STATES OF JERSEY

ANNUAL BUSINESS PLAN 2011

(as amended 17.09.10)

Council of Ministers

T.A. Le Sueur	Senator	Chief Minister
P.F.C. Ozouf	Senator	Treasury and Resources and Deputy Chief Minister
A.J.H. Maclean	Senator	Economic Development
J.G. Reed	Deputy	Education, Sport and Culture
A.E. Pryke	Deputy	Health and Social Services
B.I. Le Marquand	Senator	Home Affairs
S.S.P.A. Power	Deputy	Housing
F.E. Cohen	Senator	Planning and Environment
I.J. Gorst	Deputy	Social Security
M.K. Jackson	Connétable	Transport and Technical Services

W.D. Ogley Chief Executive

DRAFT ANNUAL BUSINESS PLAN 2011
PROPOSITION (AS AMENDED)

The States are asked to decide whether they are of opinion:
to receive the draft Annual Business Plan 2011 and –

a) to approve the summary set out in Summary Table A, page 53, being the gross revenue expenditure of each States funded body, including depreciation and the additional provisions of net revenue expenditure for central reserves of £8,862,000 and restructuring costs of £6,000,000 as part of the total net revenue expenditure of the Treasury and Resources Department and, having taken into account any income due to each of the States funded bodies, the total net revenue expenditure of £652,874,640 to be withdrawn from the consolidated fund in 2011; with any increase above this figure compensated by appropriate measures within the draft Budget 2011 to enable the Minister for Treasury and Resources to present a draft Budget within the proposed deficit of £50 million as set out in Figure 3.4.

b) to approve the summary set out in Summary Table B, page 54, 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 2011;

c) to approve each of the capital projects in the recommended programme of capital projects for each States funded body for 2011, as set out in Summary Table C, page 55, that requires £38,149,000 to be withdrawn from the consolidated fund;

d) to approve each of the capital projects in the recommended programme of capital for each States trading operation, as set out in Summary Table D, page 56, that require funds to be drawn from the trading funds in 2011;

~~e) to approve total net expenditure (revenue and capital) for the States funded bodies, as set out in Summary Table E, page 57, for 2012 and 2013 and to request the Chief Minister to present Annual Business Plans to the States, following the Comprehensive Spending Review, within these amounts,~~

f) to approve the Legislation Programme for 2011, as set out in Summary F, page 58.

CHIEF MINISTER

Paragraph “e” of the proposition was withdrawn by the Chief Minister in order to allow the Council of Ministers the opportunity to revisit the savings targets for 2012 and 2013

CONTENTS

Index of Figures

Addendum

Introduction

As a result of the debate on the Draft Annual Business Plan 2011 which concluded on 17th September 2010, the following amendments were approved. These amendments have been made on the PDF file of the Annex to the Annual Business Plan 2011 on the States internet website:
http://www.gov.je/Government/PlanningPerformance/StrategicPlanning/Pages/StatesAnnualBusinessPlan.aspx

Changes to Department Cash Limits

<u>Social Security</u>

Net revenue expenditure shall be increased by £138,000 in 2011, in order to reinstate the GST bonus, as proposed by Deputy Le Fondre.

And

Net revenue expenditure shall be reduced by £6,632 in 2011, following the restructuring of the Christmas Bonus, as proposed by Senator Le Gresley.

<u>Treasury and Resources</u>

Net revenue expenditure shall be decreased by £138,000 in 2011, taken from the Central Reserves allocation, to fund the increase in Social Security to reinstate the GST bonus, as proposed by Deputy Le Fondre.

Summary

Total States Net Revenue Expenditure was reduced to £652,874,640 in 2011 and allocated as shown in Summary Table A (as amended).

Paragraph “e” of the proposition was withdrawn by the Chief Minister in order to allow the Council of Ministers the opportunity to revisit the savings targets for 2012 and 2013.

1a FOREWORD FROM THE CHIEF MINISTER

This is the fifth draft Annual Business Plan under the new Public Finances (Jersey) Law 2005 and is presented at a time of unprecedented global economic uncertainty when hard choices need to be made to safeguard our Island's current and future prosperity. This will require political courage and a firm resolve to see through the actions that are necessary.

It is indeed a desirable objective to try to provide the fullest range of public services, to the highest possible standard, and at the lowest overall cost. However this has to be tempered by financial reality. Public services cost money and, for the foreseeable future, we are in a situation where, largely as a result of the worldwide recession, there is not enough money coming in year by year to pay for the current range and form of public services.

Unlike many other countries, Jersey is not in debt. We were also prudent to put away money in the good times into the Stabilisation Fund. That was a policy which we introduced a few years ago and it was a very forward looking policy for its time. It means that we can take immediate action to deal with the deficit whilst we plan for the future. Over the next two years we shall be spending most, if not all, of the Stabilisation Fund in dealing with the short term deficit we face. I am pleased that we have embarked on a £44 million fiscal stimulus programme to protect our local economy. This has enabled us to protect jobs and invest in training our young people to ensure that we are ready when the recovery begins.

We all need to be quite clear about the size of the problem we are facing, a problem which I and the Council of Ministers are determined to solve with Members' support. We in Jersey are in a better position than most to deal with it. Our problem is manageable, but it is nonetheless serious and will require determination to take what will be difficult decisions.

That is why we have set a target of reductions of expenditure which by 2013 would amount to a reduction of £50 million p.a. on current budgeted spend. It is a target which is challenging but in my view achievable over a three year timescale. In order to achieve this, there will need to be some more fundamental changes to the way in which we consider and deliver some of our services. We must use this as an opportunity to reshape and refocus our services to the public using the Strategic Plan objectives as our guide.

We shall also need to raise more in taxation but I believe that the more we raise taxes the less competitive we become as an Island. In the long run, if businesses choose to go elsewhere rather than Jersey, it is the Jersey resident population which will suffer. There needs to be a balance struck between tax increases and spending cuts, but that has to be a realistic balance.

The final decision on the right balance will be in the hands of States Members.

Senator T Le Sueur **July 2010**
Chief Minister

1b. FINANCIAL FOREWORD FROM THE MINISTER FOR TREASURY AND RESOURCES

The focus of last year's Business Plan and one of the main aims of the Strategic Plan was to support the Island through the economic downturn. We are investing £44 million of Fiscal Stimulus funding in numerous projects to help local businesses and local people through this difficult period. At the same time, we will be drawing down monies from the Stabilisation Fund enabling us to maintain public services despite the significant deficits we will face in 2010 and 2011 as a result of reduced tax revenues through the downturn.

This year's Business Plan reinforces this investment in the short-term but also begins to lay out the long-term framework and identify the detail to deliver the second aim of the Strategic Plan – "to provide a sustainable future for the Island".

Tight control of expenditure will be essential as part of this framework. Since last year's Business Plan the forecast of expenditure for 2010 has increased as a result of further expenditure approvals for carry forwards and the recent Article 11(8) request. When this is compared with the proposed cash limits for 2011, the proposed increase is 1.1% and therefore represents a decrease in real terms.

We are developing a contingency plan, which accepts the independent advice of our economic advisers, to tackle the structural deficit as the Island emerges from the economic downturn. The structural deficit is currently forecast at £50 - £60 million, but after allowing for some investment in services, infrastructure maintenance and establishing appropriate central reserves the contingency plan needs to address a £100 million shortfall.

Figure 1.1 Table to illustrate the proposed method of funding the shortfall

	2011 £m	2012 £m	2013 £m
Proposed Comprehensive Savings Review savings	12	25	50
Target for the Fiscal Strategy Review	22	48	56
	34	**73**	**106**

The Council of Ministers has agreed a tax and spending envelope within which we will work and deliver a three part plan to bring the budget back into balance by 2013.

That plan is:

- First, by controlling spending – the Comprehensive Spending Review (CSR) is designed to find annual, real term savings of £50 million by 2013 and to construct a more efficient public sector. It will establish more effective control of States budgets and break the cycle of continual increases in annual spending.
- Second, through economic growth - all States departments will work with Islanders and companies to support the development of new and existing businesses and create the right conditions to boost economic growth.
- Third, through raising taxes - we also need to consider tax increases to pay for the investment we have made in important areas like the health service, education and children's services. To continue paying for these and other services we may need to raise an extra £50-60 million per year.

This Business Plan sets out the first of these steps to control public spending. The first part of the Comprehensive Spending Review has involved the Council of Ministers agreeing savings proposals that amount to £12 million for 2011 and we are now moving on to consider the next stage of £25 million and £50 million for 2012 and 2013 respectively. As part of the Business Plan, central reserves will be set aside to ensure exceptional unforeseen expenditure can be met and funds will be made available to facilitate the restructuring of the public sector. Savings of the level required cannot be made unless there is investment up front.

The second part of the Council of Minister's plan, to encourage economic growth, will be delivered in conjunction with the Economic Development Minister working closely with business leaders on the Island and our advisors.

Finally, I have already launched the consultations on both personal and business taxation as part of the Fiscal Strategy Review (FSR) to consider what tax options could be introduced and their impact.

This is a difficult message to get across when Jersey has strong public finances, significant financial reserves and no debt but, nevertheless, it is a message we must communicate and convince all islanders and businesses to support.

Over the next 12 months:

- The Council will continue with Part Two of the CSR to identify strategic options for £38 million savings in 2012 and 2013 and begin to implement the required initiatives alongside those proposed for 2011;
- Continue to develop longer-term financial planning and a more flexible framework to control States spending;
- Continue the plans for investment in our essential infrastructure and property and to bring forward for consultation sustainable methods of funding this investment;
- Preferred options from the FSR consultation will be developed which will include required legislation, and implementation of the tax changes will begin during 2011;
- The Treasury will complete its restructuring to provide an appropriately skilled and resourced finance function to deliver improved financial management across the States.

I am determined to ensure the States maintains a cautious approach to government spending. If spending cannot be contained or reduced there will be no alternative but to consider increased taxes and charges in the medium-term, in order to return to balanced budgets. My commitment to the public has been that I will not seek approval for new or increased taxes before showing that the public sector can make savings of £50 million.

We must ensure that our plans are flexible, sustainable and they must enable Jersey to remain competitive as a leading international finance jurisdiction.

In the short-term, the strength of our public finances puts us in a good position to continue to help islanders and businesses deal with the downturn. We must be positive and proactive in implementing our contingency plans for the medium-term in order to deliver a sound and sustainable outcome for future generations.

Senator P F C Ozouf **July 2010**

2. STATES STRATEGIC PLAN REVIEW 2009 – 2014

2.1 States Strategic Plan

The States approved an updated Strategic Plan on 10th June 2009, as required under the States of Jersey Law (2005). This Plan set out an aim of working together to meet the needs of the community by:

- Enabling everyone to have the opportunity to achieve their full potential;
- Meeting our health, housing and education challenges;
- Preparing for the ageing society;
- Protecting the countryside and environment;
- Creating a responsive government that provides good and efficient services and sound infrastructure and which embraces a progressive culture of openness, transparency and accountability to the public;
- Supporting and maintaining our economy.

In setting these objectives in the context of the current economic climate, the imperative has been, and will continue to be over the lifetime of the Business Plan, dealing with the economic downturn and sustainable public finances. To this end, the Strategic Plan set out a number of key resource principles, namely:

- to be prudent, taking account of the uncertain economic and financial outlook;
- to identify and implement all possible savings and efficiencies;
- no additional spend unless matched by savings or income;
- the Stabilisation Fund will only be used as advised by the Fiscal Policy Panel in any downturn to:
  - fund the effects of reductions in States revenues or increased demand for States services i.e. the "automatic stabilisers";
  - provide appropriate stimulus to the economy.

These principles govern the financial framework for States spending to ensure that expenditure is kept under control.

The Strategic Plan also recognises the requirement to make substantial savings throughout the public sector if key services are to be maintained by:

- identifying efficiencies throughout all States departments;
- re-structuring some high cost services provided to the Island through new working arrangements with current or new service providers;
- identifying services that might be better placed in the private sector or 'Third Sector';
- reviewing levels of service and determine which services should be reduced or stopped, based on whether the service is deemed core or desirable;
- fully reviewing terms and conditions of employment and pay levels within the public sector.

The priorities set out in the Strategic Plan will need to be delivered within this context and within a sustainable financial envelope. Accordingly, the Council of Ministers is working towards eliminating the deficit over a three year period by undertaking a Comprehensive Spending Review of public services and a revision of the Fiscal Strategy.

2.2. Comprehensive Spending Review

The Comprehensive Spending Review (CSR), referred to in more detail elsewhere in this plan, will deliver the savings in public expenditure which are required to provide a firm and sustainable basis to deliver the Strategic Plan's objectives. If we are to deliver the public services that the public needs, the CSR process must be about determining what can be achieved within a spending envelope that Jersey can afford. This will include a major Review of Terms and Conditions for all States employees and staff numbers in an effort to provide a modern, efficient and motivated workforce, and major reviews of the high spending departments to ensure that services are provided in the most efficient and effective manner.

Delivery plans for each of the Strategic Plan priorities have been developed by nominated Chief Officers who will also take the lead on planning co-ordination between departments where appropriate and monitoring implementation and results. States departments are focusing their activity and resource allocation to deliver these plans. This will ensure a ‘joined-up’ approach to implementation leading to improved efficiency and effectiveness of service delivery which is essential given the pressures on funding.

2.3 Key Objectives

Each year, departments are asked to set out the high level key objectives and success criteria for the period covered by the Business Plan. These are included in the Annex to the draft Business Plan to provide Members with information on how the funds being allocated will be spent and how they relate to the Strategic Plan priorities. The key objectives are then cascaded into the departmental business plans.

In 2009, the 2010 Annual Business Plan debate closely followed the approval of the new Strategic Plan. It was therefore appropriate that the key objectives were included in the main Proposition for approval by the States. In this Business Plan, the key objectives appear in the Annex and provide further supporting information for Members. Performance against the key objectives and success criteria will continue to be reported in the Annual Performance Report.

2.4 Business and Financial Planning Cycle

In the 2010 Annual Business Plan, the Council promised to develop a mature three-year business planning process which would:

- Develop realistic three-year cash limits with departments as the basis for longer term planning and management;
- Base these cash limits on a review of total spending and a thorough prioritisation of activities by departments;
- Pursue the major initiative and Strategic Plan priority for reforming the public sector and delivering corporate savings; and
- Plan and develop the long-term resource initiatives.

This Business Plan, which covers 2011, is the first stage of this process. The second phase covering 2012/13 will be lodged in late October and debated by the States alongside the Budget in December. This will allow departments greater flexibility in managing their finances. This is vital to achieve the necessary reduction in expenditure and focusing our essential services on the priorities set out in the Strategic Plan.

3. FINANCIAL FORECAST 2010 – 2013

3.1 Background

Since the production of the 2010 Budget in October 2009 the assumptions used have continued to be assessed and the forecast has been revised as a result of updated information received. The uncertainty behind the forecast was acknowledged at the time of the Budget, particularly with regards to the affect of the 0/10 corporate tax regime and the range of possible impacts of the economic downturn.

This Business Plan is based on a revision of the forecasts prepared for the 2010 Budget. The expenditure forecasts have been revised to reflect the latest information for 2010 and three-year spending limits have been developed as part of the Comprehensive Spending Review. The income forecasts have been reviewed and revised where appropriate to reflect the variations identified in the 2009 outturn, the refreshed economic projections for the business plan and early trends in States income for the first part of 2010.

In general, this Business Plan is prepared against a similar background of a structural deficit as presented in the Budget and last year's Business Plan.

