is estimated to raise £45 million in taxation revenue. However, this tax yield is based on the assumption that there are very few exclusions from the tax. If significant exclusions are proposed and approved then the effect would be to raise the rate of tax above 3% in order to generate £45 million and significantly increase the cost of collection for both businesses and the States. A considerable amount of implementation work is currently taking place in planning for the introduction of GST:
- consultation on the Primary law is underway;
- a parallel consultation exercise is also taking place on how GST might work for the Financial Services industry to ensure that it will contribute some £5 million to £10 million in indirect tax in addition to a continuing significant contribution in direct profit taxes at the 10% rate under the "0/10" system;
- consultation on the secondary legislation (the 'Regulations') is due for July and August 2006;
- responses from the consultation exercises will be carefully considered; and
- the final GST legislation will presented to the States for approval in November 2006.

The States agreed that, prior to the introduction of GST, a revised Income Support scheme would be introduced in order to help to cushion those on lower incomes from the effects of GST. This would be a better way of targeting benefits for those who need it rather than allowing blanket exclusions to GST, from which even the very rich would benefit. Detailed work in this area is being led by the Minister for Social Security and legislation for a revised income support scheme is due to be debated by the States in the second half of 2006.

Withdrawal of Income Tax Allowances for Higher Earners ("20% means 20%")
The States also agreed in July 2005 (P44/2005) that, in order to raise £10 million in taxation revenue, income tax allowances for higher earners should be phased out. Not only would this proposal assist in filling part of the revenue deficit following the move to "0/10" it would also make the package of fiscal measures proposed by the former Finance and Economics Committee progressive. Because of the high level of tax allowances in Jersey it is, at present, not uncommon for households with incomes in excess of £100,000 to be paying an effective rate of tax of less than 15%. Though the effect will vary, depending upon households' circumstances, generally the former Committee's original proposals would have increased the rate of tax paid by a married couple earning £100,000 by up to £3,000 a year, over a five year period. The proposals were a means of increasing the effective rate of tax for higher earners without raising the headline 20% rate of tax which has been in existence for 65 years.

Over the past five years incomes have increased but tax exemption thresholds, apart from an increase for the year of assessment 2003, have remained constant. Consequently, recent calculations have shown that the anticipated tax yield, based on the proposals originally put forward for last year's Budget, would have raised significantly in excess of £10 million. Accordingly, if the objective remains one of raising approximately £10 million from taxpayers with higher disposable incomes, this objective can be achieved by more closely targeting those at the higher end of the income spectrum.

Concerns have also been expressed by taxpayers about the loss of certain allowances and reliefs to which they had been accustomed and which they had taken into account in their financial planning.

In the light of those concerns, and the higher yield, it is now proposed that the earlier proposals for raising more tax from those on higher incomes are amended in the following manner:

- Tax relief for children, including those in higher education, will be retained for all taxpayers;

- Relief will continue to be available on the first £1,000 of life assurance premia on all policies in existence as at 31 December 2006; and
- Tax exemption thresholds for all taxpayers will be increased by 2.5% per annum in the December 2006 Budget, with similar proposals in 2007 and 2008. These will affect the years of assessment 2007, 2008 and 2009 respectively.

The biggest change to the original proposals, however, is to combine the introduction of the phasing out of allowances with a commitment to increase exemption thresholds for all taxpayers by 2.5% a year in 2007, 2008 and 2009. Raising exemption thresholds will remove a significant number of households entirely from the payment of tax and benefit those on so called “middle incomes”. Generally, this effect will be to reduce the impact of 20% means 20% on “middle incomes”. Many previously affected by the proposals will now find no change in their tax bills and, in certain circumstances, the raising of exemption limits will result in tax bills actually reducing.

In addition it is proposed that the phasing out of allowances for higher earners will take place over a 5-year period commencing 2007, so for many the full impact will not be felt until 2011.

The current timetable for the 20% means 20% proposals is:

- consultation currently taking place on revised proposals as above;
- responses from the consultation exercises will be carefully considered;
- proposals will be debated by the States for approval in July 2006; and
- legislation will be implemented alongside the 2007 Budget in December 2006.

<u>Other Measures – Environmental Taxes</u>
Detailed research work, led by the Director for the Environment, is also being undertaken on potentially appropriate environmental taxes and land development levies. This will also include a mechanism to replace the revenues currently collected through Vehicle Registration Duty (VRD), where VRD is to be replaced once GST is introduced.

Whilst it is not anticipated that such economic instruments will generate any additional net tax revenues they could make a substantial contribution to achieving our strategic environmental aims. A high-level options paper will be published in the States Autumn session outlining specific preferred proposals to deliver beneficial environmental objectives for the Island.

Following the publication of the Household Expenditure Survey at the end of June 2006 a data re-validation exercise will be undertaken for all strands of the Fiscal Strategy. Using the most up-to-date data, tax yields, costs of implementation of the fiscal proposals, the size of the “0/10” revenue deficit and tax revenue receipts from economic growth will yet again be calculated. The results from this exercise will then enable a household impact assessment to be undertaken before the end of 2006 demonstrating how typical households may be affected once all of the fiscal measures have been implemented.

3.7 Balanced Budgets

One of the key objectives must be to maintain sustainable public finances. This was endorsed in the financial framework within the States Strategic Plan and will be achieved by having a policy of balanced budgets. The aim is therefore to have balanced budgets not every year but over the five-year planning cycle.

<u>Consolidated Fund</u>
In the short-term while any deficits have been relatively small, balanced budgets have been able to be managed using the accumulated balance on the then Capital Fund. The remaining balances in the Capital Fund have been carried forward under the new Public Finances (Jersey) Law 2005 to the Consolidated Fund and the indicative forecasts show that these balances should allow the public finances of the Island to remain sustainable through to 2012. This forecast position is based upon all the assumptions with regard to introduction of fiscal measures, control of expenditure and other factors described earlier in this section.

The forecast of sustainable finances in the short to medium term must not however lead to complacency. What is clear is that the size of the variations in the budget forecast are increasing and as we look further ahead, admittedly with a fairly cautious view of our revenues, a period of possible deficits could occur. These must not be allowed to continue.

This position must be monitored and reviewed very carefully and, at least annually, all the underlying assumptions must be checked and verified. This must take place as part of the annual business planning process and, if the forecasts remain as they are, then appropriate action would need to be taken.

Stabilisation Fund

Following the successful amendment to the States Strategic Plan, the Council of Ministers is now committed to the immediate establishment of a Stabilisation Fund. This is likely to take the form of a “Special Fund” and could be proposed alongside the 2007 Budget. In the meantime the terms of reference for such a fund need to be determined and this will be prepared jointly by the Chief Minister’s and Treasury and Resources departments.

Part of this work must also be to establish what part a Stabilisation Fund might play in sustaining public finances in a period of recession. What is clear is that the Consolidated Fund balances may be exhausted in the next five to ten years. Whilst this fund will continue to provide flexibility between year on year fluctuations it may no longer serve as a buffer against the more substantial variations currently forecast. If we are to protect the Strategic Reserve, our safeguard against major structural, economic or natural influence, then an alternative source of substantial funding is required.

The Budget Report, to be lodged in October, will provide another opportunity to update the States on the progress of the Fiscal Strategy. Alongside the Budget Report, the Council of Ministers intends to lodge a separate report and proposition to establish the terms of reference for a Stabilisation Fund and the approval of the transfer of the £32 million identified as available from the Dwelling Houses Loans Fund.

4. REVENUE EXPENDITURE ALLOCATIONS 2007

4. REVENUE EXPENDITURE ALLOCATIONS 2007

The revenue expenditure allocations for 2007 build on those approved in principle in the 2006-2010 States Business Plan and then as adjusted through the 2006 Budget and the recent Strategic Plan review by the Council of Ministers.

4.1 States Business Plan 2006-2010

In the States Business Plan 2006 to 2010, the States approved total spending allocations aimed at increases over the five year period of broadly 2.5% per annum. This allowed greater flexibility between revenue and capital limits, whilst still constraining overall spending limits. Within these limits revenue expenditure in 2006 increased by 3.8%, and in 2007 the proposals were for an increase of 2.8%.

4.2 2006 Budget

The expenditure proposals from the States Business Plan 2006 to 2010 were endorsed in the 2006 Budget with the exception of an increase in revenue expenditure of £300,000 in respect of means tested free television licences for over 75s. This increase was allocated to the then Employment and Social Security Committee.

Following the 2006 Committee Budget, the States formed the Ministerial System of Government and the Committees amalgamated into Ministerial Departments and States Funded Bodies. A revised presentation of the 2006 Budget providing allocations from the original committee structure to these new departments was presented to the States in the 2006 Budget Department Annex. This document provides the base from which the 2007 and beyond allocations have been calculated. A summary of the movements is shown in Table 4.1.

Table 4.1 – Net Revenue expenditure movements from 2006 to 2007

Department	2006 Budget (restated) £'000	Department Transfers £'000	PECRS Provision £'000	Pay Awards £'000	Non-staff Inflation £'000	Resource Allocation Process £'000	Strategic Plan Funding £'000	Efficiency Savings £'000	2007 Cash Limits £'000	2006/7 Change %
Chief Minister	**11,134.0**	260.0	2,820.9	221.0	58.7	(196.5)	-	105.3	**14,403.4**	29.4%
Economic Development	**15,256.8**	(3.9)	(48.6)	75.4	306.4	(483.2)	1,000.0	(98.4)	**16,004.5**	4.9%
Education, Sport and Culture	**91,690.3**	(19.9)	(235.0)	1,902.5	401.2	175.7	2,520.0	(340.9)	**96,093.9**	4.8%
Health and Social Services	**132,469.4**	212.2	(1,314.4)	2,749.3	653.6	3,272.9	-	(948.5)	**137,094.5**	3.5%
Home Affairs	**38,941.9**	(379.8)	(485.2)	811.3	167.2	315.2	500.0	(226.9)	**39,643.7**	1.8%
Housing	**1,581.6**	(381.2)	(46.9)	77.2	210.6	410.0	-	5.2	**1,856.5**	17.4%
Planning and Environment	**5,896.9**	(1.4)	(100.6)	155.3	(6.9)	(173.7)	-	(50.9)	**5,718.7**	-3.0%
Social Security	**92,529.6**	3,375.0	-	40.9	2,515.0	1,400.0	3,000.0	(32.3)	**102,828.2**	11.1%
Transport and Technical Services	**21,245.3**	(5.2)	(242.8)	417.0	116.7	(97.7)	-	(192.3)	**21,241.0**	0.0%
Treasury and Resources	**13,103.5**	110.6	(169.4)	273.5	55.7	(133.7)	1,000.0	(1,358.0)	**12,882.2**	-1.7%
Non-Ministerial States Funded Bodies										
- Bailiff's Chamber	**1,174.6**	-	(16.7)	20.1	9.5	-	-	(8.6)	**1,178.9**	0.4%
- Law Officers' Department	**5,058.6**	-	(51.0)	66.3	60.5	-	-	(37.6)	**5,096.8**	0.8%
- Judicial Greffe	**3,712.1**	-	(32.9)	51.0	42.1	-	-	(33.9)	**3,738.4**	0.7%
- Viscount's Department	**1,335.7**	-	(16.5)	25.8	7.8	-	-	(13.6)	**1,339.2**	0.3%
- Official Analyst	**560.0**	-	(5.9)	9.7	4.4	-	-	(4.3)	**563.9**	0.7%
- Office of the Lieutenant Governor	**693.0**	-	(7.4)	14.6	2.8	-	-	(7.7)	**695.3**	0.3%
- Dean of Jersey	**20.7**	-	-	-	0.5	-	-	(0.1)	**21.1**	1.9%
- Data Protection Commission	**208.3**	-	(3.5)	5.3	(0.1)	-	-	(1.1)	**208.9**	0.3%
- Probation	**1,314.9**	124.6	(18.8)	29.9	3.1	-	-	(9.8)	**1,443.9**	9.8%
- Comptroller and Auditor General	**577.2**	109.0	-	3.1	11.3	-	-	(5.1)	**695.5**	20.5%
Grant to the Overseas Aid Commission	**5,686.0**	-	-	-	-	645.0	-	-	**6,331.0**	11.3%
States Assembly	**4,728.9**	-	(25.2)	35.5	82.9	-	-	(40.5)	**4,781.6**	1.1%
Total Net Revenue Expenditure	**448,919.3**	**3,400.0**	**.0**	**6,984.7**	**4,703.0**	**5,134.0**	**8,020.0**	**(3,300.0)**	**473,861.1**	5.6%
- Repayment of capital debt	36,496.0								42,214.0	
Required revenue expenditure approvals including repayment of capital debt	485,415								516,075.1	