3.2 Update of Financial Forecast

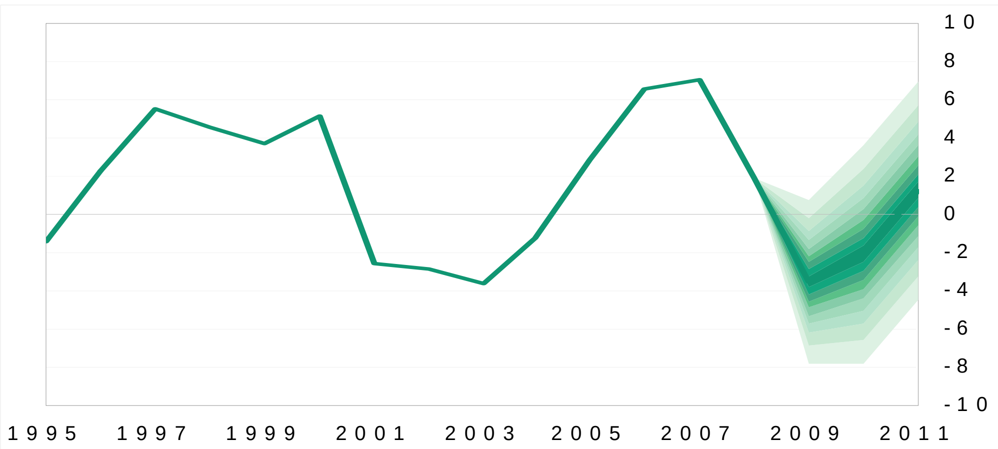
3.2.1 Economic Analysis

Work was first carried out in early 2009 to forecast the potential impact of the downturn on States income and expenditure. This was informed by the substantial analysis carried out by the States Economics Unit to produce revised economic assumptions. A range of outcomes were provided by the Economics Unit across all the economic assumptions which were then applied to the models used to forecast the different components of States income.

This analysis has been updated, taking account of recent economic developments both locally and internationally. In particular, forecasts for the global economy are now such that growth – albeit somewhat fragile - is expected this year in many of the larger economies. Locally, new information in the Business Tendency Survey has shown how the local economy has been affected by the global downturn with business activity falling, profitability under pressure and jobs at risk. However, there is some optimism returning in the finance sector as business activity has begun to improve, although profitability is still under pressure.

The new economic assumptions developed are outlined in the chart below and are broadly in line with the previous assumptions. The central assumption is for GVA to decline by -4% in 2009 and by -2% in 2010 and with a return to moderate growth in 2011. Figure 3.1 below shows that there is still significant uncertainty around these forecasts.

Figure 3.1 Graph of economic forecast of % change in real GVA



3.2.2 Income Tax forecasts

These forecasts are now supported by a substantial analysis of the relationships between various economic factors and the levels of income tax revenues. Each year these trends and relationships are refreshed to improve the current income tax forecasting methodology.

It should be noted that the high levels of uncertainty in the forecasts were expressed in the 2010 Budget, not least because changes in the tax base do not always correlate closely with changes in the economy. In addition, it is also due to the subjective assessment of items such as the nature of any recovery in the global economy but also the additional impact of extraordinarily low interest rates. These factors may mean that past relationships are not an accurate guide to future performance. As a result these forecasts have to be treated with caution and with the caveat that they are best estimates based on the information available. However, all this work and the assumptions which have been developed have been vetted by the Income Tax Forecasting Group (ITFG). The ITFG, comprised of key officers such as the Treasurer of the States, Comptroller of Taxes, the Director of International Taxation, the Economic Adviser and the Chief Adviser for International Affairs, uses its combined experience and knowledge of the various factors influencing income tax revenues to inform the data used for the latest forecasts.

The 2009 outturn showed increases in income tax receipts and analysis shows that some of these increases are one-offs and unlikely to continue in 2010, particularly in relation to an element of personal tax. However, it remains the case that these increases are likely to be more than offset by possible reductions in tax on both investment income and company profits. The early assessments of company tax revenue in 2010 suggest that there will be a significant reduction in income tax revenues as a result of the economic downturn, in addition to that already forecast for the move to a 0/10 corporate tax structure.

At this stage the view of the ITFG is that no adjustment to the forecasts should be made until the current year tax assessments are more substantially complete, but the Group would highlight that at this stage the outlook for corporate tax revenues is still one of a significant fall off in revenue from this year and there is therefore no reason to change the forecasts of significant deficits from 2010. Further work on the income tax forecasts will be completed as part of the full annual review in September which will be used to inform the Budget 2011. These forecasts will include information on current year (2010) tax assessments, the financial institutions survey, the latest GVA data for 2009, new local economic forecasts and further updates on global economic assumptions.

3.2.3 Other States Income

2009 was the first full year for GST receipts and whilst it will be some time before trend analysis and seasonal variations can be identified, receipts are not expected to fluctuate significantly with the economic cycle, as is the experience in the UK with VAT revenue. With this in mind the forecasted income from GST is expected to be in-line with 2009 actuals, £3 million less than budgeted.

Similarly, an analysis of the trend of Impôts duty revenues over a twelve year period showed little correlation with GVA movements. As the year progresses actual data will provide evidence of any variation to forecast and will be included in the Budget 2011 forecasts.

Stamp duty revenues are holding up despite the slow start to the year. Movements in house prices are broadly in line with expectations and the predicted revenue expected for the year is unchanged.

The revenue received from EUSD Retention Tax was substantially lower than predicted in 2009, largely as a result of the drop in interest rates and therefore reduced investment income; £2 million lower than budgeted.

As interest rates remain at reduced levels, the return to the States on its cash balances continues to be lower than previously enjoyed. The investment advisors for the States are advising that the current position is likely to continue in the medium term

3.2.4 States expenditure

This Business Plan builds on the indicative cash limits from last year which included additional funds needed for income support costs as necessary with increased unemployment during the economic downturn. The Fiscal Stimulus projects continue to be funded from the £44 million set aside for this purpose in 2009, subject to the Treasury scrutiny throughout their execution. The funding will be targeted at approved projects from 2009 through to 2011.

At an early stage in the business plan process it became clear that funding of court and case and other costs from the Criminal Offences Confiscation Fund (COCF) would not be sustainable from 2010 and the Comptroller & Auditor General has also recommended that these costs be properly funded. The Council of Ministers agreed that additional funds should be proposed in the 2011 Business Plan to establish the necessary additional funding of £5 million in departments base budgets, but at the same time to instigate as part of the CSR a major review of this area of spending.

The forecast expenditure for 2010 has been revised from that approved in the 2010 Business Plan to reflect the additional expenditure approvals that are now in place:

- The Council of Ministers accepted in March the Minister for Treasury and Resources recommendation to agree carry forwards of unspent budget from 2009 to 2010 of £7.6 million.
- The Minister of Treasury and Resources has also proposed P64/2010 under Article 11(8) of the Public Finances (Jersey) Law 2005 that an additional £15 million be approved for 2010 in respect of costs that were not known at the time of the 2010 Business Plan. This relates to:
    - court and case costs of £8.5 million forecast in excess of budget in 2010;
    - a provision of £6 million to accelerate the funding of voluntary redundancies specifically associated with the CSR. The request for £6 million will provide funding for any voluntary redundancies in 2010, ahead of the funding proposed for restructuring costs in 2011 in this Business Plan;
    - a £0.5 million bid for Procurement for an early start on this CSR initiative.

P64/2010 was approved by the States at its sitting of 6 July 2010.

2011 expenditure is principally influenced by the outcomes of the CSR process, which is summarised in the table below:

Summary of 2011 CSR Proposals (as amended)					
	2% Savings Proposals		**User Pays**	**Growth Proposals**	
	£'000	**FTE**	**£'000**	**£'000**	**FTE**
Chief Minister	387	5.0	11	200	-
Economic Development	346	1.0	-	-	-
Education, Sport and Culture	2,288	7.3	-	350	-
Health and Social Services	2,770	32.0	43	1,600	-
Home Affairs	954	9.3	5	875	8.0
Housing	286	-	-	-	-
Planning and Environment	208	0.5	5	-	-
Social Security	1,863	-	-	-	-
Transport and Technical Services	855	6.5	36	-	-
Treasury and Resources	649	5.0	-	607	6.0
Non Ministerial States Funded Bodies	397	2.7	30	-	-
States Assembly and its Services	58	-	-	-	-
Sub Total	**11,061**	**69.3**	**130**	**3,632**	**14.0**
Growth proposed to be funded from increased Company Fees (Joint Financial Crimes Unit) and increased tax revenues (additional tax assessor)				(760)	
Totals	**11,061**	**69.3**	**130**	**2,872**	**14.0**

This information was first published on the 2nd June 2010. A further breakdown of 2011 CSR savings is contained in Appendix A on page 62. The figures have been adjusted to reflect P125/2010 which if approved would agree funding of £930,000 of Health savings and £301,100 of Health user pays proposals from the Health Insurance Fund.

3.3 Tax and Spending Envelope

As the first stage of the CSR process, the Council of Ministers considered the financial framework within which expenditure limits could be set. Ministers were informed by the latest information on the financial forecasts which clearly showed that a structural deficit is still likely as the Island comes out of recession. The latest economic forecast, outlined at section 3.2, is largely unchanged with a further 2% decline in 2010 followed by a gradual recovery and return to low levels of economic growth in 2011 and 2012, but no expectation of the higher levels of growth seen in previous years.

Ministers also considered the past experience of increases in States expenditure above planned levels and agreed that provision for department and central reserves together with more flexibility for departments between years would provide a mechanism for managing and controlling budgets within agreed levels. This should also avoid the need, experienced in recent years, to return to the States for additional budgets in-year.

Ministers considered the revised financial position and outlook together with the advice from the Fiscal Policy Panel that a contingency plan is needed to return to balanced budgets and also the advice and experience from other governments that clear targets need to be set at the outset of any major review process, particularly in relation to the level of savings required.

Ministers then debated the difficult political balance between bridging the gap in States finance from savings in revenue and capital expenditure and/or additional taxes. It was clear that savings of the scale that are needed would not be found from efficiencies but would require real reductions in services to the public as well as changes to the way services are delivered. Similarly, the likely scale of tax changes would not be found from annual budget increases in existing tax measures but would require a more fundamental review of tax options. Ministers were clear that spending had to be reviewed first to demonstrate that savings would be identified and pursued before tax options were proposed or introduced.

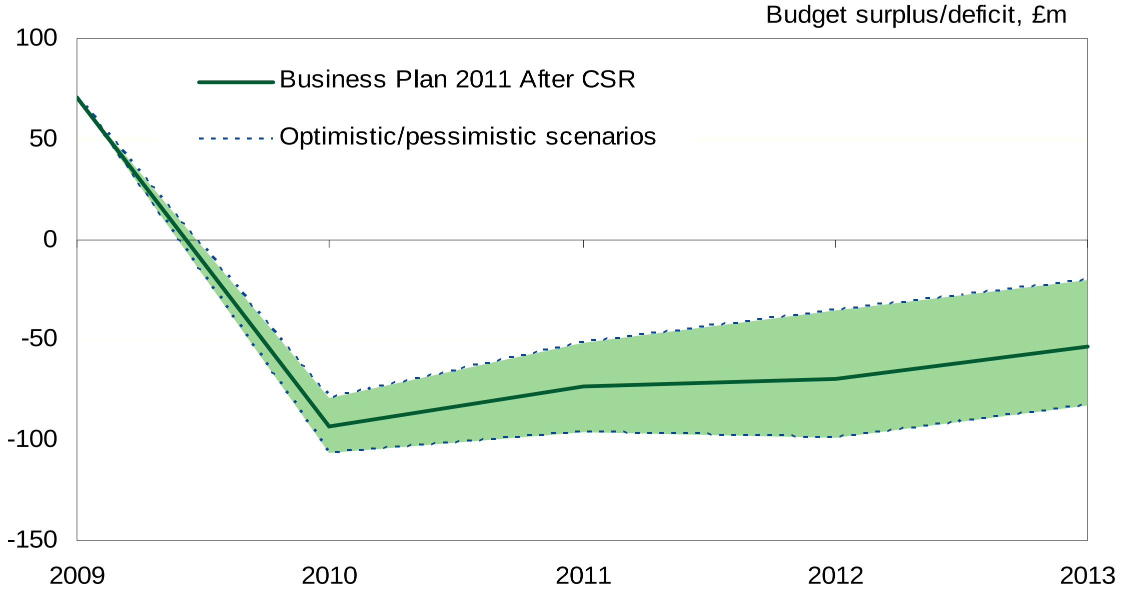
The target of identifying options from all departments to deliver £50 million savings from revenue and capital expenditure limits was agreed and these targets have formed the basis for the CSR process, with the first £10 million target for 2011. Similarly, Ministers agreed that tax options to raise a similar sum should be investigated and that these options should be the subject of a consultation exercise. The Fiscal Strategy Review (FSR) is addressing these options and has recently gone out to consultation on both personal and business taxation.

3.4 Summary

This updated financial forecast represents the Council's proposals for a tax and spending envelope for the next three years. The forecast includes the current outcomes from the CSR for 2011 and the targets for savings and the spending envelope proposed for 2012 and 2013. In respect of the FSR the targets for the review are identified as the balance required to bring the States financial position gradually back to balance by 2013, but actual tax options to deliver this increase in States revenues will not be proposed until after the current consultation exercise and will be included in the 2011 Budget to be lodged in October.

What remains clear is that there is still significant uncertainty within the forecasts. The range of impact of the economic downturn on a number of areas could be quite significant and the graph in figure 3.2 represents the central range of forecasts. The most significant variations are likely to occur in income tax revenues, States investment income and in the expenditure on income support and supplementation payments.

Figure 3.2
The graph shows the central range of forecasts for the 2011 Business Plan

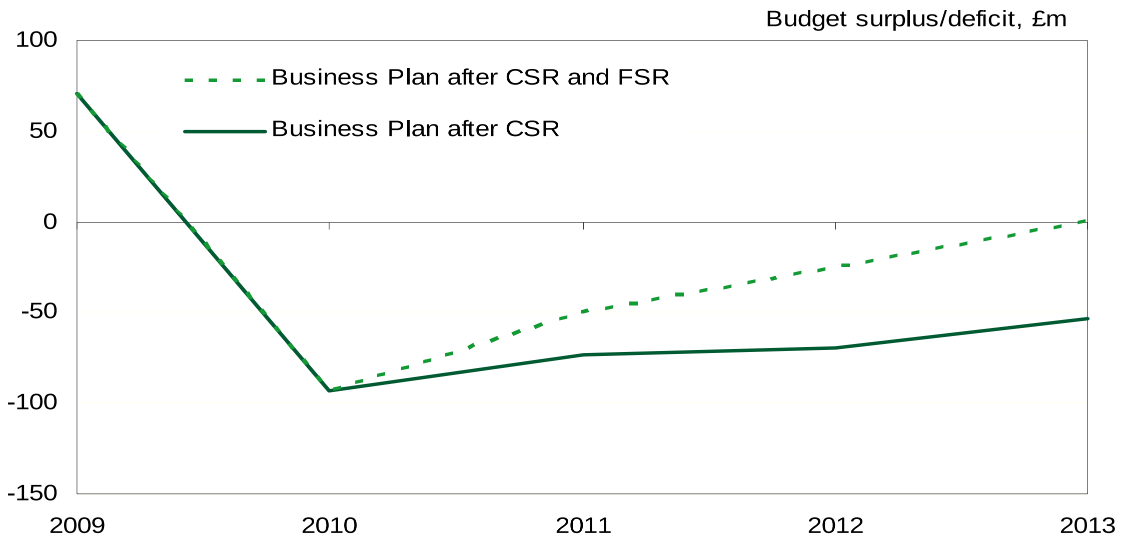


The CSR proposals for 2011 are intended to initially control States expenditure and ultimately as the £25 million and £50 million savings are proposed and agreed for 2012 and 2013 the CSR will make a positive contribution to reducing the deficit, after taking the base adjustments into account.

The graph at figure 3.2 and the summary forecast at figure 3.3 show that after the CSR proposals the targets for the additional revenues from the FSR are required to deliver the remaining contribution to the deficit to balance budgets by 2013. The contribution from the FSR is also required to maintain a positive balance on the Consolidated Fund after the Stabilisation Fund is exhausted in 2012. The current forecast is that this would require £56 million of additional taxes by 2013, as shown in figure 3.4.