Notes

1. The Overseas Aid Commission budget adjustment is in accordance with the agreed funding formula and appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the new Finance Law.
2. For the purpose of the total expenditure allocations the repayment of capital debt will be approved under Treasury and Resources to enable the repayment back to the Consolidated Fund. This is neutral in overall terms and excluded from the financial forecasts.
3. The 2006 Budget has been restated to reflect the transfer of Crown Revenues income from the net expenditure of the Office of the Lieutenant Governor to Other Income in General Revenues.
4. The PECRS Provision for the pre 1987 debt was allocated out to Departments in the 2006 Budget, it is now being transferred to the Chief Minister's Department in order to ring fence the funds and enable the debt repayment and servicing to be made through to 2083.
5. The non-staff inflation includes an increase for the uprating of benefits, principally in the Social Security Department.
6. The efficiency savings at £3.3 million from revenue are in addition to the £0.7 million now being found from property capital receipts in 2007.
7. Further details of the changes in Departments' expenditure allocations between 2006 and 2007 are provided in the Annex to the Annual Business Plan 2007.

4.3 States Strategic Plan Review

The Council of Ministers was charged by the States with conducting a review of the States Strategic Plan in the first 100 days of its office. This process is described in detail at Section 2 of this report. The review process identified a number of strategic initiatives and other emerging pressures.

The Council of Ministers asked for these activities to be costed such that the financial implications were clear and has then prioritised these revenue and capital initiatives within a new financial framework. In some cases this has resulted in additional funding for departments but in other instances this will require departments to prioritise their existing activities to accommodate the new initiatives with no increase in funding.

The revenue outcomes can be split between new strategic initiatives and pressures and the impacts of fiscal change through the introduction of a new Fiscal Strategy, including a Goods and Services Tax and a supporting system of Income Support.

<u>Strategic Initiatives</u>
The new initiatives are in respect of an injection in funding for the economic growth plan directly to the Economic Development department and secondly through provision within Education, Sport and Culture for significant additional funding for vocational training and adult skills.

In addition to these new initiatives the Council of Ministers has recognised the priority and financial implications of new discrimination legislation and additional funding is allocated to the Home Affairs department.

<u>Emerging Pressures</u>
The Strategic Plan review also had to address other funding pressures as it had become evident that a significant ongoing contribution to address both the Teachers Pension Scheme deficit and the Jersey Opera House loan were required and these have been recognised and included in the 2007 allocations to the Education, Sport and Culture department.

The effect of this additional funding is to exceed the total expenditure limits approved in last year's business plan but the Council of Ministers proposes that this level of spending or investment is appropriate and sustainable at the current time.

In addition to the pressures specifically identified and costed in the Strategic Plan, there are likely to be other pressures which emerge during any year e.g. those likely to arise in relation to a Prison Improvement Plan. In these instances, once a business case has been prepared and costed, they will need to be considered by the Council of Ministers. If these pressures are of sufficient priority they will need to be addressed by prioritising appropriate funding, either through one-off reallocation during a year, or if it is an ongoing pressure, through a permanent reallocation between departments at the next annual business plan review.

Impacts of Fiscal Change

During 2007, the new Income Support scheme will be implemented as planned, and ahead of the introduction of a Goods and Services Tax in 2008. There are additional costs associated with these two significant changes.

Firstly, in respect of Income Support, the proposals are not only to introduce the new system but also to protect those individuals that may be disadvantaged by the change in assessment and provide an element of transitional relief over a period of years. This funding, which is non-recurring and currently estimated at £20 million over the five-year period, will be affordable predominantly through the surpluses forecast via the introduction of a Goods and Services Tax in advance of 2010.

From the point of introduction of the Goods and Services Tax, in 2008, there will also be additional funding required for income support to insulate those on low incomes from the effect of this new tax, currently estimated at £1.75 million. The implementation of GST will also require set up costs in 2007, together with the part-year appointment and training of staff to administer the new tax from 2008. These costs will be in the order of £1 million in 2007, and then ongoing at a similar level for the annual administration cost of the tax.

Table 4.2 – Revenue expenditure implications from Strategic Plan review

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Strategic Plan Initiatives					
Economic Growth Plan	1.00	1.00	1.00	1.00	1.00
Education, Sport and Culture					
Vocational and Tertiary (adult skills)	1.00	1.00	1.00	1.00	1.00
Home Affairs					
Discrimination Legislation	0.50	0.50	0.50	0.50	0.50
	2.50	2.50	2.50	2.50	2.50
Emerging Pressures					
Social Security					
Parish Welfare increases	-	-	1.50	3.00	4.50
Education, Sport and Culture					
Teachers Pension Deficit	1.30	1.30	1.30	1.30	1.30
Opera House Loan	0.20	0.20	0.20	0.20	0.20
	1.50	1.50	3.00	4.50	6.00
Impacts of Fiscal Changes					
Treasury and Resources					
Administering GST	1.00	1.00	1.00	1.00	1.00
Social Security					
Insulating those on low incomes from GST	-	1.75	1.75	1.75	1.75
Transitional costs of income support scheme	3.00	5.00	4.00	4.00	4.00
	4.00	7.75	6.75	6.75	6.75
Total Strategic Plan Review	8.00	11.75	12.25	13.75	15.25

Amendments to draft States Strategic Plan

A number of amendments were approved as part of the debate on the draft States Strategic Plan. The Council of Ministers recognises the intention of the States that these initiatives be developed and implemented at the earliest opportunity. Consequently, the relevant departments have amended their objectives and priorities to reflect the States' intention.

The Council of Ministers is clear that the financial framework, agreed in the Strategic Plan, must not be exceeded. Consequently, once the proposals for dangerous structures, 3rd party planning appeals, the education and rehabilitation of prisoners and a winter fuel payment scheme are developed, they will be brought to the States together with equivalent funding options.

In respect of each proposal, in particular the winter fuel payment scheme, the States will need to decide the level of the proposed scheme and how it is to be funded. The current priority for Social Security is to develop and present the new income support scheme to the States in line with the agreed timetable. Analysis of the different options for a winter fuel payment scheme, the corresponding range of savings, service reductions or tax raising measures will require significant work. Proposals for a winter fuel payment scheme will be presented to the States in November together with funding options. Once the States has agreed a scheme the necessary law will be drafted and brought to the States for decision in 2007. The scheme can therefore be implemented as soon as the law is in force.

However, the Council of Ministers has the authority to transfer funds between departments during 2007 and this would enable these initiatives, and any emerging pressures, to progress at the earliest opportunity once a States decision is made. The funding adjustment would then be permanently incorporated in departments' funding levels for the Annual Business Plan 2008.

4.4 Parish Welfare and Other Transfers

Parish Welfare

In May 2005, the States approved P66/2005 in respect of the transfer of Parish Welfare and Residential Care to the States and with the corresponding introduction of an Island-wide rate as the main source of funding. This transfer took place on 1 May 2006 from which point the States is liable for the costs of these benefits and for which the parishes will levy and collect an Island rate and transfer the proceeds to the States.

The Social Security department requires a budget for parish welfare and this has been estimated from the latest parish expenditures. Similarly the level of the Island Rate is determined from the 2005/06 parish expenditures, inflated as agreed by the Island RPI. Based on the figures presented to the States on 22 June 2006, in a Statement by the Comité de Connétables, the part-year cost of parish welfare in 2006, estimated at £7.2 million, is included in the Social Security department budget, and the full year cost, estimated at £12 million, provided in 2007.

The effect of the transfer from the parishes is to appear to increase States expenditure by upwards of £10 million per annum. In fact this is merely a transfer within the public sector and should be viewed separately in any commentary on States spending increases. The effect on the States finances is broadly neutral, except that the recent trends in parish expenditure show increases in the order of 14% per annum, whereas, the increases in Island Rate will be restricted to the Island RPI, currently 2.4%. Additional expenditure provision has been made in previous resource allocation processes for this differential.

PECRS pre 1987 debt provision

The States agreed in P190/2005 a 10 point agreement for the repayment of the PECRS pre 1987 debt. The agreement required the States to enter into a loan agreement with PECRS over a period of 82 years. Additional provision was made in the 2006 budgets of all departments and the equivalent of a 2% contribution has now been transferred to a central provision within the Chief Minister's department, such that this will be ring fenced on an ongoing basis.

Other department transfers

The scale of the change in structure from the Committee system to the Ministerial System of Government has inevitably meant that certain structural changes were not complete as at 1 January 2006. Further changes to the new departmental structures will be required, but those that have been identified and agreed by Ministers to date are included in this business plan and reflected in the detailed estimates for 2007 and beyond.

4.5 Resource Allocation Process 2006-2008 and 2009

The resource allocation process in Spring 2005, considered the funding priorities for the three-year period 2006-2008. The 2006 allocations were approved in the 2006 Budget and the 2007 and 2008 allocations were included in the approvals in the States Business Plan 2006-2010. The Strategic Plan review has not revisited these funding priorities, which essentially reallocated the service reductions and efficiency savings identified to the priority services and initiatives. The allocations agreed for 2007 are included in the proposed 2007 expenditure limits for departments.

Table 4.3 – Outcomes from Resource Allocation 2007 to 2009

Department	2007 Additional Funding £'000	2007 Service Reductions £'000	2007 Net Position £'000	2008 Additional Funding £'000	2008 Service Reductions £'000	2008 Net Position £'000	2009 Additional Funding £'000	2009 Service Reductions £'000	2009 Net Position £'000
Chief Minister's Department	-	(196.5)	(196.5)	-	(201.4)	(201.4)	-	-	-
- Grant to the Overseas Aid Commission	645.0	-	645.0	341.8	-	341.8	433.8	-	433.8
Economic Development	-	(297.3)	(297.3)	-	(280.0)	(280.0)	-	-	-
Education, Sport and Culture	175.7	-	175.7	61.1	(58.2)	2.9	-	-	-
Health and Social Services	3,272.9	-	3,272.9	3,354.7	-	3,354.7	2,000.0	-	2,000.0
Home Affairs	315.2	-	315.2	323.1	-	323.1	-	-	-
Housing	410.0	-	410.0	60.0	-	60.0	-	-	-
Planning and Environment	-	(173.7)	(173.7)	-	(226.2)	(226.2)	-	-	-
Social Security	1,400.0	-	1,400.0	1,500.0	-	1,500.0	-	-	-
Transport and Technical Services	-	(97.7)	(97.7)	-	(113.1)	(113.1)	-	-	-
Treasury and Resources	-	(133.7)	(133.7)	-	(53.8)	(53.8)	-	-	-
Total - All Departments	**6,218.8**	**(898.9)**	**5,319.9**	**5,640.7**	**(932.7)**	**4,708.0**	**2,433.8**	**-**	**2,433.8**

The allocations previously agreed for 2007 and 2008 are shown in Table 4.3, and reflect the priority and additional funding allocated to health, welfare and social benefits. In addition, provision has been made for the Overseas Aid funding formula requirement. The Council of Ministers considered the reallocation of the efficiency savings and funding available within the 2009 expenditure limits and concluded that similar priorities should be maintained. This has resulted in additional funding being proposed for the Health and Social Services department and the Overseas Aid Commission. By 2009 the Income Support scheme will be well established and part of its objectives is to fully integrate social housing benefits and native welfare within the overall spending limits.

4.6 Efficiency Savings

The Change Programme began in 2005 and initially runs over a five-year period to 2009 with targets of delivering £20 million per annum efficiency savings. Initial allocations were made to the programme areas identified to drive through the efficiency savings. During the first 18 months the allocation of the efficiency savings has been reviewed and improved, focussing more specifically on the service areas now responsible for driving the savings initiatives through.

The current allocation of the £20 million efficiencies is shown in Table 4.4:

Table 4.4 – Current profile of efficiency savings targets

Programme Area	2005 £' 000	2006 £' 000	2007 £' 000	2008 £' 000	2009 £' 000	Total £' 000
Corporate Efficiencies						
Human Resources	300	400	-	-	-	700
Information Technology	500	440	-	-	-	940
Finance	206	494	427	-	-	1,127
Procurement	150	300	750	700	-	1,900
Total Support Services	1,156	1,634	1,177	700	-	4,667
Cross-Departmental	120	120	120	120	-	480
Executive Overheads	-	-	330	330	-	660
Property						
- Revenue	-	400	500	600	-	1,500
- Capital	-	-	700	1,600	1,700	4,000
Total Corporate Efficiencies	1,276	2,154	2,827	3,350	1,700	11,307
Departmental Efficiencies	4,724	1,846	1,173	650	300	8,693
Target	6,000	4,000	4,000	4,000	2,000	20,000

The individual programme area savings are then attributed specifically to the departments in which those savings are intended to accrue in the budgets through to 2009.

The significant change in the current allocation is in respect of property savings. These have now all been allocated to Property Holdings. These savings have also been clearly divided into revenue and capital savings. It had always been intended that a proportion of the £20 million would be found from capital savings and this level has now been agreed by Corporate Management Board at £4 million by 2009. The remaining £1.5 million efficiency savings will be made from the new Property Holdings revenue account, to which the majority of property maintenance budgets will be transferred from departments over the next 12 months. Further details are provided in Section 7 of this report.

The States remain committed to driving out waste. We will continue to improve efficiency, enhance services and demonstrate the delivery of value for money. But when judged against other similar governments our performance shows that, on this basis, there may be limited scope for delivering further major efficiency savings over and above the £20 million we have committed to. This certainly does not mean that we are in anyway relaxing the increasing financial discipline that has been displayed in recent years. Indeed as a result of amendments to the Strategic Plan efficiency reviews will be carried out which will include a study of which public services might be provided more efficiently by the private sector or through a partnership arrangement

4.7 Pay Awards

In last year's Business Plan a financial forecast model proposed the forward provisions for all pay awards and price increases. This was in line with the expenditure constraints of broadly 2.5% per annum increase over the five year period.

The financial framework within the States Strategic Plan proposed by the Council of Ministers assumes that these underlying assumptions are maintained through the forecast period. The current year pay negotiations are underway and, whilst no direct link with the Island RPI is assumed, the March RPI(X) of 2.4% is in line with the forecast assumptions.

The States no longer maintains a General Reserve under the new Public Finances (Jersey) Law 2005 and any fluctuations in pay or prices from the provisions in expenditure allocations will fall on departments. This will also be the case for any unforeseen expenditure and a process of quarterly monitoring reports to the Corporate Management Board and the Council of Ministers has been introduced through which any such pressures can be identified and addressed. This reporting regime will also inform the annual business planning and carry forward processes and enable early priorities to be established.

4.8 Other Inflation and Up-rating of Benefits

The forecast model provides for 2.5% inflation on non-staff budgets and 3% for benefits in future years. The latter increase comprises the average of the forecast increases in the Island RPI and the earnings index for all Island employees, public and private. In recent years the earnings index has exceeded the RPI so a provision has been made at a figure slightly higher than 2.5%.

Separate provision has been made, as described at Section 4.4, in relation to the specific price and demographic pressures following the parish welfare transfer.

4.9 Allocations for Non Ministerial States funded bodies

In accordance with Article 8 of the Public Finances (Jersey) Law 2005 the Council of Ministers has proposed 2007 expenditure allocations to each of the Non Ministerial States funded bodies. The proposed allocations were in line with the financial framework in the States Strategic Plan and are identical to the principles by which the Ministerial department allocations were calculated.

The Council of Ministers proposed allocations are included in Table 4.1 and in the Summary Table A on page 56. Under the finance law the Council of Ministers is required to inform the States that all Non Ministerial States Funded Bodies have accepted the proposed allocations with the exception of the Comptroller and Auditor General (C&AG).

The Council of Ministers considered the detailed proposal from the C&AG for an additional £109,000 and decided that it could not make an exception to the proposed total revenue expenditure allocations. However, having recognised the importance of the C&AG's role and the nature of the work of that office to conduct efficiency reviews and identify savings, it agreed to provide the additional funding from a pro-rata reduction of Ministerial departments' budgets.

4.10 Allocations for the States Assembly and its services

In accordance with Article 10 of the Public Finances (Jersey) Law 2005 the Council of Ministers has proposed the 2007 expenditure allocation for the States Assembly and its services to the Privileges and Procedures Committee. The proposed allocation was in line with the financial framework in the States Strategic Plan and identical to the principles by which the Ministerial departments' allocations were calculated.

The Council of Ministers proposed allocation is included in Table 4.1 and in the Summary Table A on page 56. The Council of Ministers is required to inform the States that the Privileges and Procedures Committee has accepted the proposed allocation and the Committee's submission has been reviewed, as required, by the C&AG.

Attention should however be drawn to P64/2006, which proposes the establishment of a fifth scrutiny panel and is scheduled for debate on 18 July 2006. The financial implications of this proposition are not included in the estimates submitted by the States Assembly and its services and would in principle require expenditure limits and the States deficit to be increased by around £190,000. The Council of Ministers would need to consider appropriate funding, if this were approved, but would seek to do so within the proposed Annual Business Plan spending limits.

4.11 Trading Operations

The Public Finances (Jersey) Law 2005, Part 4, makes provision for the States to run trading operations as part of the activities of a ministerial department.

The Trading Operations of Harbours and Airport are constituted under the Economic Development department as:
- Jersey Airport, and
- Jersey Harbours.

The figures for Jersey Post are not included this year as the organisation incorporated from 1 July 2006, following States approval on 6 June.

Under the new ministerial structure two other activities of the States, formerly the Car Parks Trading Account and the Vehicle and Garage Plant Accounts, are now designated States Trading Operations, namely Jersey Car Parking and Jersey Fleet Management. These activities are part of the Transport and Technical Services department.

The Finance Law requires that the revenue and trading funds of these trading operations are laid before the States for approval within the draft Annual Business Plan together with any financial return required by the States.

The finances of these trading operations are included in Summary Table B page 57 and the details of their activities are included in the Annex to the draft Annual Business Plan.

For each trading operation the Treasurer, on behalf of the Minister for Treasury and Resources, has negotiated the financial return or other arrangements between the Consolidated Fund and the respective Trading Fund.

There are also proposals within the Property Plan, Section 7, for Property Holdings to form a States trading operation during 2007.

4.12 Manpower

The States continues to monitor and report manpower numbers twice yearly. The focus of manpower control is appropriately on actual manpower numbers and is consistent with the controls and reporting in the private sector.

Alongside the actual figures, departments identify the budgeted manpower levels as part of the draft Annual Business Plan. These figures are indicative and are based on assumptions of the required manpower levels based on the proposed funding allocations. These figures will be improved as each year's business plan provides the detail of each department.

In the period 2005 to 2009 net growth in funding of over £25 million has been provided from the resource allocation process and further growth is now proposed from the strategic plan initiatives. Despite this real growth in priority services such as health, education and social benefits the States has managed to constrain any significant growth in manpower numbers. This has been achieved because the growth in funding and associated manpower has been offset by the efficiency savings in funding and manpower from the Change Programme.

The Change Programme has estimated that up to 300 posts will be saved during the course of the five year period. These savings will be achieved largely through changes and improvements in working practices over the five years to 2009. The Change Programme, through a series of transformation programmes within the support services, has also affected the distribution of support staff throughout the States. This is most apparent in the increase in IT and HR staff in the Chief Minister's department, and the increases in finance staff within the Treasury and Resources department, all these staff having been transferred from other States departments.

Essentially, the target is for no net increase in the States workforce as a result of these two programmes of activity. The financial framework and the objective to continue to constrain growth in States spending should indirectly control the level of the public sector workforce.

4.13 Summary

The Council of Ministers is proposing a 5.6% increase in revenue expenditure in 2007. However, when the increase in funding of £10 million in respect of the transfer of native welfare and residential care is excluded, this reduces to below 5%.

These increases are above those proposed a year ago in the previous States Business Plan but properly reflect the financial implications of proposed fiscal changes and also include the financial implications of the objectives and activities approved in the States Strategic Plan.

Departments are being given three-year allocations for revenue expenditure and will be expected to work within these levels to deliver their agreed objectives. There will be the need for flexibility and a corporate approach, informed by the quarterly reporting process, to address any emerging or unforeseen pressures through the carry forward and annual business planning process.

5. REVENUE EXPENDITURE ALLOCATIONS 2008 to 2011

5. REVENUE EXPENDITURE TARGETS 2008 to 2011

This section covers the revenue expenditure proposals for the four years 2008 to 2011. The Council of Ministers is proposing detailed allocations to all States funded bodies for the three years from 2007 to 2009 and then overall revenue expenditure targets for the years 2010 and 2011.