Figure 3.3 illustrates the forecast financial position including the target of additional taxes from the FSR The intention would be for the phased introduction of additional taxes alongside the CSR savings and this phasing would be able to take into account any variations in the financial position relating to economic growth and tax revenues.

Figure 3.3 – Graph of the forecast financial position after the effect of the CSR and FSR targets



A full review of States income forecasts will be carried out in September, in preparation for the 2011 Budget, when information on current year (2010) tax assessments, the financial institutions survey, the latest GVA data for 2009, the new local economic forecasts and further updates on global economic assumptions will be available. The current financial forecast is shown in detail at Figure 3.4.

Figure 3.4 – Revised Financial Forecast (June 2009) (as amended)

Probable 2010 £m		2011 £m	2012 £m	2013 £m
		<------------ Forecasts		----------->
	States Income			
472	Income Tax	**469**	495	517
(81)	0/10% Corporate Tax Structure	**(78)**	(82)	(84)
48	Goods and Services Tax	**49**	51	52
50	Impôts Duty	**53**	52	52
22	Stamp Duty	**23**	25	26
27	Other Income	**30**	29	27
11	Island Rate	**11**	11	11
549	**States Income**	**557**	581	601
	States Expenditure			
586	Net Revenue Expenditure	**616**	635	637
23	Additional expenditure	**-**	-	-
32	Net Capital Expenditure Allocation	**13**	14	20
641	**Total States Net Expenditure (Amended)**	**629**	649	657
(92)	**Forecast Surplus/(Deficit) for the year**	**(72)**	**(68)**	**(56)**
-	Target from Fiscal Strategy Review	**22**	48	56
(92)	**Forecast Surplus/(Deficit) for the year**	**(50)**	**(20)**	**0**

The following amendments were approved:-

Amendment 5, as amended by Deputy Le Fondre

- GST Bonus reinstated
- There is no affect to Net Revenue expenditure as the increase of £138,000 is funded from Central Reserves

Amendment 6

- Christmas Bonus
- Net Revenue expenditure reduces by £6,632 (this will not show in the high level figures above)

The effect of the revised financial forecast then has to be considered in terms of the Consolidated Fund and the use of the remaining balance of £112 million from the Stabilisation Fund to support the economy during the downturn. The current forecasts show that this would require drawing down £109 million from the Stabilisation Fund over 2010 and 2011 to maintain an appropriate balance on the Consolidated Fund. In future years the phasing of tax proposals and other measures in the annual budget will need to ensure the Consolidated Fund remains in balance as required by the Public Finance Law.

Probable 2010 £m	Consolidated Fund	<------- Forecasts ---------------> 2011 £m	2012 £m	2013 £m
53	**Opening Balance**	**20**	**20**	-
(92)	Forecast Surplus/(Deficit) for the year	(50)	(20)	-
59	Transfer from Stabilisation Fund	50	-	-
20	**Estimated closing balance**	**20**	-	-

Assumptions:

There are a number of assumptions behind the financial forecasts in Figure 3.4.

Income Tax

- *The income tax forecasts are unchanged from those in the Budget 2010, which draw from the 2009 tax assessments for earnings and profits in 2008 and the forecast economic assumptions at that time. The annual review of income tax forecasts will be prepared for the 2011 Budget and the Income Tax Forecasting Group (ITFG) are awaiting these figures and recommend no changes at this time.*
- *The impact of the change to a corporate structure 0/10% was reviewed for the Budget 2010 to be in a range of £73 million to £97 million between 2009 and 2013.*
- *The income tax forecast model is used to apply the range of economic assumptions to the current data from the different income tax schedules to estimate a range of impacts of the economic downturn and future tax revenues*
- *The range of the income tax forecast from optimistic to pessimistic is £17 million in 2010 to £49 million in 2013.*

Goods and Services Tax

- *2009 is the first complete year of revenues and showed a slightly lower (by £3 million) than expected return which has been reflected in future forecasts.*
- *The future forecasts assume there will be little or no impact of the downturn and this is supported by the UK experience of stable VAT receipts during economic downturns.*

Impôts Duty

- *The forward 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.*
- *There is an economic assumption that Impôts duties do not fluctuate significantly with the economic cycle.*

Stamp Duty

- *The forecasts are unchanged from the Budget 2010 which reflected the reduced activity seen in 2009.*
- *The assumptions are that this will continue in 2010 and that recovery in the housing market both in price and due to lower bank lending for mortgages and the weakness of the economy.*

Other Income

- *The impact of much lower interest rates and the reduction in cash balances arising from future deficits has had a significant impact on these income forecasts. The assumptions from States advisors are for a slow recovery in investment returns.*

Island Rate

- *The Island Rate will increase annually according to the Island RPI (March) as prescribed in the Rates Law and the proposed rate is reported annually to the States by the Comité de Connétables.*
- *There should be no effect of the economic downturn for Island Rates.*

Total States Net Revenue Expenditure

- *The forecasts for total States net expenditure have been updated for the proposals in this Business Plan and for the proposed spending envelope – this includes the provision for central reserves and restructuring but excludes depreciation which is a non-cash item.*

Net Capital Expenditure Allocation

- *The capital allocations for 2011 to 2013 reflect the proposed programme.*
- *The figures include a proposal to reduce the programme by £5 million in each of 2011 and 2012 to recover the additional allocation to the Town Park in 2010.*

Revised Forecast Surplus/(Deficit) after CSR

- *The deficits in 2012 and 2013 are reducing as the contribution from CSR savings increases to £25 million and £50 million.*
- *The figures should be thought of as indicative cumulative forecasts and are only as accurate as the assumptions they are based on. The deficits resulting from the range of economic downturn adjustments reflect the uncertainty that currently exists.*

Target from Fiscal Strategy Review (FSR)

- *The Council of Ministers is proposing a target for the Fiscal Strategy Review to deliver sufficient additional revenues, together with the savings from the CSR, to return to balanced budgets by 2013.*

Proposed targets for savings and taxes	**2011 £m**	**2012 £m**	**2013 £m**
Proposed CSR savings	12	25	50
Target for FSR	22	48	56
	34	73	106

- *The options to deliver the additional tax revenues will be proposed in the 2011 Budget in October.*

Revised Forecast Surplus/(Deficit) after FSR

- *The figures should be thought of as indicative forecasts and are only as accurate as the assumptions they are based on. The deficits resulting from the range of economic downturn adjustments reflect the uncertainty that currently exists.*

Stabilisation Fund

- *The Stabilisation Fund was set aside to provide Fiscal Stimulus. This comprised £44 million for projects to stimulate the economy during the downturn and the balance of £112 million to fund the predicted deficits in 2010 and 2011.The forecasts assume that £109 million will be drawn down in 2010 and 2011.*

Consolidated Fund

- *The transfers from the Stabilisation Fund enable the Consolidated Fund to maintain a positive balance through the downturn in 2010 and 2011. The proposed savings and targets for the Fiscal Strategy Review (FSR) are then required to achieve a return to balanced budgets by 2013 and to maintain positive balance on the Consolidated Fund.*

4. REVENUE EXPENDITURE FOR 2011

The Council of Ministers is proposing detailed revenue expenditure allocations for departments for 2011 and then overall revenue expenditure targets for the years 2012 and 2013 as the spending envelope for the CSR. **(The overall expenditure targets for 2012 and 2013 were withdrawn from the proposition, as amended.)**

4.1 Annual Business Plan 2010

The States approved "in principle" cash limits for 2011 and 2012 in the 2010 Business Plan and overall spending limits for 2013 to 2014. These spending limits include commitments from previous decisions, further growth and savings and forecasts of the necessary provisions for pay, prices and benefits. These elements have been reviewed by Ministers in arriving at the proposals for 2011 and the tax and spending envelope.

Since the 2010 Business Plan further expenditure approvals have been agreed which represent carry forwards of £7.6 million and the approval of an Article 11(8) request, P64/2010 for court and case costs of £8.5 million, a voluntary redundancy scheme of £6 million and an initial funding of £0.5 million for a procurement project for 2010. When the revised 2010 cash limit is compared to the proposed cash limits for 2011 this provides an increase of 1.1%, less than the current rate of inflation.

Figure 4.1 explains the movements between 2010 and 2011 and explains the 1.1% increase on an equivalent basis.

Figure 4.1 Reconciliation to 2010 Business Plan as amended

	2010 £'m	2011 £'m	Increase %	
Business Plan 2010 (as amended)	**586.4**	**586.4**		*references*
Additional expenditure approvals	22.6			*see Section 4.1*
Provision for Pay and Prices		9.9		*see Section 4.7*
Annual update of Income Support and Supplementation including economic downturn adjustment		2.7		*see Section 4.8*
Commitments from previous years		5.3		*see Section 4.4*
Adjustments to base cash limits				*see Section 4.5*
Add back: Savings from 2010 Business Plan		2.9		
Court and Case costs COCF		5.0		
		7.9		
CSR Proposals				*see Section 5.4*
Savings		(11.1)		
User Pays		(0.1)		
Growth		3.6		
		(7.6)		
Capital to Revenue Transfers		2.4		*see Section 4.11*
Additional funding sources - Health Insurance Fund		(6.1)		*see Section 4.10*
Central Provisions				*see Section 5.4*
Provision for central reserves		8.9		
Restructuring costs		6.0		
		14.9		
Draft Business Plan 2011	**609.0**	**615.8**	**1.1%**	

Note: See also Notes 9 and 10 to Table 4.3 on page 20, relating to Health savings and user pays

4.2 2011 Business Plan process

The challenge this year has been to incorporate the proposals from the CSR, as outlined in Section 5, into the 2011 business planning process and the associated timetable for scrutiny, publication and debate.

Part 1 of the CSR process culminated in a series of workshops with Ministers during May to consider the various proposals and their impacts which have been identified and proposed by departments. The process has also involved peer reviews across departments to assess whether Ministers are comfortable with the impact that these proposals would have on the level, quality and value for money of public services.

At its meeting of 27 May, the Council agreed the departments' draft cash limits for 2011 and an overall spending envelope for 2012 and 2013 to be included in the draft 2011 Business Plan and these are shown in Summary Table A and in detail in the individual department pages in the Annex to the draft Business Plan.

A summary of the variations from the 2010 to 2011 cash limit is shown in Figure 4.2 and Figure 4.3 which separates the movements as a result of the CSR proposals for 2011. The summary reconciliation between years presented in Figure 4.1 shows that the increase over 2010 spending limits is 1.1%.

Figure 4.2 Net revenue expenditure movements from 2010 to 2011

Department	2010 Cash Limit as amended	2011 Variation to Cash Limits: Commitments[1] In Base	Pay[2] Provision	Non Staff[3] Provision	All Benefit[4] Provision	Add back[5] Savings & C&CC	Capital[6] to Revenue	2011 Cash Limit before CSR
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Minister	**20,397.2**	(569.6)	404.2	146.6	-	669.6	500.0	**21,548.0**
Economic Development	**15,879.9**	(273.0)	91.9	299.3	-	273.0	-	**16,271.1**
Education, Sport and Culture	**99,516.5**	(449.7)	2,026.2	348.2	-	554.2	100.0	**102,095.4**
Health and Social Services	**168,877.7**	2,775.2	3,031.0	995.4	-	300.0	-	**175,979.3**
Home Affairs	**46,067.1**	33.3	901.6	198.0	-	1,216.7	-	**48,416.7**
Housing	**(23,286.8)**	(83.7)	65.1	(655.7)	-	83.7	2,369.0	**(21,508.4)**
Planning and Environment	**6,824.4**	(134.9)	160.8	1.9	-	109.9	-	**6,962.1**
Social Security	**171,598.7**	1,824.8	65.8	86.0	2,731.8	500.0	-	**176,807.1**
Transport and Technical Services	**27,609.6**	287.1	474.4	189.5	-	236.5	423.0	**29,220.1**
Treasury and Resources	**22,914.3**	1,554.1	293.8	286.9	-	27.4	(1,000.0)	**24,076.5**
Non Ministerial States Funded Bodies								
- Bailiff's Chamber	**1,259.7**	(1.8)	20.2	10.2	-	201.8	-	**1,490.1**
- Law Officers' Department	**6,189.8**	(9.0)	78.7	70.6	-	1,409.0	-	**7,739.1**
- Judicial Greffe	**3,982.4**	(5.8)	55.6	40.9	-	2,255.8	-	**6,328.9**
- Viscount's Department	**1,422.3**	(2.1)	26.5	7.6	-	2.1	-	**1,456.4**
- Official Analyst	**600.2**	(0.9)	10.1	4.4	-	0.9	-	**614.7**
- Office of the Lieutenant Governor	**742.7**	(1.1)	14.7	3.1	-	1.1	-	**760.5**
- Office of the Dean of Jersey	**24.5**	-	-	0.6	-	-	-	**25.1**
- Data Protection Commission	**223.1**	(0.3)	5.2	0.1	-	0.3	-	**228.4**
- Probation Department	**1,603.9**	(2.3)	33.2	4.8	-	2.3	-	**1,641.9**
- Comptroller and Auditor General	**739.0**	(1.1)	2.3	16.1	-	1.1	-	**757.4**
States Assembly and its Services	**5,126.4**	3.8	35.3	88.3	-	7.5	-	**5,261.3**
Grant to the Overseas Aid Commission	**8,055.0**	402.8	-	-	-	-	-	**8,457.8**
Total States Net Revenue Expenditure	**586,367.6**	**5,345.8**	**7,796.6**	**2,142.8**	**2,731.8**	**7,852.9**	**2,392.0**	**614,629.5**
Interest and Repayment on Capital debt [7]	**34,500.0**							**-**
Total States Net Expenditure	**620,867.6**	**5,345.8**	**7,796.6**	**2,142.8**	**2,731.8**	**7,852.9**	**2,392.0**	**614,629.5**

Notes to Figure 4.2

1. *There are a number of commitments in base cash limits resulting from growth and savings agreed in previous resource allocation processes. These include additional funding for Health, Income Support and infrastructure and property maintenance.*
2. *The pay provision reflects the additional cost in 2010 as a result of the 2% pay award for January 2010 as compared to the original provision for a pay freeze to June 2010. However, the two-year agreement on pay at a level of 2% pay award will deliver a net saving of £900,000 by the end of 2011.*
3. *The provision for non staff inflation is set at 2.5% in line with the States anti inflation target for RPI(x).*

4. *The provision for uprating of income support, other benefits and annual supplementation is shown separately from non-staff inflation as it is based on a different set of assumptions and includes forecasts of the effect of the economic downturn, see Section 4.8.*

5. *As part of the adjustments to establish appropriate base budgets Ministers agreed that the previously identified savings proposals should be added back to ensure all departments start from a common position. There is also an addition to base budgets for expenditure previously funded from the COCF, primarily Court & Case Costs, as it is no longer appropriate or sustainable for this expenditure to be funded in this way.*

6. *Departments have then been asked to examine their capital allocations and determine whether all the projects fit the GAAP definition of capital. Where these projects better fit the definition of revenue expenditure then transfers have been made to be approved as revenue expenditure within the department's cash limit. The schedule of proposed transfers is included in Figure 8.2*

7. *Prior to 2011 a provision for internal debt servicing was made, which was a proxy for depreciation. The improvements made towards Resource Budgeting and the introduction of an asset register with approximate asset replacement schedules has given departments better information that allows them to forecast a depreciation budget requirement, as seen in Figure 4.3*

Figure 4.3 Net revenue expenditure movements from 2010 to 2011 (CSR Proposals) as amended

Department	**2011 Cash Limit before CSR**	2011 Variation to Cash Limits								
		Growth[8]	Savings[9]	User Pays[10]	Additional[11] Funding Sources	Service[12] Transfers Revenue	**2011 Cash Limit after CSR**	SoJ[13] Central Reserves	SoJ[14] Restructuring Provision	**2011 Cash Limit Proposed**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Chief Minister	**21,548.0**	200.0	(387.4)	(11.0)	-	(16,255.7)	**5,093.9**	-	-	**5,093.9**
Economic Development	**16,271.1**	-	(346.0)	-	-	153.8	**16,078.9**	-	-	**16,078.9**
Education, Sport and Culture	**102,095.4**	350.0	(2,288.0)	-	-	-	**100,157.4**	-	-	**100,157.4**
Health and Social Services	**175,979.3**	1,600.0	(2,770.0)	(43.0)	(6,131.1)	(996.0)	**167,639.2**	-	-	**167,639.2**
Home Affairs	**48,416.7**	875.0	(954.0)	(5.0)	-	-	**48,332.7**	-	-	**48,332.7**
Housing	**(21,508.4)**	-	(286.0)	-	-	865.9	**(20,928.5)**	-	-	**(20,928.5)**
Planning and Environment	**6,962.1**	-	(208.0)	(5.0)	-	-	**6,749.1**	-	-	**6,749.1**
Social Security	**176,807.1**	-	(1,862.8)	-	-	124.1	**175,068.4**	-	-	**175,068.4**
Transport and Technical Services	**29,220.1**	-	(855.0)	(36.0)	-	102.5	**28,431.6**	-	-	**28,431.6**
Treasury and Resources	**24,076.5**	607.0	(649.0)	-	-	16,005.4	**40,039.9**	8,862.0	6,000.0	**54,901.9**
<u>Non Ministerial States Funded Bodies</u>										
- Bailiff's Chamber	**1,490.1**	-	(25.0)	(22.5)	-	-	**1,442.6**	-		**1,442.6**
- Law Officers' Department	**7,739.1**	-	(150.0)	-	-	-	**7,589.1**	-		**7,589.1**
- Judicial Greffe	**6,328.9**	-	(100.0)	-	-	(78.7)	**6,150.2**	-		**6,150.2**
- Viscount's Department	**1,456.4**	-	(33.0)	-	-	78.7	**1,502.1**	-		**1,502.1**
- Official Analyst	**614.7**	-	(13.0)	-	-	-	**601.7**	-		**601.7**
- Office of the Lieutenant Governor	**760.5**	-	(28.0)	(7.0)	-	-	**725.5**	-		**725.5**
- Office of the Dean of Jersey	**25.1**	-	-	-	-	-	**25.1**	-		**25.1**
- Data Protection Commission	**228.4**	-	(6.0)	-	-	-	**222.4**	-		**222.4**
- Probation Department	**1,641.9**	-	(32.0)	-	-	-	**1,609.9**	-		**1,609.9**
- Comptroller and Auditor General	**757.4**	-	(10.0)	-	-	-	**747.4**	-		**747.4**
States Assembly and its Services	**5,261.3**	-	(58.0)	-	-	-	**5,203.3**	-		**5,203.3**
Grant to the Overseas Aid Commission	**8,457.8**	-	-	-	-	-	**8,457.8**	-		**8,457.8**
Total States Net Revenue Expenditure	**614,629.5**	**3,632.0**	**(11,061.2)**	**(129.5)**	**(6,131.1)**	**0.0**	**600,939.7**	**8,862.0**	**6,000.0**	**615,801.7**
Treasury and Resources										
- Non Cash Depreciation Allocation										**37,073.0**
Total States Net Expenditure										**652,874.7**

Notes to Figure 4.3(CSR Proposals)

8. *The growth figure represents the proposals identified by the Council of Ministers necessary to address current under-funded areas.*

9. *The savings figure represents the 2% savings identified by departments as part of the CSR process, but excludes £930,000 of Health savings proposed in P125/2010 to be funded from the Health Insurance Fund (HIF)*

10. *The User Pays figure represents areas of charging for services identified by departments as part of the CSR process, but excludes £301,100 of Health user pays proposed in P125/2010 to be funded from the HIF.*

11. *The additional funding represents the proposed contribution from the surplus on the HIF to fund the growth, savings and user pays in Health and Social Services as proposed in P125/2010.*

12. *Within year transfers of funding and/or services are identified by departments as part of their annual business plan review and these will be reflected in the department pages in the supporting Annex to the Business Plan.*

13/14 The Central Reserves (as amended) and Restructuring provision represents additional funding central to the control of States spending to allow pressures arising in year to be addressed and as a source of investment to allow pump priming of savings programmes.

15. Estimates of depreciation budgets figures are included this year to replace the previous method of internal capital debt serving – but as both are non cash items this is neutral in cash terms and excluded from the financial forecasts.

4.4 Commitments in base cash limits

The cash limits approved in the 2010 Business Plan included certain commitments to spending and savings which were agreed in previous resource allocation processes or are underlying principles, such as Health and Social Services real growth, Early Years' education, Social Security automatic stabilisers and residential care and infrastructure and property maintenance. These commitments were reviewed by Ministers as part of this year's process.

4.5 Base adjustments

As part of the review of the spending envelope Ministers agreed that the starting point should include funding for all existing spending and should also ensure that all departments start from the same base position. Ministers therefore agreed that the savings previously identified by departments in the 2010 Business Plan of £2.9 million for 2011 be added back and that the spending previously funded from the COCF which is no longer appropriate or sustainable also be funded. There is an underlying base provision in a number of departments for Court and Case costs, but in recent years this provision has proved insufficient and has had to be funded from contributions from the COCF. Ministers are proposing that £5 million p.a, is added to base cash limits representing the average funding from the COCF in recent years, but adjusted for exceptional items.

4.6 CSR proposals

The CSR principles of longer-term planning, greater discipline over spending limits and delivering £50 million savings over 3 years have resulted in the proposals illustrated in figure 4.3.

Details of the CSR proposals for savings, user pays and growth were published in early June. These are being reviewed by Scrutiny and have been incorporated by each department in their detailed submissions for the Annex to this draft Business Plan. A commentary is provided at Section 5.4 providing a summary of the CSR proposals for 2011 and a consolidated summary of the proposals is included as an appendix to this report.

4.7 Revised pay and price provisions

<u>Provision for Annual Pay Awards</u>
The States Employment Board proposed a pay award of 2% p.a. for the 2 years from January 2010. This proposal has been accepted by most staff groups and is the basis of the pay provision for 2011.

<u>Non staff inflation</u>
The provision for non-staff costs in 2011 is based on the States inflation target for RPI(X) of 2.5% per annum and departments are required to work within this provision and prioritise the allocation as appropriate.

4.8 Update of Income Support, Benefits and Supplementation provision

The 2010 Business Plan included additional funding in the Social Security cash limits which was intended to provide for the effect of the economic downturn, described as automatic stabilisers, and therefore on the levels of income support payments and supplementation contribution levels. These adjustments were based on economic assumptions at that time and more work is being done using the experience of the impact of the downturn so far to improve the forecasts for future years. The outcomes of this work will be available for Ministers to consider as part of the review of 2012 and 2013 spending.

The 2010 Business Plan also proposed that a new formula for the uprating of Supplementation (the States contribution to the Social Security Fund) would be introduced. As part of the CSR and FSR further options are being considered for the treatment of Supplementation and will be brought forward as part of the proposals in October. Until these options are brought to conclusion a provision has been calculated on the existing basis and represents the central range of those forecasts.

4.9 Service transfers

Each year as part of their business plan review departments identify a number of changes to services and their delivery. This often means that the responsibility and budget for a service or part thereof needs to change from one department to another. The service transfers proposed for 2011 are summarised in Figure 4.3 and detailed in each departments' presentation within the Annex to this Business Plan.

4.10 Additional Funding Sources

Ministers are proposing that a contribution of £6.1 million from the surplus on the Health Insurance Fund is applied to fund elements of the proposed growth, savings and user pays for the Health and Social Services department in 2011. This will provide funding for the £4.9 million of Health growth in the base budget and the essential growth proposed as part of the CSR review. The £930,000 savings and £301,100 user pays proposals were previously shown as part of Health's CSR proposals.This proposal is in advance of options being considered for the future definition and funding of primary and secondary care health services. P125/2010 proposes the minor law changes which will be required to achieve this additional £6.1 million contribution from the Health Insurance Fund.

4.11 Capital to Revenue Transfers

A schedule including the capital to revenue transfers proposed for 2011 in line with GAAP definitions is included in the Capital Programme, Figure 8.3.

4.12 Depreciation

Depreciation is an important part of a department's cost base and must be taken into account in any decisions to account for the full cost of assets employed in a service. In previous business plans a proxy for depreciation in the form of internal debt servicing has been included (£34.5 million in 2010 as per figure 4.2), but as part of the process to align budgeting with accounting under GAAP and the introduction of asset registers and asset replacement schedules initial forecasts of depreciation budgets have now been prepared by departments (£37.1 million in 2011 as per figure 4.3). These forecasts replace the previous provisions approved for Treasury and Resources and are included in individual departments' submissions to the Annex.

The States are asked to approve these non-cash provisions, as in previous years, to allow the appropriate accounting for depreciation within the Consolidated Fund. These allocations will initially be made to Treasury and then reallocated as appropriate to individual departments for reporting purposes. As these allocations are non-cash they are not included in the forward financial forecasts.

4.13 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 2011 expenditure allocations to each of the Non Ministerial States funded bodies. The proposed allocations are identical to the principles by which the Ministerial department allocations were calculated.

The Council of Ministers proposed allocations are included in Figure 4.2 and 4.3 and in Summary Table A on page 53 of the report. 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 and submitted business plans accordingly.

4.14 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 a 2011 expenditure allocation for the States Assembly and its services to the Privileges and Procedures Committee (PPC). The Council of Ministers is required to propose to the States the expenditure allocation requested by PPC and can inform the States that this proposed allocation is broadly in line with that proposed by the Council of Ministers.

PPC proposed that the allocation includes 2% savings on all elements of the States Assembly budget except for States Members remuneration. The Council of Ministers accepted the view of PPC in terms of what savings were deliverable in 2011.

The Minister would wish to thank the Chair of PPC and the Committee for their co-operation.

4.15 Allocations for the Overseas Aid Commission

The allocation to the Overseas Aid Commission budget is based on an annual increase of 5% and this has been used as a planning assumption until such time as any specific proposition is brought to introduce a new allocation.

As part of the CSR review and at the level of 2% savings for 2011 the Council of Ministers has not proposed any change to these allocations. The funding allocation will be reviewed as part of the 2012 and 2013 proposals.

The budget currently 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 Finance Law.

4.16 States Trading Operations

The Public Finances (Jersey) Law 2005, Part 4, makes provision for the States to run trading operations.

The Economic Development department includes two trading operations:
- Jersey Airport and
- Jersey Harbours.

The Transport and Technical Services department includes two trading operations:
- Jersey Car Parking and
- Jersey Fleet Management.

The Finance Law requires that the income and expenditure accounts 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 the report in Summary Table B page 54 and the details of their activities are included in the Annex to the draft Annual Business Plan.

For each trading operation the Acting 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 for 2011 and the arrangements for future years will be reviewed as part of the next stage of the CSR process.

Both Harbours and Airport have undertaken reviews as part of the CSR. Jersey Airport launched its “safeguard” programme in 2009 with an aim to maintain the long term viability of the Airport. This programme achieves the principles of the CSR by reducing future deficits. Jersey Harbours have identified both savings of £176,000 or 1.5% of 2010 gross expenditure, together with increased income of £271,000 as its contribution to the CSR process.

4.17 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.

The States implemented a new HR information system (HRIS) in 2007. The system produces manpower data that is now more accurate. The Annual Business Planning process identifies variations in manpower and any additional posts requested outside of this process must be approved by the Minister for Treasury and Resources or Treasurer of the States.

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. The supporting Annex to the draft Annual Business Plan provides analysis of the funding and manpower allocated across services and the departments key objectives. Departments are required to justify any increases in manpower numbers as part of the approval process within the Business Plan. The budgeted manpower levels must also provide for the implications of any projects within the capital and legislation programmes.

4.18 Summary

Although the 2011 cash limits represent an increase over the original 2010 figures, when compared to the revised 2010 approvals which includes equivalent provision for court and case costs and restructuring costs the increase is 1.1% which is less than inflation.

The proposed cash limits for 2011 are based on the first part of the CSR proposals. They start from the indicative cash limits from last year’s business plan and initially make adjustments to correct that base for unfunded items and then add back indicative savings to ensure all departments started the CSR process from an equivalent base position.

The proposals from the CSR incorporate savings of £12 million together with limited growth and the creation of central reserves for unforeseen items and to provide a funding mechanism for volatile items, such as Supplementation, and negate the need to return to the States for further funding in-year. Departments will now be expected to manage within their cash limits using department reserves to address spending pressures and the flexibility of year end carry forwards to manage programmes of spend between years.

The allocations to departments for revenue expenditure for 2011 must also provide for the financial implications associated with the capital and legislation programmes, which are also proposed in this Business Plan, and it is the responsibility of departments as part of the annual Business Plan review to ensure that these are provided for.

5. COMPREHENSIVE SPENDING REVIEW

5.1 Background

In the 2010 Budget the Minister for Treasury & Resources, supported by the Council of Ministers, committed to two significant new projects: a Comprehensive Spending Review (CSR) and a wide ranging Fiscal Strategy Review (FSR). In the current economic circumstances it is essential that there is a realistic and honest debate on tax and spending.

The CSR is an integral part of the plan to address the forecast structural deficit and return to balanced budgets by 2013. The CSR is about controlling public spending but it is also about introducing changes intended to extend the States planning horizons and give stability for departments to plan their services over a longer time scale.

The CSR has drawn on the experience of the UK, France and Canada in determining the principles under which the review should be governed. The purposes of the review have been to:

- control States spending by setting tough but achievable savings targets and realistic growth proposals;
- improve financial management across the States of Jersey by ensuring incentives are built in to the budgeting system to encourage improved decision-making;
- extend the States planning horizon so that clear three-year plans are made and adhered to;
- bring greater transparency to financial planning and provide more complete cost information for decision making; and
- deliver better value for money and good management of assets and investments.

The intention is to introduce a culture and framework of longer-term financial planning. The concept is of a major strategic or business review of objectives and priorities every three years at each change of Council of Ministers with annual reviews becoming part of business as usual. This should require the States to debate only variations to the three year plan each year together with any variations being prioritised and managed within the three-year spending envelope. In this first CSR, a three-year spending envelope is being proposed, but it is recognised that a new Council of Ministers is due to be elected in late 2011, therefore the final year of this spending envelope will be the first year of the next three-year process.

5.2 Principles

The Comprehensive Spending Review is based on a number of key principles which it is intended will govern States planning and budgeting for the future. These are set out and explained below.

Principle	What does this mean?	Why is this a good principle?	How has this changed?
3 year spending envelope	Every 3 years, at each change of Council of Ministers, the States would agree a maximum limit for expenditure for each of the next 3 years.	Departments will be able to plan over a longer period and therefore prioritise and phase any programmes of spending.	At present the States only approves expenditure for the next year.