5.1 Three year revenue expenditure allocations for 2007 to 2009

The Public Finances (Jersey) Law 2005 only requires one year of revenue and capital expenditure to be approved in the draft Annual Business Plan but the States Strategic Plan is based on a financial framework for five years.

The proposals from the Council of Ministers therefore include detailed allocations to departments for the next three years and higher level figures for years 4 and 5. These are based on the allocations agreed in principle in the last States Business Plan and the outcomes from the review of the Strategic Plan.

The proposals also incorporate the assumptions from the forecasting model, namely:
- an annual increase in the wage bill of no more than 2.5%;
- an annual provision for non-staff inflation of 2.5%;
- a provision for the annual up-rating of benefits at around 3% (based on an average of forecast increases in inflation and average earnings); and
- the programme of efficiency savings from revenue and capital, amounting to on average £4 million per annum, will be delivered.

Table 5.1 Build up of the revenue expenditure allocations through to 2011

	2007	2008	2009	2010	2011
	£m	£m	£m	£m	£m
Revenue Expenditure					
Budget 2006	448.9	473.8	492.0	507.0	518.0
Transfer of Parish Welfare	3.4	-	-		
Pay awards	7.0	7.2	7.4		
Non-staff inflation	2.1	2.4	2.4		
Indexation of benefits	2.4	2.5	2.6		
Resource allocation process	5.3	4.7	2.4		
Strategic Plan Review					
- Strategic initiatives	2.5	-	-		
- Emerging pressures	1.5	-	1.5		
- Costs of Fiscal change	4.0	3.8	(1.0)		
Efficiency savings	(3.3)	(2.4)	(0.3)		
Total Net Revenue Expenditure	473.8	492.0	507.0	518.0	532.0

The make up of the 2007 revenue expenditure is explained in detail in the previous section. For 2008 and 2009 the changes other than for pay and prices represent:
- the further costs of fiscal changes, which are made up of a full year effect of transitional relief for income support and the £1.75 million to insulate those on lower incomes from the effect of GST from 2008;
- the outcomes of the 2008 and 2009 resource allocation, reallocating efficiency savings and any service reductions principally to Health and Overseas Aid;
- 2009 also includes the projected increase required in the transfer of Parish Welfare. Beyond which date this will be subsumed within any increases in the income support scheme.

5.2 Revenue Expenditure Targets for 2010 and 2011

The figures for 2010 and 2011 are drawn from the States Strategic Plan financial framework.

Detailed allocations have not been prepared for these years but it is clear that within the revenue expenditure ceilings there will be limited opportunity for growth unless a further programme of efficiency savings or service reductions is introduced. The increases of only 2.2% and 2.7% respectively in these years barely cover the uprating required in the forecasting model for pay and prices.

5.3 Annual Business Planning and Resource Allocation

The business planning process for 2008-12 will introduce detailed allocations for 2010 as part of the three-year rolling expenditure allocations. This review of the three-year business plans will identify emerging issues and changes in priorities and be informed by the quarterly reporting process to Council of Ministers during 2006.

It is also important that the financial implications of bids to the capital and legislative programmes are clearly identified and should have been raised as part of the Strategic Plan review. Any new financial implications will need to be considered as part of this annual review. The integrated approach to business planning and resource allocation relies on the developments towards costed business and strategic objectives. The overall expenditure targets will also be reviewed for 2011 and 2012 and will need to take into account the levels of proposed capital programme to establish the funds initially available to revenue expenditure.

6. CAPITAL PROGRAMME 2007 to 2011

6. CAPITAL PROGRAMME 2007 to 2011

6.1 Capital Expenditure - Introduction and Overview

Overall Allocation

Last year's States Business Plan further reduced the capital allocation to £39 million per annum for the period 2006 to 2009, rising to £42 million in 2010, as part of a package of measures to address forecast deficits.

The Council of Ministers, in considering resource requirements to deliver the Strategic Plan proposals, determined that a further £12 million be made available from the Dwelling Houses Loans Fund (DHLF) to fund enhanced expenditure on the States social housing stock over the five year period of the Plan. Consequently, the funding available for allocation to capital works and associated expenditure is £42 million in 2007; £42 million in 2008 and 2009; £45 million in 2010, reducing to £42 million in 2011, as shown in Table 6.1 below.

However, as a result of the improved financial forecasts, the DHLF surpluses were not required and will be transferred instead to a Stabilisation Fund. The increased capital allocations will be maintained although the level of funding required is reduced by the contribution from proposed property efficiency savings from capital receipts.

Table 6.1 - Capital Expenditure Allocation Summary 2007 - 2011

	2007	**2008**	**2009**	**2010**	**2011**
Original Funding	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Capital Budget	**42,000**	**42,000**	**42,000**	**45,000**	**42,000**
Expenditure					
Total Earmarked Funds and Rolling Allocations	**22,091**	**28,591**	**31,391**	**39,191**	**29,391**
Total Schemes	**21,408**	**13,571**	**10,160**	**5,925**	**13,073**
Total Proposed Expenditure	**43,499**	**42,162**	**41,551**	**45,116**	**42,464**
Less:					
Property Capital Receipts	(700)	(2,300)	(4,000)	(4,000)	(4,000)
Trf from Land Acquisition Vote	(1,000)				
Net Capital Expenditure	41,799	39,862	37,551	41,116	38,464

Until Property Holdings is fully established as a States Trading Operation, the property capital receipts will be credited to the Consolidated Fund. Once established as a Trading Operation, the application of capital receipts credited to the Property Holdings Trading Fund will be offset by a reduction in allocation from the Consolidated Fund.

For simplicity of presentation, the financial forecasts only include the required capital expenditure net of the property capital receipts.

For clarity during this transitional period, capital allocations are referenced to the client department (e.g. St Peter's School redevelopment in 2007 is shown as an Education, Sport and Culture department project). In future, Property Holdings will be accountable for capital allocations relating to land and building works under its approved remit and this will be reflected in subsequent States Annual Business Plans.

Changes from the approved 2006 - 2010 Capital Programme

In addition to the injection of additional funds, the capital programme has been reprioritised to accommodate a number of revised spending pressures and reflect the high priority issues identified by the Council of Ministers in the Strategic Plan.

In particular, funds of £12 million have been allocated to provide for replacement Health IT systems; an overall net increase of more than £14 million in respect of social housing and an increase of more than £4 million to fund an enhanced and advanced Prison works programme.

Other key features of the revised programme are:

- Reductions in Minor Capital allocations across departments;
- An additional £5 million for a reprofiled Corporate ICT programme;
- The deletion of Phase 1 of the previously proposed £7.3 million General and Acute Extension at the Hospital, pending a review of the property requirements for the delivery of healthcare services;
- Deletion of £5.9 million proposed allocations to the Housing Development Fund (HDF)

  The HDF has a number of vacant sites and properties on its balance sheet that are not now considered suitable for development as social housing. It is proposed that these sites be disposed of and the resulting capital receipts allocated to the HDF. This should provide sufficient resources to fund subsidy requirements for at least another 10 years, based on current long term interest rate forecasts;
- £8.8 million to fund the next phase of the rolling redevelopment of Grainville school;
- £0.8 million is included in 2007 to top-up existing available funding to undertake the remediation and development of the Town Park;

  This sum will be added to the budget of £1.225 million (plus inflation to a current cost base), being part of the Millennium funding that is held within the Chief Minister's department, to provide for the development of an urban park;
- An overall increase of £5.5 million (2007-2010) and a further £4.5 million in 2011 in respect of the Island's physical infrastructure of roads, sewers and sea defences. This allocation includes an injection of funds of £3 million to provide for odour control at the Bellozanne Sewage Treatment Works, in response to the States support of P34/2006 on 16 May 2006;
- A £0.75 million allocation in preparation for a replacement inert waste disposal site once La Collette II is full;
- A continuation of the provision to fund the replacement Energy from Waste plant and associated works. A reprofiled sinking fund allocation of £40 million has been provided over the four years 2008 - 2011; and
- An allocation of £2 million in 2011 to refurbish the Sludge Digesters and Settlement Tanks at the Sewage Treatment Works.

A detailed reconciliation of the movements from the approved 2006 - 2010 programme is contained in pages 183 and 184 in the accompanying Annex.

Inevitably, when faced with overwhelming demands for capital funding against a reducing overall allocation, compromises have had to be made. The Minister for Treasury and Resources is grateful for the continued corporate approach and constructive co-operation demonstrated by departments during the capital allocation process, which has enabled this programme to be produced.

Departments have also been asked for their assurance that their bids have been made with the clear understanding that the revenue and manpower implications of their proposed capital programmes can be accommodated in their proposed revenue expenditure allocations to their department for 2007 and beyond.

6.2 Strategic Plan Outcomes and Prioritisation Process

The proposed revised capital programme supports the initiatives and priorities included in the States Strategic Plan. At its meeting of 9 February 2006, the Council of Ministers identified a number of initiatives, both revenue and capital, for which funding had not been previously allocated. To aid the strategic prioritisation process, a provisional capital programme was produced that incorporated an additional £12 million, at that stage to be funded from the DHLF.

The indicative programme reflected the Council of Ministers declared priorities to increase the provision within the capital programme for:

- Housing maintenance;
- Roads maintenance;
- Town Park; and
- Planning for a new inert waste reclamation site.

The Council of Ministers recognised that a provision would be needed for a replacement Health IT system, but requested further detailed information on the nature, cost and timescale of the project before being able to recommend funding within any programme.

In parallel with the work of the Council of Ministers, departments were invited to bid for new capital works for 2011 and to confirm the status of their 2007 to 2010 projects. A total of 31 bids for new individual schemes or additions to earmarked funds and rolling allocations were submitted for 2011 by the end of February 2006, amounting to some £133 million at a December 2005 price base.

Following discussions with individual departments, a provisional capital programme was considered by the Corporate Management Board on 22 March 2006, with revisions to that programme tabled to a subsequent meeting on 19 April 2006.

The Corporate Management Board proposals were then discussed by the Council of Ministers, at its meeting of 13 May 2006, and finalised at the Council's meeting of 25 May 2006.

6.3 Capital Programme 2007

In accordance with the Public Finances (Jersey) Law 2005, the States is asked to approve each of the capital projects in the recommended programme of capital projects for each States funded body for 2007. Unlike previous years, under the new Finance Law the States will not be asked to confirm these allocations when considering the subsequent 2007 budget proposals later in the year.

A summary of the proposed funding allocations for 2007 is shown at Summary Table D on page 59, with details of the individual schemes and rolling allocations provided in the accompanying capital section of the accompanying Annex starting on page 163.

6.4 Capital Programme for States Trading Operations 2007

Article 22 (1) (a) of the Public Finances (Transitional Provisions) (No. 2) (Jersey) Regulations requires capital expenditure proposals of designated States Trading Operations to be approved by the States as part of an annual business plan. Under the previous Finance Law such proposals were considered in the budget debate.

For 2007 States Trading Operations comprise Jersey Harbours and Jersey Airport as part of the Economic Development department and Jersey Car Parking and Jersey Fleet Management in the Transport and Technical Services department.