Principle	What does this mean?	Why is this a good principle?	How has this changed?
End Year Flexibility	Departments will be given the flexibility to carry over any unspent money from their budget to the following year.	This has two benefits: • departments cannot always predict accurately when money will be spent, and therefore this allows for a longer term approach to using public money. • this flexibility incentivises departments to control and minimise expenditure so that plans for future initiatives can be realised.	Departments can currently apply to carry forward underspends, but this has not always been approved where other priorities have been deemed to take priority.
DEL expenditure	'DEL' stands for Department Expenditure Limit. Expenditure that is manageable and controllable is designated DEL expenditure	This separates out controllable expenditure from more volatile expenditure which is outside the control of departments (see section below). Accounting Officers can therefore be more readily held to account for DEL budgets.	Accounting Officers have previously been accountable for their cash limit, irrespective of whether the expenditure was controllable or not. The definition of AME now recognises the volatility of certain expenditure.
AME expenditure	'AME' stands for 'Annually Managed Expenditure'. Expenditure that is exceptionally volatile or dependent on factors (such as economic changes) that are outside of the Departments' control is designated AME expenditure. To qualify such expenditure should also be so large that a department could not be expected to absorb the volatility in its DEL.	Volatile areas of expenditure will still be the responsibility of Accounting Officers but this designation allows for more effective management, with a centrally held 'AME' reserve available for variations against budget. It is proposed that access to this reserve will be controlled by the Council of Ministers. Only Supplementation and Income Support benefits are designated as 'AME', except for 2011, when depreciation will be treated as AME while further improvements in managing assets are made.	Accounting Officers have previously been accountable for their cash limit, irrespective of whether the expenditure was controllable or not, however classifying expenditure as AME recognises its volatility.
Central Reserves	Part of the overall spending envelope is allocated to reserves which are available to cover unforeseen spending	This allows for urgent spending needs (such as pandemic flu or the Historic Child Abuse Enquiry) to be met without having to increase the overall spending of the States beyond that originally	Currently there are no such reserves and so additional funding had to be requested from the States, or other services impacted, in order to manage these

Principle	What does this mean?	Why is this a good principle?	How has this changed?
	requirements. More detail on the makeup of central reserves is contained in section 5.4.	planned. It is proposed that approval from the Council of Ministers will be required to draw down on any of the central reserves.	unforeseen events.
Improved financial management	The CSR process will ensure that more transparent and complete cost information is available to inform decision making and that services are delivered in the most efficient and cost effective way.	It is essential that public money is spent carefully and prudently and that this spending is able to be effectively scrutinised.	Financial Management has been improved considerably in recent years through the introduction of GAAP accounting. The CSR will ensure that this is extended to the budgeting process.

5.3 Overview of the process

The first task for Ministers was to set the targets for the CSR and this was part of their initial discussions on the appropriate tax and spending envelope – see Section 3.3.

Out of these discussions Ministers agreed that the targets were for all departments to provide options for savings which would deliver at least £50 million by 2013. Ministers considered it was important that the level of savings be phased to reflect the time available to deliver savings by 2011, but also sensitive to the fact that in 2011 the Island should be seeing a gradual recovery from the downturn. The levels were therefore agreed as 2% or £10 million for 2011 increasing to £25 million in 2012 and £50 million in 2013.

The Council also agreed that user pays options should be considered in addition to the savings options to provide some political choice.

The CSR is intended to create an opportunity to look at all services differently and to identify new ways of working. Departments were asked to review all services and consider a series of questions including:

- What do we do?
- Do we need to carry on doing what we do?
- Can we do it differently for less money?

In addition to the individual reviews being undertaken within departments, a number of major reviews have also been commissioned and these reviews are particularly aimed at identifying savings for these departments to contribute to Part two of the process (see below) and the £25 million and £50 million savings.

The major department reviews are in Health and Social Services, Education Sport and Culture, Social Security and Home Affairs. There is also a corporate review of Terms and Conditions for all States employees and a specific review focussing on the volatile area of court and case costs.

The process was divided into two parts and the timeframe and key activities in each part are set out below.

Part 1 – 2011	
Activity	**Details**
Identify 2011 CSR proposals in detail	• £12 million savings proposals • affordable growth bids • user pays options • restructuring funding required for investment to deliver savings • central reserves • capital programme
Agree total expenditure envelope for 2012 and 2013	• identify total envelope which would include revenue and capital expenditure • reflect the overall £25million and £50million savings for those years
Present 2011 Business Plan	• 2011 detailed cash limits • 2012 and 2013 total spending limits • to be lodged in July 2010 and debated September 2010

Part 2 – 2012 and 2013	
Activity	**Details**
Identify proposals 2012 and 2013	• £25million savings in 2012 and £50million savings in 2013 • affordable growth proposals • user pays options • restructuring funding required • central reserves • capital programme
Propose a Part 2 Business Plan	• Further detail on 2012 and 2013 revenue and capital expenditure within the spending envelopes proposed in September • Lodge in October 2010 alongside FSR proposals in the 2011 budget, for debate in December 2010

In addition to all the detailed plans set out above, the States already has other initiatives running in procurement and property which are also expected to contribute to the process. The final proposals will inevitably comprise a mixture of corporate and department savings if the target of £50 million is to be achieved within the proposed timescale. Success will mean that the States returns to balanced budgets by 2013 and will ensure stability for public services into the long term.

5.4 Proposals for 2011 – Rules and Framework

5.4.1 Introduction

The CSR introduces certain new principles to the current financial planning and budgeting framework. These principles are presented in the Business Plan but are not at this stage proposed to be introduced in law. The intention is that this first CSR provides the opportunity for States members and officers to work with a new framework and approval process before deciding whether to make the necessary law changes. If law changes are decided to be necessary, these will be proposed early in 2011, so that they can be brought into effect for the 2013 Business Plan process.

Certain principles will however require changes to the current framework and these are outlined in this section. The proposals will require appropriate controls and procedures whereby funds can be accessed and approved. The intention would be to develop the changes required through further consultation with the Public Accounts Committee and Corporate Services Scrutiny Panel.

5.4.2 Tax and Spending Envelope

The spending envelope proposed by Ministers in January not only set the £50 million savings targets for CSR but also proposed provisions for limited growth, central reserves and restructuring costs. These provisions are now proposed for 2011 and discussed in detail in this section.

5.4.3 Central Reserves

The central reserve consists of three elements:

- Firstly a provision for one-off items representing £5 million or about 1% of net expenditure. This provision should be maintained for each of the three years but it should not represent funding for items of a recurring nature.
- The second element of the central reserve is to provide for variations in general department expenditure limits (DEL), typically as a result of pay awards or where a significant recurring pressure arises which can not be addressed by the department or the Council within cash limits. The central reserve could provide time in-year for priorities to be reassessed and balanced within cash limits ahead of the next Business Plan.
- The final element is a similar provision for variations in the most volatile elements of expenditure for Supplementation and Income Support (AME).

The proposed provisions for each of the DEL and AME reserve are approximately £2 million per annum, which represents in broad terms 0.5% for DEL expenditure and 1.5% for AME reflecting the relative expected volatility of these areas.

Central reserves are provided as a final resort to spending pressures only after individual departments own reserves and opportunity for reprioritisation have been thoroughly explored. The proposal is that these central reserves should be allocated to the Treasury and Resources department with an appropriate process for allocation.

The intention is that departments and the Accounting Officer will manage spending pressures within their cash limits and the central reserve will only be approached where the spending pressure is too significant for the department to manage within that year. Past examples could be items of the scale of the Reciprocal Health Agreement or Pandemic Flu. Each case would be reviewed by the Treasury with the relevant department and it would be required to identify if the pressure is one-off, or how it would be managed within spending limits the following year. Only at this point could the request be recommended to the Council of Ministers.

The decision to allocate funding will therefore be by Ministerial Decision of the Minister for Treasury and Resources, but only after consultation and agreement with the Council of Ministers.

It is likely that the level of reserves would become one of the few areas to be reviewed annually within the three-year cycle and any variations presented in the annual Business Plan.

5.4.4 2% Savings proposals

As part of the tax and spending discussions Ministers agreed that all departments should be asked to identify options for at least 2% savings for 2011. The exception was Social Security where separate proposals for supplementation are to be addressed as one of the FSR options and consequently separate targets for the remainder of the budget have been agreed. Social Security department is presenting proposals of £2 million for 2011, and this is equivalent to 2% of the department's budget adjusted for Supplementation and income support transitional relief.

As a result of the work by departments, review by officers and the workshops with Ministers, the proposals being put forward are for £12 million (£11 million as amended) of savings in 2011. This exceeds the original £10 million target, principally because of the contribution from Social Security.

The savings include a contribution from the States Assembly which is equivalent to a 2% saving on its budget excluding States members' remuneration. The Finance Law requires the Chief Minister to present the budget requested by the States Assembly and the view of the Privileges and Procedures Committee is that for 2011 it is not possible to offer savings from the States members' remuneration budget.

The savings discussions have been challenging and have involved peer review of each others savings by individual Ministers. The outcome is that all Ministers have identified proposals for 2% savings in 2011. The only exception is for Education, Sport and Culture where the Minister is committed to delivering 2% savings but is unable to identify final proposals in detail until the outcomes of various service reviews which are ongoing in that department. Some £1 million has already been identified with a further £1.3 million to be identified at a later date. The Council has accepted the Education Minister's position and committed to support the Minister in identifying the balance of savings proposals for 2011 in due course.

5.4.5 User Pays

Departments are encouraged as part of the CSR process to explore all opportunities for the recovery of appropriate fees or charges for services provided. Ministers agreed that any such opportunities should be identified in addition to the savings targets to enable a political choice to be made between reductions in services or charges.

For 2011, limited work has been possible on this area in the time available and the expectation is that a wider range of user pays options will be explored by departments and put forward for discussion for 2012 and 2013.

For 2011, £430,600 (£129,500 as amended) of proposals from departments are proposed by the Council of Ministers. As further proposals are identified the Council recognises that these will need to be considered alongside the outcomes of the Fiscal Strategy Review to identify the impact of any such charges.

5.4.6 Growth proposals

The original provision for growth was set at £3 million as part of the spending envelope discussions with Ministers in January. Initially, departments bids were higher but have been trimmed down and prioritised through peer review by Ministers and a prioritisation by Chief Officers. This resulted in a proposal for priority schemes to be considered by the Council at its workshops in May. The Council also reviewed the existing growth commitments from the 2010 Business Plan to explore any reprioritising that may be appropriate against new bids.

The outcomes of the Council's deliberations reduced the growth proposals to £3.6 million. The final proposals includes a review of the original 2% growth funding for Health of £3.3 million and a reallocation to existing funding pressures which were bid for by Health as growth in CSR. The Council is also proposing that growth required in the Financial Crimes Unit could be funded from an increase in company fees. This will be considered in the Budget alongside other company fee proposals currently being discussed with Guernsey. Furthermore, an additional post in Income Tax will generate additional tax revenues which will more than cover the annual cost.

A further proposal is to consider a one-off transfer of circa £5 million (£6 million as amended) from the Health Insurance Fund in 2011 to provide funding for Health growth and improve the financial position of the Consolidated Fund.

Details of the CSR proposals for 2011 are included in the Appendix to this Business Plan and the impact is described by departments against the individual lines of the department service analysis in the Annex.

5.4.7 Restructuring costs

The proposed provision for 2011 of £6 million reflects initial indications from departments of the investment required and also includes provision for certain corporate initiatives that are planned. Departments have been asked to identify where such funding is required alongside the savings which will be delivered in 2011, 2012 and 2013. There is a requirement to demonstrate a minimum payback over three years.

The level of provision in 2011 also takes into account P64/2010, an Article 11(8) request from the Minister for Treasury and Resources to the States for £6 million for potential voluntary redundancies and £0.5 million for procurement initiatives to give a kick start to the CSR process in 2010.

There is no doubt that the level of change that will be required to deliver further savings will need to be supported by significant investment. The Council proposed a total one-off investment of £33 million over the three years 2011-2013 to deliver the £50 million of recurring savings as part of the spending envelope.

The funds proposed and approved for restructuring will not be allocated direct to departments but allocated and held centrally in Treasury and Resources. It is intended that the allocation of restructuring monies will follow similar strict procedures as access to the central reserves and these are explained at Section 5.4.3.

For the allocation of the Restructuring Provision each initiative will require a full business case to be prepared by the department demonstrating, where appropriate, the payback in terms of future savings within the required 3 year period. This would then be reviewed by the Corporate Management Board and if agreed would be recommended to the Council of Ministers. The decision to allocate funding will therefore be made by Ministerial Decision of the Minister for Treasury and Resources but only after consultation with the Council of Ministers.

All such Ministerial decisions would be public and any allocations would be included in the report on expenditure approvals prepared by the Treasurer and presented to the States twice a year.

5.4.8 End Year Flexibility

It is intended as part of the new framework that departments have greater certainty on carrying forward underspends from one year to the next to increase flexibility in their three-year spending limits. This would only apply to controllable (DEL) expenditure.

The process would use the existing monthly reporting arrangements for departments to identify forecast underspends. At a given point in the year, probably the June quarter, a department could request that a level of any forecast underspend be carried forward. This would be considered by Treasury, taking into account the potential year end position for the States as a whole with any balances on the central reserves. From this a recommendation would be made as part of the quarterly financial monitoring report to the Council of Ministers. If agreed by the Council of Ministers the department could then plan to allocate those monies to the following year. Consideration would need to be given to any limits on the level of such carry forwards.

6. EXPENDITURE TARGETS 2012 to 2013

In last year's Business Plan the States approved indicative spending limits for departments in 2011 and 2012 and total net revenue expenditure limits for 2013 and 2014.

Ministers have considered the appropriate spending limits for 2011 to 2013 as part of the three-year tax and spending envelope proposed for the CSR and FSR processes. These are strategic proposals which recognise that the States financial position needs to be brought back into balance by 2013.

The detail of the 2012 and 2013 expenditure limits, for revenue and capital, will be developed in Part Two of the CSR process and presented alongside the Budget and FSR proposals in October and for debate in the States in December.

6.1 Proposed Total States Net Expenditure Targets for 2012 to 2013 (proposition withdrawn)

The total net expenditure targets proposed for 2012 and 2013 are shown in Figure 6.1

Figure 6.1 Summary of Total Net Expenditure Limits for 2012 and 2013

	2012 £'m	2013 £'m
Business Plan 2010 - Net Revenue Expenditure	**654**	**670**
Other cash limits adjustments	10	12
CSR Proposals		
Savings and User Pays	(25)	(50)
Essential growth and infrastructure maintenance	10	15
Net Revenue expenditure before provisions	649	647
Central Provisions		
Provision for central reserves	13	17
Restructuring costs	10	10
Total Net Revenue expenditure	**672**	**674**
Business Plan 2010 - Capital Expenditure Allocation	**43**	**48**
Proposed adjustments from Table 8.3	(7)	(10)
Total States Net Expenditure	**708**	**712**

The proposals include:

- a revision of the pay, price and benefit provisions based on latest economic trends and assumptions;
- the effect of 2011 proposals for base budget changes, contributions from the Health insurance Fund and adjustments to depreciation;
- CSR targets for savings in net revenue expenditure of £25 million by 2012 and £50 million by 2013;
- provision for central reserves and restructuring costs for 2012 and 2013;
- provision for a low level of growth in essential services and the under funding of infrastructure maintenance;
- adjustments to the in principle capital programme, as outlined at Figure 8.2, including:
  - o revenue to capital adjustments;
  - o variation in anticipated capital receipts, and

- a second £5 million reduction in the proposed capital limits adjusting for the £10 million increase to the capital programme for the Town Park in 2010.

The proposed revenue expenditure levels, before central provisions, show a reduction compared to the indicative levels proposed in the 2010 Business Plan which illustrates the effect of the CSR savings proposals.

6.2 Developing Proposals for 2012 and 2013

As outlined at Section 5.3 work is continuing, following Ministers' agreement of the 2011 proposals, to develop proposals for Part Two of the CSR for 2012 and 2013. Fundamental to those proposals will be options to deliver savings of £25 million by 2012 and £50 million by 2013.

These proposals will inform the remaining detail within the revenue expenditure spending limits proposed for 2012 and 2013 and will necessarily represent a balance between the savings and user pays proposals required, any essential service growth and increases in essential infrastructure maintenance. Any existing commitments from previous resource allocation processes will also be reviewed and prioritised alongside the new proposals.

Running in parallel to the revenue expenditure process will be a review of the capital programme for 2012 and 2013. This process will have similar timescales and will consider and prioritise the projects from the in principle capital programme for these years, any new bids for capital projects and the funding requirement for asset replacement.

The timetable for developing the revenue and capital proposals for 2012 and 2013 is as follows:
- Departments develop strategic options in July/August;
- Major reviews remain ongoing until end of August, Health and Social Security reviews continuing;
- Council of Ministers review options from departments in mid September;
- CSR Part two proposals announced for review by Scrutiny ahead of lodging on 26 October;
- FSR proposals lodged as part of 2011 Budget on 26 October;
- States debate of CSR Part two proposals alongside the 2011 Budget on 7 December.

Part two of the CSR will also consider indicative spending limits for future years to maintain the five-year financial planning horizon established in recent years.

6.3 Long–term resource initiatives

In parallel with the CSR and FSR process, work continues on addressing a number of significant spending pressures identified in the Strategic Plan. The objective is to identify new sources of funding or alternative means of service provision to address these spending pressures.

An update on the progress of the five major initiatives is provided at Section 7 of this report, these being:
- Address the Ageing Population and Long-Term Care (Strategic Priority 6);
- Implement New Directions to improve the health of the population (Strategic Priority 11) – Health Funding;
- Maintain sewerage infrastructure (Strategic Priority 10);
- Disposal of inert waste (Strategic Priority 10);
- Maintain States Property (Strategic Priority 10).

6.4 Annual Business Planning and Resource Budgeting

The CSR is an integral part of the Treasury restructuring and the drive to improve financial management across the States. Further developments to improve financial planning and reporting, comply with GAAP and provide simpler comparison between budget and accounts are planned.

7. DEVELOPING LONG-TERM RESOURCE INITIATIVES

7.1 Introduction

The Strategic Plan identified five key areas where substantial investment is required and for which new sources of funding or an alternative service provision need to be identified:

- Address the Ageing Population and Long-Term Care (Strategic Priority 6);
- Implement New Directions to improve the health of the population (Strategic Priority 11) – Health Funding;
- Maintain sewerage infrastructure (Strategic Priority 10);
- Disposal of inert waste (Strategic Priority 10);
- Maintain States Property (Strategic Priority 10).

Each of these areas will become a major project initiative and whilst the projects are unlikely to be completed during the period of the current Strategic Plan their progress and development will become important contributions to future Business Plans and Annual Budgets.

This section provides an update since last year, an indication of the scale of financial implications and a timetable for proposals.

7.2 Address the Ageing Population and Long-Term Care (Strategic Priority 6)

The inevitable change in the demographic profile in Jersey, regardless of migration levels, will result in many more people over the age of 65 living in Jersey. In fact with age related death rates improving all the time, there will be more very elderly people in Jersey. Resources will have to be focused to meet the challenge of an ageing population in Jersey.

As more people over working age will have to be supported by relatively fewer people of working age, maximising both the participation and the productivity of the labour force will be key initiatives in future plans. In future, people will have to work later into life receiving an old age pension after the age of 65 and barriers to work will have to be removed and encouragement given for workers to continue to work.

The funding of the Social Security pension scheme is reviewed every three years by the Government Actuary. Recent reports have taken account of the ageing population and considered the need to increase contribution rates to maintain the existing old age pension.

Another consequence of an ageing population as the numbers of elderly and very elderly increase dramatically is the potential significant increase in the resources necessary to care for the elderly in the community and in residential facilities.

Specific Actions:

- o The Employment Law is kept under regular review. Depending on the progress on discrimination legislation, Social Security will provide for specific measures within Employment legislation to ensure that employment opportunities for older workers are fully protected.

- o The Government Actuary's Department has completed research on the impact of changes in pension age and the method of uprating the value of pensions. Proposals for increasing the pension age will be published before the end of 2010 although it is unlikely that any changes would be implemented before 2020.

- o The Government Actuary is now preparing the review of the Social Security Fund for the period 2007-2009, which will provide accurate information on the long-term viability of the Fund. The review is planned to be completed during 2010, after which proposals on future contribution rates will be put out to public consultation.

- o Social Security produced an extensive consultation paper on the funding of long-term care in January 2010. Over 550 responses were received and the Minister will be issuing a White Paper before the end of the year. Law drafting time is allocated for 2011 and this project is on target to present primary law proposals to the States during 2011.

7.3 Implement New Directions to improve the health of the population (Strategic Priority 11) – Health Funding

The scale of the financial challenge facing Health & Social Services over the next three to five years is increasingly apparent. It is clear that the resource squeeze will have serious implications for patients and clients unless all sectors of the health and social care economy rise to this challenge. The delivery of health and social care has changed dramatically over the past fifty years as the treatment of infectious diseases has been overtaken by the treatment of lifestyle diseases with a switch from hospital to a primary care led health service.

Jersey's strategy for the future of the health service places more emphasis on the avoidance of hospital admissions through prevention rather than cure and giving individuals more responsibility for managing their own health. There are some fundamental challenges in relation to the sustainability of the General Hospital, in regard to its physical and staff infrastructure. For instance, changes to the training regimes of junior doctors means that the organisation of the General Hospital needs to be reviewed to reduce the reliance on junior doctors and to exploit the skills of all health practitioners. Jersey's current health care system which still has primary care services being provided in a hospital environment and cannot fully utilise the extending roles of health professionals needs to be reviewed for the strategy to succeed. In essence primary and secondary care services need to be aligned to prevent hospital admissions and to facilitate and co-ordinate faster discharge of patients.

The mixed funding arrangements that exist in Jersey where secondary care is free at the point of delivery and primary care is subject to a user charge create barriers to change. Although primary care charges are mitigated by subsidies under the Health Insurance Law, the fee for consultation arrangements on which it is based does not allow for incentives and the management of chronic diseases.

Specific Actions:

- Identify those primary care services currently undertaken by Health and Social Services which should be undertaken by general practitioners and retail pharmacists;
- Design protocols for the management of chronic diseases to be used by general practitioners and to identify likely costs;
- Prepare Law Drafting brief for Health Insurance Law to accommodate new strategy for primary care; and
- In conjunction with the Ageing Population stream, consider and decide upon the most appropriate source of funding for health, social care and pensions.

7.4 Maintain sewerage infrastructure (Strategic Priority 10)

An effective, well funded liquid waste service is essential to help to maintain public health and support the attractiveness of the island as a place to visit or invest in. This presents a number of challenges as limited funding in the past means that existing assets are not adequate to address current and potential future requirements.

Substantial investment is required to facilitate a liquid waste service adequate for the demands of the 21st century. In order to achieve this in the optimum manner, it is necessary to develop funding options to cover the requirements of the service over the next 20 years.

The draft Liquid Waste Strategy will cover all the aspects of the treatment and disposal of Jersey's liquid waste and in particular the long-term plans for the major assets. The sewage treatment plant is coming to the end of its operational life and a replacement will be required.

Substantial funding will be needed, estimated to be in excess of £10 million annually for 10 – 15 years (capital) to replace the existing infrastructure and allow for further extensions to the network from 2014.

A funding solution needs to be identified as it is unlikely that the existing States funding could meet the demands of the new strategy. Funding options include monies from the States, service users (domestic and commercial) by direct billing, developer's contributions, or a combination of the options.

In addition to the funding options the organisational options are under review and could include operating liquid waste in conjunction with an existing on island utility, setting up a new utility, private sector partnering, or staying in States ownership.

Over the coming months Treasury and Resources in conjunction with Transport and Technical Services will be exploring all opportunities to recommend the most appropriate funding mechanism and organisation for the future.

Suggested key actions and timescales for the review and political / public engagement are as follows:

1.	Review with cross departmental/ stakeholder team and update Liquid Waste Strategy	Current – December 2010
2.	Work with Scrutiny on review	Ongoing
3.	Funding model/organisation development	September 2010 – June 2011
4.	Base costings refinement	June 2011 – Sept 2011
5.	Consult with public and finalise options	October 2011 – December 2011
6.	Lodge and debate strategy	January 2012 – March 2012

7.5 Disposal of inert waste (Strategic Priority 10)

The existing land reclamation site at La Collette will be full by 2015 / 2016 based on current filling rates. Although the pace of development has slowed due to the worldwide economic downturn, planning for a new site is essential to make the best decision for the Island.

The Draft Island Plan identifies a two strategic options regarding future inert waste disposal. These are:

- quarry restoration
- identifying and developing further land reclamation sites

The arguments for and against both options are significant and will require a full review and challenge from a planning, environmental, and financial basis. Transport and Technical Services have commenced work on the Inert Waste Strategy which will explore these options and ensure an alternative inert waste disposal site is in place before the existing site at la Collette is full.

All options will require significant investment; the Land Reclamation option could require an estimated £50 million. The quarry restoration option would leave Transport and Technical Services with a budget deficit proportional to the net tip income in the order of £2 million per annum.

To enhance the life of La Collette and to provide future funding for the new facility Treasury and Resources in conjunction with Transport and Technical Services will be identifying a charging structure that can be applied based on a land fill tax principle.

The preliminary programme for this work is as follows:

1.	The Transport and Technical Services Department to develop a new Inert Waste Strategy.	June 2010 – December 2011
2.	Transport and Technical Services and Treasury and Resources departments to develop a new charging mechanism for Inert Waste.	June 2010 – December 2011
3.	Agree rollout programme and deliver through political process.	Ongoing

7.6 Maintain States Property (Strategic Priority 10)

An independent survey has confirmed that consistent under-investment in the States property and associated infrastructure assets over a number of years has resulted in a backlog of deferred maintenance works which exceeds £120 million.

If future costs are to be contained, it is essential that the estate is significantly reduced in size to that which is more financially sustainable. This will require an aggressive approach to increasing the efficiency of usage of States accommodation and the leasing or disposal of surplus properties. To achieve these objectives all States departments must challenge their current ways of working with a view to reducing their occupancy requirements. Further information regarding the ongoing workstreams and timescales are contained in Section 9 the “Property Plan 2011.”

8. CAPITAL PROGRAMME 2011 to 2013

8.1 2011 Allocation and Proposed Programme

The States, in September 2009, approved a capital programme for 2010 and an 'in principle' programme for 2011 - 2014 as summarised in Figure 8.1 below:

Figure 8.1: 2011 - 2014 Capital Programme 'Approved in Principle' by States in 2010 Business Plan

	2011	2012	2013	2014
	£	£	£	£
Airport 'Below Ground' Works Allocation	4,750,000	5,000,000	7,000,000	4,250,000
Gorey Harbour Pier Restoration Works		2,966,000		
Social Housing Programme	2,750,000	115,000	1,185,000	
Social Housing Programme - funded from Capital Receipts	14,000,000	20,000,000	25,000,000	24,295,000
Refurbish Sludge Digesters / Sewage Treatment Works Tanks	1,000,000			
Refurbish Clinical Waste Incinerator			1,000,000	
Sewage Treatment Works - Secondary Treatment Upgrade			7,000,000	7,429,000
Infrastructure Rolling Vote	2,750,000	2,750,000	2,750,000	2,750,000
Prison Improvement Works - Phase 4	9,249,000			
Oncology Extension and Refurbishment	2,664,000			
St Martin's School Replacement		7,732,000		
Police Station Relocation - Tranche 4		2,000,000		
FB Fields Running Track Replacement			535,000	
Les Quennevais Artificial Pitch Replacement			613,000	
Les Quennevais School Extension and Refurbishment				7,627,000
Corporate ICT	500,000	500,000	500,000	500,000
Equipment, Maintenance and Minor Capital				
ESC	100,000	100,000	100,000	100,000
H&SS	965,000	965,000	965,000	965,000
Home Affairs	290,000	290,000	290,000	290,000
Planning & Environment	100,000	100,000	100,000	100,000
Total Approved in Principle	**39,118,000**	**42,518,000**	**47,038,000**	**48,306,000**
Less Contributions from Disposals				
Property Disposal Receipts (Jersey Property Holdings)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Earmarked Social Housing Capital Receipts	(14,000,000)	(20,000,000)	(25,000,000)	(25,000,000)
Net Allocation from Consolidated Fund	**21,118,000**	**18,518,000**	**18,038,000**	**19,306,000**

The funding allocation for the capital programme has been adjusted since the States approved the 2010 Business Plan to reflect the impact of the move to GAAP accounting.

Adjustments from Previously Approved Programme

The impact of these adjustments is as follows:

- An in depth analysis of the expenditure of the Information Services (IS) Division of the Chief Minister's Department has resulted in a requirement to transfer the balance of capital funding of £500,000 to the IS revenue budget in respect of the acquisition of renewal/replacement items that do not fall within the definition of capital assets, but which are necessary to maintain the IS service. There is no funding in the 2011 Capital Programme for IS system replacements, such as JD Edwards, or for major departmental systems initiatives. Bids for capital funding will be considered within the capital allocation process for 2012 and 2013 or, where appropriate, through an application for centrally controlled funding in due course;

- The sum of £100,000 previously retained in capital for the Education, Sport and Culture department has been identified as predominately required for the acquisition of equipment that individually falls below the £10,000 threshold for capitalised assets. Consequently, this sum has been transferred to that department's base revenue budget.

Two further adjustments have been made that have a one-off impact on the 2011 funding allocation:

- The Housing Department has rescheduled its major works programme, resulting in a transfer of £2,369,000 from its capital allocation to revenue to align with the current accounting requirements;

- The 2010 Business Plan approved capital funding for Social Housing projects to be met from sale receipts. The Housing Department has reviewed its programme for sales and investment and is proposing an increase of £2 million in expenditure for 2011 to be met from an additional £2 million from disposal receipts in that year.

  A revised Housing Capital Expenditure Programme is included in the Annex.

In addition to the above, the Council of Ministers agreed to reimburse £10 million to the Consolidated Fund in 2011 and 2012 to offset the Town Park amendment approved by the States in last year's Business Plan. It is proposed that the first £5 million in 2011 be met from an increase in the property disposal receipts from the sale of surplus land and building assets in 2011. The balance of £5 million will be contained within a revised programme for 2012.

As a result of the above amendments, the Council of Ministers proposes the 2011 Capital Programme as shown in Figure 8.2 below:

Figure 8.2 Proposed 2011 Capital Programme

	Approved in 2010 Business Plan	Post Business Plan Amendments	Proposed Revised 2011 Capital Programme
	£	£	£
Airport 'Below Ground' Works Allocation	4,750,000		4,750,000
Social Housing Programme	2,750,000	(2,369,000)	381,000
Social Housing Programme - funded from Capital Receipts	14,000,000	2,000,000	16,000,000
Refurbish Sludge Digesters / STW Tanks	1,000,000		1,000,000
Infrastructure Rolling Vote	2,750,000		2,750,000
Prison Improvement Works - Phase 4	9,249,000		9,249,000
Oncology Extension and Refurbishment	2,664,000		2,664,000
Major Works	**37,163,000**	**(369,000)**	**36,794,000**
Asset Replacement Funding			
CMD-ISD	500,000	(500,000)	
ESC	100,000	(100,000)	
H&SS	965,000		965,000
Home Affairs	290,000		290,000
P&E	100,000		100,000
Asset Replacement Funding	**1,955,000**	**(600,000)**	**1,355,000**
Total Proposed Capital Allocation	**39,118,000**	**(969,000)**	**38,149,000**
Other Funding Sources			
JPH Asset Disposal Receipts	(4,000,000)	(5,000,000)	(9,000,000)
Housing Asset Disposal Receipts	(14,000,000)	(2,000,000)	(16,000,000)
Total Other Sources	(18,000,000)	(7,000,000)	(25,000,000)
Net Allocation	**21,118,000**	**(7,969,000)**	**13,149,000**

8.3 Capital Programme for States Trading Operations 2011

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.

For 2011 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 capital expenditure proposals for the States Trading Operations for 2011 is shown at Summary Table D on page 56.

8.4 Capital Funding Envelope 2012 - 2015

The Council of Ministers is proposing capital funding allocations for 2012 and 2013, as set out in Figure 8.3, at a summary level only (this part of the proposition was withdrawn). The proposed detailed programme for 2012 to 2015 will be tabled alongside the outcome of the 2012/2013 Comprehensive Spending Review later in 2010.

Figure 8.3 incorporates the ongoing adjustments to the ISD (£500,000) and ESC (£100,000) referred to above, together with the following changes to the previously approved 'in principle' funding allocation:

- Further impacts of the Housing Department's rescheduled major works programme, requiring revenue to capital transfers as follows:

  2012 £1,285,000
  2013 £1,815,000

- Revisions to the Housing Department programme for sales and investment, with forecast changes to disposal receipts and a commensurate adjustment to expenditure as follows:

  2012 Reduction in receipts/expenditure of £2.3 million
  2013 Reduction in receipts/expenditure of £11 million

- As a result of increasing receipts from disposals of property in 2011 by £5 million to meet the first tranche of the Town Park reimbursement of funds, there will need to be a commensurate reduction of £5 million in the funds available to allocate in the 2014 programme.