A summary of the proposed capital allocations for the States Trading Operations for 2007 is shown in Summary Table E on page 60.

6.5 Capital Programme 2008-2011

In addition to the requirement to approve a definitive capital programme for 2007, the States is asked to approve, in principle, the proposed programme of capital projects for the States funded bodies for 2008 to 2011 as set out in Summary Tables F to I respectively, on pages 61 to 64.

The allocations for 2008 – 2010 incorporate proposed revisions from the programme agreed in principle by the States last September in the States Business Plan 2006 – 2010, which are referred to in Section 6.1 above.

The proposed programme for the incremental year 2011 includes funding for the continuation of rolling allocations and amounts for new capital works.

A summary of the proposed funding allocations for the years 2008 – 2011 is shown in Summary Tables F to I, with details of the individual schemes and rolling allocations provided in the capital section in the accompanying Annex starting in page 163.

6.6 ICT Programme and Strategy

Introduction

Desktop computers, the equipment that supports them and transports information and modern telephony are collectively referred to as Information Communications Technologies or ICT.

The need to ensure the States has appropriate, up to date ICT infrastructure on which to run its systems is becoming more critical. All States departments use technology to carry out their work and many simply could not deliver the services they do securely and reliably without using computer systems.

Jersey's government and public sector face a unique set of problems in dealing with information and communication. Although the population is relatively small, it has to provide the same broad range of services as any large country. Also, in order to keep pace with the business community, other governments and the demands of the public, Jersey has no choice but to adapt and update its technology as new computer systems come into common use and older systems become obsolete.

Jersey's reliance on modern technology is not unusual. The personal computer (PC) is only 25 years old but it has become a common tool for business across the world - as indispensable as pen and paper once was. The use of computers is now firmly embedded in all areas of our lives but is a particularly important part of our working culture.

In the past, each department developed its own computer systems, tailored to its specific needs. This meant there was a lack of co-ordination, with several types of system in operation, which do not share information and cannot make use of information provided by other systems. It is a complex setup that involves duplication of equipment and staff.

It's also important to stress that the diversity of approach has been confusing and frustrating for the States' customers, many of whom are highly proficient with modern technology and expect their dealings with the States to be quick, secure and reliable.

The need to streamline, standardise and centralise (where appropriate) the States ICT systems has already been recognised and considerable progress has been achieved towards making improvements. The most significant of these has been the re-organisation of ICT staff in the States into a single team - CMD-IS (Chief Minister's department – Information Services). This team is responsible for all corporate ICT provision and the management of all ICT-related projects across the States. This is enabled through the ICT Programme Management Office (PMO) which has provided a model in complex project management that other business users in the States are now starting to adopt, even for non-ICT projects.

Benefits of modern ICT

There are many reasons why Jersey should invest in technology:

- Many States functions could not be carried out at all without ICT and others would need more staff;
- Investment in technology will help the States make productivity gains and direct financial savings. ICT is needed to support all the other major changes taking place within the States organisation;
- Much of the world, and the western business world in which Jersey's economy operates, uses ICT as a way of life. Investment in technology keeps the States competitive and in business. Delivery standards and, in some cases, legislation in the UK and Europe force change in the way services are delivered here. Jersey often has no choice but to adapt as new systems and updates come into common use and older systems become obsolete;
- Planned investment over a set timescale will avoid large future expenditure when systems start to become inefficient;
- Modernisation of the States technology will bring everyone up to the same standard. This will be cheaper to maintain, more efficient and more flexible, in that staff can be more mobile;
- Efficiency gains may result in an ability to do more with the same number of people;
- It allows modern working practices to be developed, which will give the public wider access to information. The benefit will be to provide customers with choice in the way they do business with the States, possibly through one-stop shops or self-service web pages;
- Up to date ICT is vital to maintain security. States perimeter systems blocked more than 130,000 viruses during 2005. Recovering from a virus problem would be very expensive and time-consuming;
- Deliver an integrated tax and benefits structure;
- Improve access to health information and services; and
- Offer wide access to education.

Funding Position

The proposed programme allocates £16.8 million to the Corporate ICT budget, together with a further £12 million to replace of Health ICT systems. Together this allocation represents some 13.5% of the overall five year capital allocation.

In addition to this allocation, the ICT Fund, at the previous year end, had an unspent balance of some £13.6 million, allocated to projects planned or already underway.

Funds allocated from the Change Programme budget to fund the roll out of the replacement telephone system (£1.5 million), GST system (£1 million) and Customer Access project (£375,000) are also managed by the Corporate ICT function.

Combined with net annual revenue expenditure allocations of some £3.3 million (2007), this provides a sum in excess of £64 million available to be expended on ICT systems and support over the six year period 2006 - 2011, as shown in Table 6.2. It is stressed here, however, that although this figure is large, this expenditure must be thought of in terms of delivering to business requirements. For example, it is about delivering a health service, or a customer service centre environment, etc., not just funding for ICT.

Table 6.2 - Overall ICT Forecast Expenditure and Funding: 2006 - 2011

	<---------------- Forecast Annual Expenditure --------------->						Total 2006 to 2011
	2006 £000s	2007 £000s	2008 £000s	2009 £000s	2010 £000s	2011 £000s	£000s
<u>**Funding**</u>							
Unspent capital balance (as at 31/12/05) b/fwd	(13,585)	-	-	-	-	-	(13,585)
Change Fund - Allocation to ICT Projects	(1,875)	-	-	-	-		(1,875)
ICT Fund Capital Allocations 2006-2011	-	(1,500)	(3,500)	(5,000)	(4,800)	(2,000)	(16,800)
Allocation for H&SS Systems Replacement	-	(4,000)	(3,000)	(3,000)	(2,000)	-	(12,000)
Provisional Net Revenue Cash Limit	(3,203)	(3,306)	(3,317)	(3,367)	(3,419)	(3,472)	(20,084)
Total Funding	**(18,663)**	**(8,806)**	**(9,817)**	**(11,367)**	**(10,219)**	**(5,472)**	**(64,344)**
<u>**Forecast Expenditure**</u>							
Capital Development Costs	6,899	5,468	4,660	4,620	3,620	1,620	26,887
Capital Operating Costs	1,916	1,972	1,974	1,988	1,985	1,985	11,820
Staff and Other Revenue Costs	4,647	4,758	4,872	4,989	5,109	5,202	29,577
Forecast Total Expenditure	**13,462**	**12,198**	**11,506**	**11,597**	**10,714**	**8,807**	**68,284**
Annual (Surplus)/Deficit	(5,201)	3,392	1,689	230	495	3,335	3,940

The current programme recognises a short fall of some £4 million by 2011. This forecast is based on best estimates at current prices, and whilst it is recognised that the advancing nature of information technology, consolidated procurement and a continual review of IT strategies against developments in technology may reduce costs over this period it is expected that this shortfall in funding will be addressed in future capital allocations.

A detailed description and impact statement for ongoing and future ICT projects is contained in the accompanying Annex in pages 186 and 187.

7. STATES PROPERTY PLAN

7. PROPERTY

7.1 Introduction

From 1 January 2006, the Property Holdings division took over responsibility for States land and property other than Social Housing and that managed by States Trading Operations. This portfolio has been conservatively valued at £1.6 billion, which represents an investment of some £18,000 for every person on the Island that must be managed efficiently and effectively.

A Property Plan for the period to 2011, incorporated into the States Strategic Plan that was approved in June 2006, contained the following key objectives:

- Meet the current and future property requirements of States services in order to improve performance;
- Ensure that property is used, managed and maintained effectively;
- Acquire assets only when to do so makes a contribution toward achieving States strategic or business objectives; and
- Dispose of, or extract better value from, property that is not contributing satisfactorily toward service delivery or the achievement of States objectives.

The States Strategic Plan also identified a number of properties for disposal in 2006 and a further list, in principle, for 2007. A schedule of properties identified as surplus to requirements, and proposed for disposal in 2007, is included in Summary Table J on page 66, with property details included in the accompanying Annex in pages 189 to 217. Future Annual Business Plans will update the position on an annual basis and seek the approval of the States to disposals and any proposed acquisition of land and buildings.

7.2 Budget Position and Savings Targets

The overall revenue base budget position for Property Holdings has yet to be finalised. For clarity, Property Holdings revenue budget shown in this Annual Business Plan only includes funding transferred from those areas where agreement to transfer budgets to Property Holdings has been obtained. Other budget transfers from States departments into Property Holdings, representing relevant maintenance and other property related sums, will take place during 2006 and into 2007.

It is anticipated that, once the budget transfer position is completely resolved, the revenue budget for Property Holdings in 2007 will comprise expenditure of some £11.3 million and income of some £6.3 million, giving a net cash limit requirement of around £5 million. **This is not new funding - it merely represents a reallocation of existing property related budgets, currently allocated across all States departments.**

Property Holdings is charged with delivering a significant proportion of the States' overall savings targets to 2009. The savings comprise two distinct elements:

- Revenue efficiency savings targets rising to £1.5 million a year by 2008, when compared with the base 2005 budget position; and
- Annual net capital receipts targets rising to £4 million a year by 2009.

Revenue Savings

The build up of revenue savings targets from Property Holdings is shown in Table 7.1 below:

Table 7.1 - Property Holdings Revenue Savings Targets

	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000	6Year Total £'000
Annual Additional Savings Targets	400	500	600	-	-	-	
Cumulative Impact on 2005 Base Budget	**400**	**900**	**1,500**	**1,500**	**1,500**	**1,500**	**7,300**

The revenue savings represent a reduction, against the anticipated gross expenditure position of £11.3 million, of around 4.5 % in 2007 and a further 5.5% in 2008.

At this early stage, particularly without having finalised the span and scope of Property Holdings operations, it is not possible to provide definitive proposals as to how the revenue savings targets will be achieved.

To provide a framework for achieving the necessary base budget reductions, the following areas identified in Table 7.2 below have been targeted for further analysis:

Table 7.2 - Targeted Allocation of Property Revenue Savings

	2007 £'000	2008 £'000
Procurement	300	300
Staff Savings	70	130
Other Operational Savings	130	170
Total	**500**	**600**

In addition to the targeted areas, as Property Holdings becomes a mature organisation it will achieve performance benefits from improved strategic management, better utilisation of the estate, more effective management of capital projects, collaboration over service delivery, a single point of authority and expertise and broader opportunities for property people.

The proposed introduction of an asset rental system in 2007, to be fully implemented for 2008, will be initially 'budget neutral' as the income received into Property Holdings will be offset by corresponding adjustments to departments' expenditure allocations. However, identifying the true cost of occupying property will improve enormously statistical and management information on the cost of operating services, providing real incentives to shed surplus property.

The charge will form a significant proportion of the controllable base budget. It will promote the review of the use of assets as departments attempt to reduce costs to meet efficiency savings targets or employ financial resources to higher priorities. The review process will identify expensive sites and equipment, by providing a more realistic figure for the cost of holding and maintaining property.

Net Capital Receipts

In pursuing its primary objectives of more efficient and effective use of States property assets, Property Holdings will identify properties that are not contributing optimally to the delivery of priority services. This may be through under occupation, high maintenance costs, inappropriate size or location, or a number of other factors.