Figure 8.3 below incorporates the reimbursement of the second tranche of £5 million to the Consolidated Fund in 2012 to offset the Town Park amendment approved by the States in last year's Business Plan, which impacts on the funding available for allocation in 2012.

Figure 8.3: Proposed Summary Capital Funding Allocations for 2012 and 2013 (withdrawn)

	2012	**2013**
	£	**£**
Gross Capital Allocation *(per 2010 Business Plan)*	**42,518,000**	**47,038,000**
Post Business Plan Adjustments		
ISD	(500,000)	(500,000)
Housing	1,285,000	1,815,000
ESC	(100,000)	(100,000)
Adj to Social Housing Capital Receipts	(2,300,000)	(11,000,000)
Reimbursement of Town Park Funding (2nd Tranche)	(5,000,000)	
Net Effect of Post Business Plan Adjustments	(6,615,000)	(9,785,000)
Proposed Adjusted Gross Allocation	**35,903,000**	**37,253,000**
Other Funding Sources		
JPH Asset Disposal Receipts - adjusted	(4,000,000)	(4,000,000)
Housing Asset Disposal Receipts	(17,700,000)	(14,000,000)
Proposed Adjusted Net Allocation	**14,203,000**	**19,253,000**

The gross allocation is the level of spending approval proposed by the Council of Ministers. At this stage, as with the revenue proposals, States Members are asked to approve the overall funding allocation only for the years 2012 and 2013.

The net allocation is the sum forecast to be required to be withdrawn from the Consolidated Fund in each year to support the capital programme. The balance comprises receipts from property disposals:

- The Housing Department's property plan (P6/2007), which was approved in 2007, proposed the use of proceeds from the sale of a number of States rental homes, in addition to funding from the capital programme, to fund a ten year refurbishment plan and the acquisition of around 400 life-long homes to meet the needs of the ageing population.

- The full extent of the Housing Social Works programme is dependant upon the achievement of the required level of capital receipts, an anticipated £48 million over the next three years and should these disposals not occur then the programme would need to be amended accordingly or other sources of funding identified. The Housing and Treasury and Resources Departments are also exploring options to fund the building of new social housing properties from borrowings, with repayment through additional rental income over a twenty-five year period. Further details of the individual housing schemes are provided in the Annex to the draft Annual Business Plan 2011 within the Capital Programme section.

- In previous Business Plans the Assembly endorsed a Property Plan that included the disposal of a number of surplus land and building assets. Jersey Property Holdings is progressing the disposal of those properties in accordance with the requirements of Standing Order 168. The properties approved for disposal in previous Business Plans are set out in the Annex.

- Jersey Property Holdings is working with occupying departments to develop a Portfolio Plan to achieve best usage for all States' property assets. Two major work streams are currently in progress, which anticipate the delivery of surplus properties to fund reinvestment in land and building assets:

    - development of office rationalisation proposals commenced in 2009 to consolidate the States' office estate into a reduced number of 'fit for purpose' buildings on a small footprint;

    - a thorough review of the Health and Education estates, which together form two thirds of the States' overall property portfolio.

As further surplus properties are identified as capable of being disposed, disposals will be progressed through the Standing Order procedures or, where appropriate, by bringing a report and proposition to the Assembly.

8.5 Development of 2012 and 2013 Capital Programme

The detailed proposals for the 2012 and 2013 capital programme will be developed as part of the CSR stage two work and form part of the Part two Business Plan to be lodged in late October and debated in December when the Assembly will have an opportunity to discuss the composition of the proposed programme for those two years.

The work to be undertaken will consider any potential capital funding impacts resulting from the CSR savings and restructuring proposals to ensure a fully integrated approach. In addition, the CSR team will:

- Re-examine projects that have received capital funding in previous Business Plans but have not yet reached completion;

- Critically review projects that were included in the 2010 Business Plan 'in principle' capital programme for 2012 and beyond, and

- Develop and enhance the process for assessing the underlying business case for departmental bids into future capital programmes.

A specific area of review will be the process for determining the cyclical replacement of equipment and other assets. The development of a detailed asset register within the States accounting system has enabled, for the first time, a comprehensive identification of assets whose useful lives are expected to fall within the period of the capital programme.

Further work is required in 2010, as part of the CSR Stage two process, to convert this data into information that can drive a sustainable asset replacement programme to be funded within the future capital allocation process.

9 PROPERTY PLAN 2011

9.1 Disposal Programme and Improved Asset Utilization

Objective 1: *A disposal programme which reduces the States' Property Portfolio to a size which is affordable and efficient, and releases capital proceeds for investment in addition to sites suitable for Housing development.*

Success criteria:

(i) Improved asset utilization and reduced property operating costs;

(ii) The concentration of States' administration into fewer geographic locations and the development of new working environments which support more collaborative and efficient ways of working;

(iii) The release of surplus or high alternative use value properties to provide funds to support capital investment, with a strong focus on progressing sites which may be developed for social rented or private sector housing.

Strategic plan priority*: 3, 4 and 14.*

Jersey Property Holdings has generated disposal receipts against the targets set in successive Business Plans as set out in Figure 9.1 below. Details of properties approved for disposal are contained in the Annex:

Figure 9.1: Disposal Receipts and Targets 2007 - 2013

	Receipts		Target	
Year	**Annual £**	**Cumulative £**	**Annual £**	**Cumulative £**
2007 (actual)	1,495,511	1,495,511	1,700,000	1,700,000
2008 (actual)	1,755,080	3,250,591	2,300,000	4,000,000
2009 (actual)	5,024,503	8,275,094	4,000,000	8,000,000
2010 (forecast)	5,283,195	13,558,289	4,000,000	12,000,000
2011 (target)	-	-	9,000,000	21,000,000
2012 (target)	-	-	4,000,000	25,000,000
2013 (target)	-	-	4,000,000	29,000,000

The Council of Ministers is not proposing specific property disposals in this Business Plan.

JPH is now focusing on the delivery of a number of key strategic developments that will provide primarily new or regenerated assets. This will result in a reduction in the flow of disposals receipts but an improvement in the States building stock without drawing funds from the Consolidated Fund. The replacement stock will be designed to provide improved service delivery in a more efficient manner, resulting in increased productivity and lower operating costs.

<u>Office Strategy</u>

The overriding objective flowing from the first stage review that JPH has completed is that the States Office portfolio should be reduced in size and consolidated into significantly fewer locations.

Consolidation of the office estate would result in four tangible benefits, these being:

- Enabling new ways of working and cultural change to take place by providing an appropriate modern working environment.
- Encouraging greater collaborative working and the elimination of duplicate administrative resources by the co-location of currently disparate departments.
- Reducing overall property maintenance, facilities management and utilities costs.
- Releasing assets for disposal and thereby generating capital receipts for reinvestment and/or to provide sites for housing development.

The Office Estate comprises 70 office locations totaling 692,579 square feet with a carrying value of some £100 million. JPH will be bringing forward proposals later in 2010 to consolidate office based activity into a significantly reduced number of existing core premises and new purpose built office accommodation to generate a space saving in excess of 200,000 square feet.

To maximise the benefits of transforming the office estate, departments will need to adopt modern working practices within a fit for purpose working environment. The characteristic of such an environment include:

- occupational standards in respect of open plan, with flexible space, such as break out areas, touchdown space and shared facilities;
- workplace densities increased from 182 sq ft to 110 sq ft per workstation;
- a reduction from the current ratio of greater than one work station to each worker to a minimum of 1:1;
- the adoption of consistent space policies and standards across the estate; and
- the development of new ways of working, in conjunction with Human Resources and each department, involving mobile working, workstation sharing and hot-desk approaches.

This approach will:

- transform the current ageing and inefficient office stock to a modern efficient and sustainable mix of properties;
- facilitate the necessary changes envisaged in the Five Year Vision of the Public Sector, by providing a working environment which supports organisational change and enables more efficient working practices;
- contribute to the Comprehensive Spending Review by reducing the cost of occupying property and improving operational efficiency, as well as allowing the release of existing office premises for alternative uses and redevelopment, in particular the delivery of sites for much needed housing development; and
- improve customer access and deliver the opportunity to retain a small core of strategically important sites.

Timeline and Funding

Full implementation of a solution will take approximately four years to deliver:

- one year departmental survey of requirements, setting space and other policy standards, developing layout plans and design specification works;
- six months to procure construction of new facilities;
- two years to construct new facilities. During this period the organisation will need to move towards new ways of working through a structured change management process;
- six months to fit out new facilities and migrate staff.

JPH estimates the costs associated with feasibility and planning to be in the order of £500,000 to £600,000, with new development being funded from receipts obtainable from the disposal of vacated sites.

Departmental Portfolio Plans

JPH commenced a series of work streams with significant property occupying departments (Health & Social Services, Harbours and Education, Sport & Culture) to examine the composition of the property portfolio and propose ways to rationalise usage, with the objective of reducing costs and increasing income or identifying potential disposals.

The status of the reviews is set out in Figure 9.2 below:

Figure 9.2: Status of Strategic Property Reviews

Review	Status
Health and Social Services residential portfolio	Significant savings have been identified by restructuring the residential portfolio and outsourcing its management.
Health and Social Services children's services portfolio	Proposals being developed to rationalise the children's home portfolio to meet the requirements of the Williamson report.
St Saviour Hospital / Overdale	Initial feasibility completed demonstrating viability of consolidating care homes and other St Saviours based health operations on the Overdale site thus allowing residential development for the whole of St Saviours and the Clinique Pinel and Rosewood House sites.
Police Head Quarters	Following several value engineering workshops realistic space standards have been agreed which allow a viable scheme to construct a smaller Police operational building on the Summerland site and relocating office functions.
Education Sport and Culture (ESC)	JPH is working in partnership with the ESC department to review the current portfolio to ensure that the use and opportunities are maximised not only as a cost saving exercise but to ensure the buildings and facilities are fit for purpose for the delivery of the services they provide.
Jersey Harbours	JPH carried out a number of development appraisals of the Jersey Harbour proposals for the development of the Old Harbour Marina.

9.2 Addressing Estate Condition Issues

***Objective 2**: Addressing under funding of maintenance and capital works*

1. *Success criteria:*

   (i) *A significant reduction in "backlog" maintenance which has resulted from structural under-funding of property maintenance over a number of years, through the introduction of remedial works in a phased and prioritised programme plan;*

(ii) *The instigation of a series of capital projects to replace assets which have deteriorated beyond reasonable repair, funded from proceeds generated by the disposal of property over and above that required to meet agreed capital proceeds targets;*

(iii) *Capital projects commenced and completed on time and within budget.*

Strategic plan Priority *10 and 13*

Backlog Maintenance Works

JPH has commenced a programme of works to address the most urgent items of backlog maintenance.

An allocation of £3.3 million from the Fiscal Stimulus programme enabled an early commencement of works in the fourth quarter of 2009 which will continue throughout 2010. A further tranche of funding of £4 million for 2010, as approved in last year's Business Plan, has extended the programme of works to address a range of items including rock face repairs, educational buildings, disabled facilities and urgent works to the General and Acute Hospital. This Business Plan proposes the allocation of a further £3 million to continue these essential works.

Maintenance Structural Underfunding

It was recognised in the 2010 Business Plan that the funding available to maintain States buildings is insufficient to provide for a comprehensive maintenance programme. JPH prioritises funding across the estate strictly in accordance with the following criteria:

1. Compliance with Statutory Requirements;
2. Contractual Obligations;
3. Operational Continuity;
4. Preservation of Property Assets.

The Assembly approved an increase in JPH's base budget revenue funding of £750,000 for 2010. This Business Plan recommends a further increase of £1.25 million in 2011 as part of the commitments from the 2010 Business Plan.

Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. In addition to a managed reduction in property holding, JPH is working with the States Strategic Procurement team to ensure that value is maximised through the procurement of services.

Rationalisation of Stock

Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. JPH is working with occupying departments to develop a Portfolio Plan to achieve best usage for all States' property assets.

Two initial workstreams are:

1. development of office rationalisation proposals commenced in 2009 to consolidate the States' office estate into a reduced number of 'fit for purpose' buildings on a small footprint;
2. a thorough review of the Health and Education estates, which form two thirds of the States' overall property portfolio.

In addition, JPH will progress the following actions to ensure best value is obtained from its available budget:

3. work with the States Strategic Procurement team to ensure that value is maximised through the procurement of services, with the States' purchasing power utilised to achieve economies of scale where appropriate including the exploitation of cross departmental opportunities;
4. seek to outsource transactional activities where the cost is less than retaining the service in house. This will enable staff to focus on strategic initiatives that deliver corporate and departmental property savings;
5. introduce spatial standards alongside a charging mechanism. This will identify clearly the cost of occupying space within the budgets of occupying departments and lead to the inclusion of full property costs within business cases.

The indicative delivery programme for addressing the structural under-funding position is as follows:

Deliverables	Timescale
1. Action high priority backlog maintenance works funded from Fiscal Stimulus and Capital Programme	July 2009 to 2014
2. Prioritise maintenance works in accordance with stated criteria	Ongoing
3. Develop Office Rationalisation programme	Current - 2014
4. Review Health and Education Estates	2010
5. Improve procurement processes and practices	Ongoing
6. Introduce space standards and a charging mechanism	2010

Capital Works
JPH is responsible for delivering capital improvement and replacement works for property assets which have deteriorated beyond reasonable repair. The following property projects are proposed for funding in 2010 and 2011:

Scheme	**Year of Commencement**	**Value £000's**
Howard Davis Farm Building and Animal Incinerator Works	2010	924
Grainville School Ph4(a)	2010	4,728
Oncology Extension and Refurbishment	2011	2,664
Prison Improvement Works - Phase 4	2010	9,249
	Total Value	**17,565**

The following projects were approved 'in principle' in the 2011 - 2014 Capital Programme contained in the 2010 Business Plan. They will be reconsidered as part of the CSR Stage 2 process.

Scheme	**Year of Commencement**	**Value £000's**
Police Relocation – Sinking Fund	2012	2,000
St Martin's School Redevelopment	2012	7,732
FB Fields Running Track Replacement	2013	535
Les Quennevais Artificial Pitch Replacement	2013	613
Les Quennevais Refurbishment	2014	7,627
	Total Value	**18,507**

10. LEGISLATION PROGRAMME 2011

Criteria for allocation of drafting time.
A request for drafting time is assessed according to 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 required within the States for its implementation are sustainable within the framework of the States Strategic Plan and
- Its financial impact on the private sector.

In particular, a request will be assessed according to its readiness to proceed, with drafting time ordinarily only allocated once departmental work on policy development and any early consultation has been concluded.

The 2010 programme
Priorities for legislative drafting in 2010 have altered since the publication of the 2010 Annual Business Plan. The States have adopted various propositions that require implementing legislation. These have all, automatically, been added to the 2010 legislation programme. Other projects have been deferred either indefinitely or for one year, or added to reflect changing or emerging needs. The 2010 programme will remain under review. Accordingly, the summary of the legislation programme for 2010 included as Summary F at page 60 is likely to change during the course of the remainder of the year and any changes for the remainder of 2010 will impact upon the relative priorities for 2011.

The 2011 programme
Three areas will receive their standard annual allocation of drafting time - preparation of the Budget legislation; ongoing regulation of sea fisheries and ongoing maintenance of companies and financial services legislation.

Time is factored in for the continuation of work on projects scheduled to start in 2010 but not expected to be completed within the year.

Time will be allocated to Social Security to implement the review of Income Support and to revise the Employment (Jersey) Law 2005 in the light of experience of its operation since enactment.