Having identified such properties, Property Holdings will determine an appropriate future use, which may be alternative in-house use, short or long term lease to a third party or disposal. The net capital receipts achieved from disposals will be used to offset capital expenditure on States Property, thus reducing the call on the Consolidated Fund.

Whilst Property Holdings remains part of the Treasury and Resources department, capital receipts will be credited directly to the Consolidated Fund. When established as a States Trading Organisation, capital receipts will be credited to that organisation's Trading Fund and a corresponding adjustment will be made to reflect the reduced call on the Consolidated Fund to provide for capital maintenance and redevelopment.

The amount to be raised from the sale of surplus assets will be dependent on a number of factors including availability, current market situation and legal or other impediments, in addition to approval at a strategic level in the draft Annual Business Plan and at a detailed level by the Minister for Treasury and Resources.

It is anticipated that net capital receipts of £15 million will be achieved in the period to 2011, on the basis shown in Table 7.3 below:

Table 7.3 - Targeted Property Net Capital Receipts

	2007	**2008**	**2009**	**2010**	**2011**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Annual Net Receipts from Disposals	700	2,300	4,000	4,000	4,000
Running Total	**700**	**3,000**	**7,000**	**11,000**	**15,000**

7.3 Organisational Structure and Implementation

Structure and Governance

The organisation is established as a division of the Treasury and Resources department, along with the Treasury and Income Tax divisions.

The Director of Property Holdings, who is the designated Accounting Officer, reports directly to the Treasurer of the States and, through him, to the Treasury and Resources Minister (who has delegated responsibility for property to the Assistant Minister).

A Property Board, representing the principal States departments receiving property services, will be established to monitor the performance of Property Holdings.

In order to provide an appropriate level of flexibility to deal with the management and allocation of income and expenditure, it is the intention that Property Holdings will become a trading organisation by 2008. This will provide an accounting vehicle which is more suitable for Property Holdings activities.

The Director and senior managers will form an executive 'Senior Management Team' responsible for the collective leadership, direction and overall management of the new organisation.

The high level organisational structure of Property Holdings has now been established and comprises three principal service sections:

- Design and Maintenance: All services associated with the design, construction and maintenance of buildings.

- Property Management: All professional property and estate management services.

- Finance and Strategy: All high level financial services; all aspects of property strategy (including the asset management process), 'client' management of the capital building programme and securing of development input to the work of the organisation.

Each section is headed by the Assistant Director, who with the Director will form the internal Senior Management Team.

The service delivery sections are supported through a directly employed (contract or secondment) change manager and administration staff as well as finance, human resource and ICT services delivered through the relevant central bodies.

Implementation Timetable

A comprehensive implementation programme, containing several specific work streams, has been produced to transfer appropriate responsibilities for property from individual departments to Property Holdings and to develop experience, knowledge and efficient methods of working.

The main streams of work are:

- Implementation of Organisation Design

  Implementation will take place over a period, but it is expected that certain core areas will be formed first (commencing in July 2006) with other areas, in particular Health and Social Services, General and Acute addressed towards the end of the year.

- Develop Asset Management Process

  The Strategic Development team will undertake research, produce guidance and work with departments in the production of departmental asset management plans and a States of Jersey asset management plan. Review of major sites identified in the Property Plan will commence.

- Procurement

  The implementation of a procurement strategy to deliver identified efficiency savings across Departments, followed by the development of procurement processes to meet both medium and longer term targets.

- Information Systems

  The development of functional requirements and the selection and implementation of a solution for integrated property management. Work to develop a records management solution and web-site presence will also be undertaken.

- Development of Financial and Asset Recharge Systems

    Information gathering (including valuation surveys), research, development of options and an approach to the development of an asset charging system. Implementation of 'pilot' followed by full implementation of system.

The implementation plan establishes key milestones and targets to create the new organisation over a period as its elements are brought together and are developed. A risk register has been developed that sets out the main risks to the implementation process.

The 'one off' costs of implementing and developing the organisation over the next two to three years will be contained within funding previously allocated to the Change Programme.

8. LEGISLATION PROGRAMME

8. LEGISLATION PROGRAMME

Purpose
The legislation programme is a significant part of the annual consideration of States resources. It has a twofold benefit. A legislation programme ensures that the best use is made of the law drafting resource. It also makes it possible to predict and plan for the impact of legislation that will be enacted over the coming years on the future financial and manpower resources of the States.

The proposed programme for 2007
The number of days of drafting time bid for in 2007 exceeded the number of drafting days available for that year, making it necessary to prioritise the bids received. Each bid for law drafting time has been assessed according the following criteria:
- its relevance to the strategic aims and objectives proposed in the States Strategic Plan;
- whether or not the financial and manpower resources for the States resulting from it are sustainable within the financial framework in the States Strategic Plan 2007-2011;
- its financial impact on the private sector; and
- its readiness to proceed.

Departments have also been asked for their assurance that their bids have been made with the clear understanding that the financial implications of the resulting legislation can be accommodated in their proposed revenue expenditure allocations to their department for 2007 and beyond.

The bids have been subject to two rounds of review: by the Corporate Management Board, then by the Council of Ministers. Other stakeholders have been represented at both reviews.

The prioritisation process identified drafting bids that are essential or highly desirable. These have all been accommodated in the programme proposed for 2007. In order to achieve this, days needed for the preparation of subordinate legislation required to implement a new Law being drafted in 2007 have been deferred to 2008.

A brief description of the proposed programme is included as Summary Table K, page 68, in this report. A detailed description of the proposed programme, including the financial and manpower requirements and the links to the States Strategic Plan, is provided in the Annex to the draft Annual Business Plan, pages 220 to 224.

Future years
It had been hoped to make progress towards a three year law drafting programme but the timescale following the States Strategic Plan has meant that this objective will now be pursued in line with the new strategic objectives ahead of next year's Annual Business Plan. Although it may not be practicable to produce a detailed legislative programme for three years, the intention is to develop a work plan which at least identifies the main areas of activity for law drafting in the three year period ahead.

Work completed June 2005 to June 2006
The first half of this period was dominated by completion of all the legislation required to effect the move to ministerial government. Other major projects completed in the period include the Rates Law 2005, the subordinate legislation required to implement the Employment (Jersey) Law 2003 and the Data Protection (Jersey) Law 2005, the Consumer Safety Law and almost all of the legislation required to implement the tobacco strategy. Details of the work completed and work in progress and of the items in the 2006 programme for which drafting instructions have not yet been delivered, are provided in the Annex to the draft Annual Business Plan.

9. PERFORMANCE

9. PERFORMANCE

Performance Framework

As part of public sector reform, a performance framework is already being introduced throughout the executive departments that will require those departments to demonstrate whether the objectives asset out in the States Strategic Plan are being met and whether services are efficient, effective and provide good value for money.

Balanced Scorecard
The Corporate Management Board will regularly review performance through a "balanced scorecard" approach. Individual departmental balanced scorecards will be set out in the departmental Annual Business Plans which will be produced later this year. This provides at a glance a snapshot of performance across the whole range of activity. The States scorecard will contain five dimensions; for each a number of performance measures will be reported:

- Customer;
- Strategy;
- Performance;
- Staff; and
- Money.

High level performance measures have been included in this plan, both against the priority objectives of departments and against the individual service function of each department.

Annual Performance Report
The Annual Performance Report, which will be published each year to coincide with the publication of the States Accounts, will report on performance against the indicators of success drawn from the States Strategic Plan, the Annual Business Plan and also the detailed departmental Annual Business Plans for the previous year. This will include benchmarking against similar service providers outside the public sector and elsewhere where appropriate.

Organisation Development Programme
The Performance reporting framework will be underpinned by a full Organisation Development programme based on continual improvement and delivery of the strategic and departmental plans. These will work as a cascade from the Annual Business Plans into departmental Action Plans and then ultimately into the personal objectives of managers and their sections.

Efficiency Reviews
In tandem with this, an ongoing programme of efficiency reviews will ensure continuous improvement in performance and value for money. This framework will be developed and improved over time. The Comptroller and Auditor General will independently review this framework and its outputs to ensure that the information is both valid and robust.

PART TWO

SUMMARY TABLES

SUMMARY TABLE A – Revenue Expenditure Allocations 2007

Approval of Revenue Heads of Expenditure

States Funded Bodies	Gross Revenue Expenditure	Income	Net Revenue Expenditure
	£	**£**	**£**
Ministerial Departments			
Chief Minister	15,685,800	1,282,400	14,403,400
- Grant to the Overseas Aid Commission	6,331,000	-	6,331,000
Economic Development	17,344,500	1,340,000	16,004,500
Education, Sport and Culture	108,082,000	11,988,100	96,093,900
Health and Social Services	153,906,500	16,812,000	137,094,500
Home Affairs	41,185,300	1,541,600	39,643,700
Housing	37,425,500	35,569,000	1,856,500
Planning and Environment	8,451,700	2,733,000	5,718,700
Social Security	102,833,200	5,000	102,828,200
Transport and Technical Services	35,742,000	14,501,000	21,241,000
Treasury and Resources	58,064,400	2,968,200	55,096,200
Non Ministerial States Funded Bodies			
- Bailiff's Chamber	1,244,000	65,000	1,179,000
- Law Officers' Department	5,970,400	873,700	5,096,700
- Judicial Greffe	4,324,600	586,200	3,738,400
- Viscount's Department	1,734,700	395,500	1,339,200
- Official Analyst	628,900	65,000	563,900
- Office of the Lieutenant Governor	723,900	28,600	695,300
- Office of the Dean of Jersey	21,100	-	21,100
- Data Protection Commission	268,900	60,000	208,900
- Probation Department	1,443,900	-	1,443,900
- Comptroller and Auditor General	695,500	-	695,500
States Assembly and its services	4,864,600	83,000	4,781,600
Proposed Revenue Expenditure 2007	**£ 606,972,400**	**£ 90,897,300**	**£ 516,075,100**

Adjustments:			
Treasury and Resources			
Interest and Repayments on Capital Debt	*(42,617,800)*	*(403,800)*	*(42,214,000)*
Revenue Expenditure less repayments on Capital Debt for Financial Forecast	*£ 564,354,600*	*£ 90,493,500*	*£ 473,861,100*

Note:

The Overseas Aid Commission expenditure allocation appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the new Finance Law.

SUMMARY TABLE B - Summary of States Trading Operations for 2007

Operating Accounts of the States Trading Operations 2007

	Operating Income	Authorised Operating Expenditure	Gross Operating Surplus	Repayment of Capital Debt	Financial Return	Transfer to Trading Fund
	£	**£**	**£**	**£**	**£**	**£**
Economic Development						
Jersey Airport	22,143,750	16,721,650	5,422,100	2,666,000	-	2,756,100
Jersey Harbours	13,230,000	9,515,000	3,715,000	2,404,600	366,000	944,400
Transport and Technical Services						
Jersey Car Parking	5,313,500	4,559,500	754,000	-	-	754,000
Jersey Fleet Management	2,957,600	2,933,200	24,400	-	-	24,400
Total All Trading Operations	**£ 43,644,850**	**£ 33,729,350**	**£ 9,915,500**	**£ 5,070,600**	**£ 366,000**	**£ 4,478,900**

Trading Funds of the States Trading Operations 2007

	Opening Balance 1.1.2007	Plus: Additions 2007	Less: Expenditure 2007	Balance C/forward 31.12.2007
	£	**£**	**£**	**£**
Economic Development				
Jersey Airport	24,217,888	6,097,100	22,882,800	7,432,188
Jersey Harbours	1,878,381	1,028,400	1,300,000	1,606,781
Transport and Technical Services				
Jersey Car Parking	7,665,512	754,000	1,000,000	7,419,512
Jersey Fleet Management	889,809	24,400	100,000	814,209
Total All Trading Operations	**£ 34,651,590**	**£ 7,903,900**	**£ 25,282,800**	**£ 17,272,690**

SUMMARY TABLE C – Total States Net Expenditure Allocations for approval 2007 - 2011

States Funded Bodies	2006 Expenditure Allocation (restated) £'000	2007 Expenditure Allocation £'000	2008 Expenditure Allocation £'000	2009 Expenditure Allocation £'000	2010 Expenditure Allocation £'000	2011 Expenditure Allocation £'000
Ministerial Departments						
Chief Minister	11,134	14,403	14,539	14,903		
- Grant to the Overseas Aid Commission	5,686	6,331	6,673	7,107		
Economic Development	15,257	16,004	16,007	16,395		
Education, Sport and Culture	91,690	96,094	98,150	100,544		
Health and Social Services	132,469	137,095	143,329	148,816		
Home Affairs	38,942	39,644	40,808	41,802		
Housing	1,581	1,856	2,133	2,426		
Planning and Environment	5,897	5,719	5,598	5,732		
Social Security	92,530	102,828	110,691	113,950		
Transport and Technical Services	21,245	21,241	21,463	21,975		
Treasury and Resources	49,599	55,096	54,708	55,014		
Non Ministerial States funded bodies						
- Baliff's Chamber	1,175	1,179	1,203	1,232		
- Law Officers' Department	5,059	5,097	5,197	5,324		
- Judicial Greffe	3,712	3,738	3,809	3,901		
- Viscount's Department	1,336	1,339	1,364	1,397		
- Official Analyst	560	564	575	589		
- Office of the Lieutenant Governor	693	695	710	727		
- Office of the Dean of Jersey	21	21	22	22		
- Data Protection Commission	208	209	214	219		
- Probation Department	1,315	1,444	1,476	1,512		
- Comptroller and Auditor General	577	696	709	726		
States Assembly and its services	4,729	4,782	4,870	4,988		
Net Revenue Expenditure Allocation	**£ 485,415**	**£ 516,075**	**£ 534,248**	**£ 549,301**	**£ 560,000**	**£ 574,000**
Capital Expenditure Allocation	**£ 38,694**	**£ 43,499**	**£ 42,162**	**£ 41,551**	**£ 45,116**	**£ 42,464**
Total States Net Expenditure Allocation	**£ 524,109**	**£ 559,574**	**£ 576,410**	**£ 590,852**	**£ 605,116**	**£ 616,464**
Less:						
Repayment of Capital Debt (revenue)	*(£ 36,496)*	*(£ 42,214)*	*(£ 42,214)*	*(£ 42,214)*	*(£ 42,000)*	*(£ 42,000)*
Property Capital Receipts (capital)		*(£ 700)*	*(£ 2,300)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*
Trf from Land Acquisition (capital)		*(£ 1,000)*				
Total States net expenditure allocation (as shown in financial forecasts)	*£ 487,613*	*£ 515,660*	*£ 531,896*	*£ 544,638*	*£ 559,116*	*£ 570,464*

Note:
The Overseas Aid Commission expenditure allocation appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the new Finance Law.

SUMMARY TABLE D - Proposed Capital Expenditure Allocations for 2007

Department	**Project**				**Allocation £'000**	**Proposed Allocation £'000**
Earmarked Funds and Rolling Allocations						
T&TS	Infrastructure Works				4,500	
T&TS	Indoor Markets Rolling Refurbishment				700	
ED (Airport)	Airport 'Below Ground' Works				2,841	
Housing	Social Housing Works Rolling Allocation				6,000	
Chief Ministers Dept	Corporate IT				1,500	
H&SS	Replacement Health IT System				4,000	
Various	Equipment, Maintenance and Minor Capital				2,550	
Total Earmarked Funds and Rolling Allocations						**22,091**
Major Equipment, Building and Civil Engineering Works		**Base Cost £'000**	**Fees £'000**	**Estimated Inflation £'000**	**Allocation £'000**	
ESC	St Peter's School	3,743	650	447	4,840	
Home Affairs	Police Relocation - Sinking Fund 2nd Tranche	3,512	541	768	4,821	
Home Affairs	Prison Cell Block	7,180	1,050	786	9,016	
Home Affairs	Prison Multi-Purpose Hall	1,574	259	98	1,931	
T&R (Property Holdings)	Town Park - Balance of Funds	800	-	-	800	
Total Building and Civil Engineering Works						**21,408**
	Total Proposed Capital Expenditure Allocation for 2007					**43,499**

Note:
Less: Contributions from other sources

- T&R (Property Holdings)	*Contribution From Land Acquisition Vote*	*(1,000)*	
- T&R (Property Holdings)	*Contribution from Capital Receipts*	*(700)*	
			(1,700)
	Financial Forecast – Net Capital Allocation		*41,799*

Note: Costs and Fees at a December 2005 Price Base

SUMMARY TABLE E – Proposed Capital Expenditure to be financed from the Trading Funds of States Trading Operations in 2007

Trading Organisation	Capital "Head of Expenditure (Project)	Estimated Outturn Cost £'000	Total Allocation £'000
Airport	North Apron (Phase 2 - Western Section)*	3,848	
	South Apron Area*	7,165	
	Freight Taxiway and Apron*	2,313	
	Runway PFC Re-surfacing*	500	
	Ground Water Remediation*	500	
	New Engineering and ARFFS Building	3,703	
	Hangar Demolition	433	
	Mezzanine Floor and Escalator	2,428	
	Les Platons UPS	202	
	Loop Road	1,300	
	Minor Capital Assets	200	
			22,592
Harbours	Asset Replacement Programme	217	
	Costs associated with change of use of Harbour Works Building, La Collette	80	
	Fencing and Safety Railings	62	
	Port Estate Refurbishment Programme	150	
	Contingency for Unforeseen Urgent Repairs	406	
			915
Jersey Car Parking	Concrete Degradation and Structural Work on Multi-Storey Car Parks	1,000	
			1,000
Jersey Fleet Management	Vehicle and Plant Replacement	100	
			100
	Total Capital Expenditure to be Financed from Trading Funds in 2007		**24,607**

** These items are designated 'below ground' works for which a rolling allocation is provided from the States Capital Programme*

SUMMARY TABLE F – Proposed “in principle” Capital Programme 2008

	Department	Capital “Head of Expenditure” (Project)				Allocation £’000	Proposed Allocation £’000
	Earmarked Funds and Rolling Allocations						
	T&TS	Infrastructure Works				4,500	
	T&TS	Sinking Fund: EfW Plant and associated works				6,000	
	ED (Airport)	Airport ‘Below Ground’ Works				2,841	
	Housing	Social Housing Works Rolling Allocation				6,000	
	Chief Ministers Dept	Corporate IT				3,500	
	H&SS	Replacement Health IT System				3,000	
	P&E	Urban Renewal Fund				200	
	Various	Equipment, Maintenance and Minor Capital				2,550	
						Total Earmarked Funds and Rolling Allocations	**28,591**
	Major Equipment, Building and Civil Engineering Works		**Base Cost £'000**	**Fees £'000**	**Estimated Inflation £'000**	**Allocation £'000**	
	ESC	Highlands ‘A’ Block Refurbishment Works	4,126	811	794	5,731	
	H&SS	A&E/Radiology Phase 2	1,891	331	301	2,523	
	H&SS	Tube System Upgrade	579	-	75	654	
	H&SS	General Hospital Upgrade Phase 2	1,013	53	123	1,189	
	H&SS	Central Laundry Batch Washer	442	-	58	500	
	T&TS	Sludge Treatment Phase 2: Dryer	2,326	279	369	2,974	
						Total Building and Civil Engineering Works	**13,571**
						Total Proposed “in principle” Capital Expenditure Allocation for 2008	**42,162**

Note:
Less: Contributions from other sources
- T&R (Property Holdings) *Contribution from Capital Receipts* *(2,300)*

Financial Forecast – Net Capital Allocation *39,862*

Note: Costs and Fees at a December 2005 Price Base

SUMMARY TABLE G – Proposed "in principle" Capital Programme 2009

	Department	Capital "Head of Expenditure" (Project)				Allocation £'000	Proposed Allocation £'000
	Earmarked Funds and Rolling Allocations						
	T&TS	Infrastructure Works				4,500	
	T&TS	Sinking Fund: EfW Plant and associated works				7,500	
	ED (Airport)	Airport 'Below Ground' Works				2,841	
	Housing	Social Housing Works Rolling Allocation				6,000	
	Chief Ministers Dept	Corporate IT				5,000	
	H&SS	Replacement Health IT System				3,000	
	Various	Equipment, Maintenance and Minor Capital				2,550	
						Total Earmarked Funds and Rolling Allocations	**31,391**
	Major Equipment, Building and Civil Engineering Works		**Base Cost £'000**	**Fees £'000**	**Estimated Inflation £'000**	**Allocation £'000**	
	ESC	Mont A L'Abbe School Phase 2	2,862	434	610	3,906	
	Home Affairs	Police Relocation – Sinking Fund 3rd Tranche	4,556	701	997	6,254	
						Total Building and Civil Engineering Works	**10,160**
						Total Proposed "in principle" Capital Expenditure Allocation for 2009	**41,551**

Note:
Less: Contributions from other sources
- T&R (Property Holdings) Contribution from Capital Receipts *(4,000)*

Financial Forecast – Net Capital Allocation *37,551*

Note: Costs and Fees at a December 2005 Price Base

SUMMARY TABLE H – Proposed “in principle” Capital Programme 2010

Department	**Capital “Head of Expenditure”(Project)**				**Allocation £’000**	**Proposed Allocation £’000**
Earmarked Funds and Rolling Allocations						
T&TS	Infrastructure Works				6,000	
T&TS	Sinking Fund: EfW Plant and associated works				15,000	
ED (Airport)	Airport ‘Below Ground’ Works				2,841	
Housing	Social Housing Works Rolling Allocation				6,000	
Chief Ministers Dept	Corporate IT				4,800	
H&SS	Replacement Health IT System				2,000	
Various	Equipment, Maintenance and Minor Capital				2,550	
					Total Earmarked Funds and Rolling Allocations	**39,191**
Major Equipment, Building and Civil Engineering Works		**Base Cost £'000**	**Fees £'000**	**Estimated Inflation £'000**	**Allocation £'000**	
ESC	St Martins School	1,433	298	439	2,170	
H&SS	Replacement CT Scanner	1,050	-	210	1,260	
Home Affairs	Prison Visits	832	150	196	1,178	
Home Affairs	Prison Education/Workshop Block	929	163	225	1,317	
					Total Building and Civil Engineering Works	**5,925**
					Total Proposed “ in principle” Capital Expenditure Allocation 2010	**45,116**

Note:
Less: Contributions from other sources
- T&R (Property Holdings) Contribution from Capital Receipts *(4,000)*

Financial Forecast – Net Capital Allocation *41,116*

Note: Costs and Fees at a December 2005 Price Base

SUMMARY TABLE I – Proposed “in principle” Capital Programme 2011

	Department	Capital “Head of Expenditure”(Project)				Allocation £’000	Proposed Allocation £’000
	Earmarked Funds and Rolling Allocations						
	T&TS	Infrastructure Works				4,500	
	T&TS	Sinking Fund: EfW Plant and associated works				11,500	
	ED (Airport)	Airport ‘Below Ground’ Works				2,841	
	Housing	Social Housing Works Rolling Allocation				6,000	
	Chief Ministers Dept	Corporate IT				2,000	
	Various	Equipment, Maintenance and Minor Capital				2,550	
						Total Earmarked Funds and Rolling Allocations	**29,391**
	Major Equipment, Building and Civil Engineering Works		**Base Cost £'000**	**Fees £'000**	**Estimated Inflation £'000**	**Allocation £'000**	
	ESC	Grainville School Phase 4	5,882	935	1,988	8,805	
	T&TS	Permanent Re-Use/Recycle Centre	1,067	93	358	1,518	
	T&TS	Inert Waste Disposal Site - Planning and Design	-	750	-	750	
	T&TS	Refurbishment Sludge Digesters/STW Tanks	1,365	164	471	2,000	
						Total Building and Civil Engineering Works	**13,073**
		Total Proposed “in principle” Capital Expenditure Allocation 2011					**42,464**

Note:
Less: Contributions from other sources
- T&R (Property Holdings) Contribution from Capital Receipts (4,000)

Financial Forecast – Net Capital Allocation 38,464

Note: Costs and Fees at a December 2005 Price Base

States Property Plan

SUMMARY TABLE J - Schedule of Properties Proposed for Disposal in 2007

Hue Street/Dumaresq Street Site, St Helier
This site has long been identified as being suitable for disposal/development, and negotiations have been taking place with BG Romeril Ltd for a number of years to achieve a mutually beneficial outcome.

2-4 Dumaresq Street, 19-20 Charing Cross, St Helier
The properties were acquired as part of the Dumaresq Street road widening scheme which was abandoned in 1996. The site has had various temporary uses since, including car parking. A petition was launched in 2006 seeking the prevention of any development on the site, but overwhelmingly rejected by the States.

Seaton Youth Centre, Seaton Place, St Helier
This former church was acquired by the States in 1959 and has been used as a youth centre. The internal layout of the building and limited means of escape in the event of fire has meant this use has had to be terminated. The property is listed as a Building of Local Interest which restricts the development potential of the site.

Samarès School houses, St Clement
A pair of houses built in 1990 as staff accommodation for teachers. The properties lie between the school and the Housing Le Squez phase 1b development now started on site. The houses are no longer required for staff and, as they are not designated for Category A use, they will probably be offered for sale once the Housing development is suitably advanced.

Headingley, La Route du Fort, St Helier
This substantial dwelling was acquired in 1990 to provide accommodation for single nursing staff. The demand for this type of accommodation is falling and the property is expected to be surplus to requirements within twelve months.

74 and 76 Colomberie, St Helier
Established commercial units which were acquired in 1991 for possible extension of the Keith Baal Gardens housing scheme. There are no plans to pursue that course. Both units are let with break clauses in the leases arising in 2007.

Drury Lane workshop
This workshop was acquired by the States in 1995 to remove a ‘bad neighbour’ from a primarily residential area. This was achieved and the workshop has been let on a temporary basis to the voluntary group ‘Tools for Self Reliance’.

Le Rondin Farm Fields, Trinity
The fields were purchased at a time when the use of Howard Davis Farm for crop trials was expanding. This situation has reversed and the fields are no longer need.

Field 373, Les Creux, St Brelade
This field was purchased in 1994 as part of the land assembly for the municipal golf course project. This project was abandoned and the majority of the land acquired has been utilised to form the Les Creux Country Park. Field 373 does not form part of the Park.

Acorn Lodge, Les Quennevais School
Acorn Lodge and Oak Lodge were previously used to house teachers but are no longer required for that purpose and have both been empty for some time.

Development site at Belle Vue, Les Quennevais
On the grounds that the States will not be proceeding with a project to develop a residential home and day care centre, or any other project, it is recommended that this potentially valuable development site be considered for disposal.

1 Oxford Road, St Helier, offices and workshop
The property is one of several left to the States 'for the benefit of the aged, infirm and needy residents of the Island by Mr Harold Le Seelleur, who died in 1996. If the property is sold the proceeds will be put toward the upkeep of the remaining properties and any balance spent in accord with Mr Le Seelleur's wishes. In May 2003 a proposition to sell the property for £356,000 was rejected by the States. Unfortunately, since being left to the States this property has generated no benefit and has incurred only costs.

La Mabonnerie Houses 1 and 2, Trinity
The houses are on the boundary of the Howard Davis Farm site, and therefore their sale would not impact on any plans for the main site, to the rear (East) of the houses. The houses are outside the area of the Howard Davis Farm Restrictive Covenant. It is recommended therefore, that with no current use for the two houses, they should be sold on the open market.

Further details of these properties are included in the Annex in pages 189 to 217

SUMMARY TABLE K - Proposed Legislation Programme for 2007

No.	Priority	Description	Drafting days	Promoter
1	E	MIGRATION: MONITORING AND REGULATION New legislation to regulate inward migration	25	Chief Minister
2	E	DISCRIMINATION (SEX) REGULATIONS Second phase in introduction of anti-discrimination legislation, applying the Discrimination Law (under preparation) to sex discrimination and setting out exceptions to the Law	10	Chief Minister
3	E	FINANCIAL SERVICES LAW/ COLLECTIVE INVESTMENT FUNDS LAW/ BANKING BUSINESS LAW/ INSURANCE BUSINESS LAW/ MONEY LAUNDERING ORDER Amendments to bring financial regulatory legislation up to IMF standards in anticipation of IMF assessment	25	Economic Development
4	E	GAMBLING LAW A new Law to replace the 1964 Law, creating a simplified regulatory regime, whilst extending anti-money laundering controls to the industry and introducing a betting levy (NB 30 days carried forward to 2008 for subordinate legislation)	25	Economic Development
5	E	GAMBLING COMMISSION LAW Linked to the introduction of the new Gambling Law, to create a politically independent regulator	25	Economic Development
6	E	TERRORISM LAW Amendments to the 2002 Law to reflect, to the extent that they are appropriate for Jersey, the provisions of the Terrorism Act 2006	25	Home Affairs
7	E	CRIMINAL JUSTICE (YOUNG OFFENDERS) LAW Amendments conferring new sentencing powers for the courts in respect of offenders aged 12+; linked to the development of a new secure facility at the Greenfields site	15	Home Affairs
8	E	SHARED EQUITY LAW To enable a percentage of the equity in a property to be owned by a third party, through the creation of a second charge equal to the percentage share	10	Housing
9	E	STATES OF JERSEY LAW Amendments to implement the forthcoming recommendations of the Privileges and Procedures Committee regarding the constitution and election of the States Assembly	5	Privileges and Procedures Committee
10	E	PUBLIC ELECTIONS LAW Amendments regarding the arrangements for voting, in particular, postal voting	10	Privileges and Procedures Committee

No.	Priority	Description	Drafting days	Promoter
11	E	EMPLOYMENT LAW Amendments to the 2003 Law regarding family friendly policies, redundancy, equality of opportunity, mergers and acquisitions (NB 15 days carried forward to 2008 for subordinate legislation)	25	Social Security
12	HD	FINANCIAL SERVICES LAW/ COLLECTIVE INVESTMENT FUNDS LAW/ BANKING BUSINESS LAW/ INSURANCE BUSINESS LAW Amendments to add power to disqualify a person for acting as a principal person	10	Economic Development
13	HD	FINANCIAL SERVICES (TRUST COMPANY BUSINESS (ASSETS - CUSTOMER MONEY)) ORDER Amendments to extend the Order to non-cash assets, to include immovables and intellectual property	15	Economic Development
14	HD	FINANCIAL SERVICES (TRUST COMPANY BUSINESS (ACCOUNTS, AUDITS AND REPORTS)) ORDER Amendments to tighten up reporting requirements	8	Economic Development
15	HD	CONTROL OF BORROWING LAW AND ORDER/ COMPANIES (GENERAL PROVISIONS) ORDER To remove duplicate regulatory requirements from COBO	15	Economic Development
16	HD	HARBOURS (ADMINISTRATION) LAW AND REGULATIONS Amendments to the criteria for the grant or refusal of a ramp permit	8	Economic Development
17	HD	LIMITED LIABILITY PARTNERSHIPS LAW A replacement for the existing Law, establishing a competitive and viable framework for the creation of Jersey LLPs (NB 30 days carried forward to 2008 for subordinate legislation)	15	Economic Development
18	HD	POLICE PROCEDURES AND CRIMINAL EVIDENCE LAW Amendments to the 2003 Law regarding the issue of and powers under search warrants and the taking of fingerprints and other samples	25	Home Affairs
19	HD	CIVIL ASSET RECOVERY LAW A new Law to enable Jersey to assist other jurisdictions in the civil recovery by them of proceeds of crime held in Jersey	15	Home Affairs

No.	Priority	Description	Drafting days	Promoter
20	HD	REGULATION OF CARE LAW A new Law to replace the Nursing and Residential Homes Law and the Nursing Agencies Law to provide adequate levels of protection for vulnerable sections of the public (NB 20 days for subordinate legislation carried forward to 2008)	20	Health and Social Services
21	HD	SEA FISHERIES REGULATIONS Amendments necessary to keep Jersey in line with EU fisheries requirements and implement requirements established under the Granville Bay Treaty	15	Planning and Environment
22	HD	CONSTRUCTION (HEALTH AND SAFETY) REGULATIONS A replacement for the 1970 Regulations to reflect current needs for the management of health and safety in the construction industry	20	Social Security
23	HD	STREETWORKS LAW A Law to replace the Public Utilities Road Works Law 1963 and amend other Laws in order to enforce a co-ordinated and managed streetworks policy	20	Transport and Technical Services
24	HD	ROAD TRAFFIC LAW/ MOTOR TRAFFIC LAW/ PARKING CHARGES ORDER Amendments related to buses and public parking charges	16	Transport and Technical Services

Note: E = essential; HD = highly desirable. Essential items and highly desirable items respectively are not shown in any order of priority.

Departments have been asked for their assurance that their bids have been made with the clear understanding that the financial implications of the resulting legislation can be accommodated in their proposed revenue expenditure allocations to their department for 2007 and beyond.

Further details of these bids are included in the Legislation section of the Annex pages 219 to 231