Other new projects which have been put forward as likely to require drafting time in 2011 will not be formally added to the legislation programme until such time as they are known to be ready to proceed - at which time an up-to-date assessment of relative priorities can be made. These projects include -

- Financial services development - a new limited liability partnerships law, a second phase of legislation developing security interests on movable property, revisions to the Foundations Law
- Intellectual property - Plant Varieties legislation
- Environment - legislation to facilitate and regulate the development of renewable energy resources.

It is also known that, at some time in 2011, drafting time may be required for projects that, when they emerge, must be undertaken without delay. These include legislation to ensure Jersey's inclusion in the single European payments area and legislation to facilitate Jersey's inclusion in an E-borders scheme.

The Council of Ministers will keep the programme under rolling review and add, defer or remove items according to rate of progress of existing projects, changing priorities and readiness to proceed.

The programme from May 2009 to May 2010

Legislation for the following projects was either lodged or made in the period -

Social - to make further provision for the recognition of gender reassignment; to provide for assistance to the elderly on digital switchover; to provide for the terms of residential tenancies;

Financial services development - to make further provision for the establishment of foundations; for the establishment of new partnership structures; for the protection of bank depositors; in respect of takeovers and mergers of companies and their professional oversight;

General business regulation - to establish a Gambling Commission; to make new provision to regulate shop opening; to regulate fish farming;

Health - to regulate pharmacists and pharmacy technicians;

Environment - to establish revised procedures for consideration of the draft Island Plan;

Taxation - to introduce land transactions tax and to implement the 2010 budget.

Work continues on major projects including the following - migration, intellectual property (unregistered rights), compliance with EU regulations of application to Jersey.

11. FISCAL STIMULUS

11.1 Background

On 19 May 2009, the States approved P55/2009 to permit the withdrawal of up to £44 million from the Consolidated Fund to be reallocated for the net expenditure of a number of departments in order to fund a proposed discretionary economic stimulus package. The States also agreed that the funding for various projects within the discretionary stimulus package would only be made available to departments from the allocation by way of public ministerial decision of the Minister for Treasury and Resources.

The £44 million package of discretionary initiatives has provided an extra stimulus to the economy since the delivery of projects commenced in 2009, and is intended to continue to support employment and businesses in Jersey throughout the downturn.

The Minister for Treasury and Resources and the Council of Ministers agreed that this overall objective of supporting demand in the economy breaks down into three objectives:

- Provide a stimulus to the Jersey economy as conditions deteriorate, to help support employment and businesses in Jersey
- Support employment in the Island by assisting individuals affected by the economic downturn
- Create new opportunities for businesses in Jersey, to support them through the downturn and mitigate job losses.

The programme of projects given provisional approval can be grouped into the following areas:

- Skills and training
- Support for individuals
- Support for business
- Civil infrastructure
- Construction and maintenance

Initiatives in all these areas are designed to meet some or all of the three main fiscal stimulus objectives set out above. In addition, expenditure is being incurred within the Treasury and Resources department in respect of managing the overall programme and the associated review, monitoring and oversight.

The table below analyses the funding committed to departments by the Minister for Treasury and Resources as at 16 June 2010 in each area of fiscal stimulus activity and by department.

Figure 11.1 Summary of funds committed by Minister for Treasury and Resources as at June 2010

	2009 £	2010 £	2011+ £	In reserve £	TOTAL £
Skills and training					
Education, Sport and Culture	441,800	1,632,884	964,529		3,039,213
Economic Development	87,300	389,250	496,200		972,750
	529,100	2,022,134	1,460,729		4,011,963
Support for Individuals					-
Social security	50,300	1,440,000	-		1,490,300
	50,300	1,440,000	-		1,490,300
					-
Support for business					-
Economic Development	384,340	1,582,660	230,000		2,197,000
Chief Ministers	-	1,550,000	-		1,550,000
	384,340	3,132,660	230,000		3,747,000
Civil infrastructure					-
Transport and technical services	4,322,452	1,937,947			6,260,399
Jersey Harbours	70,000	80,000			150,000
	4,392,452	2,017,947	-		6,410,399
Construction and maintenance					-
Jersey Property Holdings	2,739,000	1,994,623			4,733,623
Housing	166,500	10,907,758			11,074,258
	2,905,500	12,902,381	-		15,807,881
Treasury and resources					-
Programme management expenses	40,000	180,000	80,000		300,000
					-
Allocated but held at programme level - EDD		500,000			500,000
TOTAL - committed funding	8,301,692	22,195,122	1,770,729		32,267,543
Provisional allocations - expected profile	0	9,188,906	487,500	2,056,051	11,732,457
TOTAL - committed and provisional allocations	8,301,692	31,384,028	2,258,229	2,056,051	44,000,000

For Capital Schemes the total allocated funding has been shown in the year in which the green light was given (or is expected to be given) by the Minister for Treasury and Resources, irrespective of the spend profile. Revenue schemes are required to be allocated in financial years and the spend profiles above are those provided at the time of award of funding.

SUMMARY TABLES

Summary Table A

Total States Net Expenditure Allocations 2011 (amended)

States Funded Bodies	2011 Gross Expenditure Allocation £'000	2011 Income Allocation £'000	2011 Net Expenditure Allocation £'000
Ministerial Departments			
Chief Minister	5,591	(497)	5,094
- Grant to the Overseas Aid Commission	8,458	-	8,458
Economic Development	17,554	(1,475)	16,079
Education, Sport and Culture	117,582	(17,425)	100,157
Health and Social Services	188,687	(21,048)	167,639
Home Affairs	50,039	(1,706)	48,333
Housing	17,255	(38,183)	(20,928)
Planning and Environment	10,393	(3,644)	6,749
Social Security	178,403	(3,335)	175,068
Transport and Technical Services	47,034	(18,602)	28,432
Treasury and Resources			
- Department allocation	47,752	(7,712)	40,040
- Central allocation			
- Depreciation	37,073	-	37,073
- Provision for Central Reserves	8,862	-	8,862
- Provision for Restructuring costs	6,000	-	6,000
Non Ministerial States funded bodies			
- Bailiff's Chambers	1,490	(47)	1,443
- Law Officers' Department	7,762	(173)	7,589
- Judicial Greffe	6,735	(585)	6,150
- Viscount's Department	2,042	(540)	1,502
- Official Analyst	658	(56)	602
- Office of the Lieutenant Governor	798	(72)	726
- Office of the Dean of Jersey	25	-	25
- Data Protection Commission	312	(90)	222
- Probation Department	1,790	(180)	1,610
- Comptroller and Auditor General	747	-	747
States Assembly and its services	5,235	(32)	5,203
Net Revenue Department Expenditure Allocation	**£ 768,278**	**£ (115,402)**	**£ 652,875**

Adjustments to reconcile to Financial Forecast:

Treasury and Resources - Depreciation	*(37,073)*	*-*	*(37,073)*
Revenue Expenditure for Financial Forecast	*£ 731,205*	*£ (115,402)*	*£ 615,802*

The Gross Expenditure Allocation includes both DEL and AME expenditure, departmental pages in the Annex split the allocations across these classifications. See Section 5.2 in the Annual Business Plan for an explanation of the differences between DEL and AME expenditure.

The provision for Central Reserves and Restructuring costs are allocated to Treasury and Resources department and will be managed within a financial framework outlined at Section 5.4 in the Annual Business Plan.

The allocation of depreciation to the Treasury and Resources department, which is a non-cash item, replaces the previous allocations for internal debt servicing which was an approximation of the depreciation provision.

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

Summary Table B - Summary of States Trading Operations 2011
(as lodged)

	Gross Expenditure Total	Income Total	Net Expenditure	Financial Return
	£	£	£	£
Jersey Airport	31,615,000	(29,113,000)	**2,502,000**	-
Jersey Harbours	14,987,000	(14,535,000)	**452,000**	200,000
Jersey Car Parking	6,209,400	(6,422,900)	**(213,500)**	2,255,000
Jersey Fleet Management	3,549,600	(3,775,200)	**(225,600)**	-
	56,361,000	(53,846,100)	**2,514,900**	2,455,000

Trading Funds of the States Trading Operations 2011

	Opening Balance	Surplus/ (Deficit) for year	Add back: Depreciation	Less: Capital Expenditure	Plus: Capital Reciepts	Plus: Other Balance Sheet Movements	Loan Repayments	Closing Balance
	£	£	£	£	£	£	£	£
Jersey Airport	3,469,821	(2,502,000)	9,405,000	(7,669,597)	-	2,856,319	(2,237,893)	3,321,650
Jersey Harbours	7,102,875	(452,000)	3,318,000	(8,350,000)	-	-	-	1,618,875
Jersey Car Parking	12,598,097	213,500	1,064,000	(2,000,000)	-	-	-	11,875,597
Jersey Fleet Management	440,182	225,600	900,000	(1,500,000)	100,000	-	-	165,782
	23,610,975	**(2,514,900)**	**14,687,000**	**(19,519,597)**	**100,000**	**2,856,319**	**(2,237,893)**	**16,981,904**

SUMMARY TABLE C

Proposed Capital Programme for 2011
(as lodged)

	Approved in 2010 Business Plan	Post Business Plan Amendments	Proposed Revised 2011 Capital Programme
	£	£	£
Airport 'Below Ground' Works Allocation	4,750,000		4,750,000
Social Housing Programme	2,750,000	(2,369,000)	381,000
Social Housing Programme - funded from Capital Receipts	14,000,000	2,000,000	16,000,000
Refurbish Sludge Digesters / STW Tanks	1,000,000		1,000,000
Infrastructure Rolling Vote	2,750,000		2,750,000
Prison Improvement Works - Phase 4	9,249,000		9,249,000
Oncology Extension and Refurbishment	2,664,000		2,664,000
Major Works	**37,163,000**	**(369,000)**	**36,794,000**
<u>Asset Replacement Funding</u>			
CMD-ISD	500,000	(500,000)	
ESC	100,000	(100,000)	
H&SS	965,000		965,000
Home Affairs	290,000		290,000
P&E	100,000		100,000
Asset Replacement Funding	**1,955,000**	**(600,000)**	**1,355,000**
Total Proposed Capital Allocation	**39,118,000**	**(969,000)**	**38,149,000**
<u>Other Funding Sources</u>			
JPH Asset Disposal Receipts	(4,000,000)	(5,000,000)	(9,000,000)
Housing Asset Disposal Receipts	(14,000,000)	(2,000,000)	(16,000,000)
Total Other Sources	(18,000,000)	(7,000,000)	(25,000,000)
Net Allocation	**21,118,000**	**(7,969,000)**	**13,149,000**

Note: Housing Social Works programme is dependant upon achievement of the required level of capital receipts.

Summary Table D
Proposed Trading Organisation Capital Expenditure for 2011 - 2013
(as lodged)

Trading Organisation	Project	2011 Estimated Outturn Cost £'000	2011 Total Allocation £'000	2012 Total Allocation £'000	2013 Total Allocation £'000
Jersey Airport					
	Regulation Compliance and Safeguarding	1,000			
	Instrument Runway Visual Range	363			
	Departures Hall Access Lobby	300			
	CCTV Airport Wide	300			
	Minor Capital Assets	300			
	Runway Sweeper	234			
	CCTV Checkpoints	200			
	X-Rays for hand baggage/body scanners	180			
	Touch Down Wind	100			
			2,977	2497	1874
Jersey Harbours					
	Port Crane	1,900			
	Elizabeth Harbour EB/WB Walkways	850			
	Sub Station Upgrades NNQ	500			
	Minor Capital Assets	495			
	St Helier Marina Gate Replacement	450			
	Elizabeth Trailer Park Reconfiguration	400			
	Elizabeth Terminal (Phase III - Mezzanine/Phase IV - Security)	350			
	RoRo No 5 Replacement/Upgrade	300			
	St Helier Marina Pontoons	175			
	CCTV (Phase II)	150			
	Pile Replacement StHM	150			
	Offshore Beacons	100			
			5,820	5231	1165
Jersey Car Parking					
	Installation of automated charging system	1,000			
			1,000	3,000	-
Jersey Fleet Management					
	Vehicle and plant replacement	1,500			
			1,500	1,000	1,200
	Total Capital Expenditure to be Financed from Trading Funds		**11,297**	**11,728**	**4,239**
	Less Capital Receipts from Jersey Fleet Management		100	100	100
	Total Net Capital Expenditure to be Financed from Trading Funds		**11,197**	**11,628**	**4,139**

Summary Table E

Total States Net Expenditure Allocations 2011-2013
(2011 amended, 2012 and 2013 withdrawn)

States Funded Bodies	2011 Expenditure Allocation	2012 Expenditure Allocation	2013 Expenditure Allocation
	£'000	£'000	£'000
Ministerial Departments			
Chief Minister	5,094		
- Grant to the Overseas Aid Commission	8,458		
Economic Development	16,079		
Education, Sport and Culture	100,157		
Health and Social Services	167,639		
Home Affairs	48,333		
Housing	(20,928)		
Planning and Environment	6,749		
Social Security	175,068		
Transport and Technical Services	28,432		
Treasury and Resources			
- Department allocation	40,040		
- Central allocation			
- Depreciation	37,073		
- Provision for Central Reserves	8,862		
- Provision for Restructuring costs	6,000		
Non Ministerial States funded bodies			
- Baliff's Chambers	1,443		
- Law Officers' Department	7,589		
- Judicial Greffe	6,150		
- Viscount's Department	1,502		
- Official Analyst	602		
- Office of the Lieutenant Governor	726		
- Office of the Dean of Jersey	25		
- Data Protection Commission	222		
- Probation Department	1,610		
- Comptroller and Auditor General	747		
States Assembly and its services	5,203		
Net Revenue Department Expenditure Allocation	**£ 652,875**	**£ 671,993**	**£ 673,993**
Capital Expenditure Allocation	**£ 38,149**	**£ 36,000**	**£ 38,000**
Total States Net Expenditure Allocation	**£ 691,024**	**£ 707,993**	**£ 711,993**

Adjustments to reconcile to Financial Forecasts:			
Net Revenue Expenditure Allocation	*£ 652,875*	*£ 671,993*	*£ 673,993*
Depreciation	*(£ 37,073)*	*(£ 37,000)*	*(£ 37,000)*
Net Revenue Expenditure Allocation (as shown in financial forecasts)	***£ 615,802***	***£ 634,993***	***£ 636,993***
Capital Expenditure Allocation	*£ 38,149*	*£ 36,000*	*£ 38,000*
Property Capital Receipts	*(£ 9,000)*	*(£ 4,000)*	*(£ 4,000)*
Housing Capital Receipts	*(£ 16,000)*	*(£ 18,000)*	*(£ 14,000)*
Net Capital Expenditure Allocation (as shown in financial forecasts)	***£ 13,149***	***£ 14,000***	***£ 20,000***
Total States Net Expenditure Allocation (as shown in financial forecasts)	***£ 628,951***	***£ 648,993***	***£ 656,993***

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 Finance Law.

SUMMARY F - Legislation programme for 2011 (as lodged)

Indicative matters: These have not yet been allocated drafting time. They may be added to the programme by the Council of Ministers when the policy is sufficiently developed and agreed and the financial and manpower implications are fully established.

1.1 Chief Minister's Department

Civil Partnerships (P.136/2009): work will continue on the preparation of the implementing legislation.
It is expected that some closing work will be required to complete delivery of the migration policy.
Business as usual: Work will continue on the implementation of TIEAs, double taxation agreements and the imposition of sanctions on governments and associated individuals.

1.2 Economic Development Department

Intellectual property
Work will continue on the package of intellectual property which will enable Jersey to sign up to international conventions, specifically -

- Subordinate legislation to implement the Intellectual Property (Unregistered Rights) (Jersey) Law 201-;
- Trademarks legislation;
- Registered Designs legislation;
- Patents legislation.

Indicative matter: Plant Varieties Law

Financial services business development
Financial services business as usual: 25 days will be set aside for routine amendments needed to keep financial services and companies' legislation up-to-date.
Work is expected to continue on legislation regarding the registration of business names.
Indicative matter: a new Limited Liability Partnerships Law
Indicative matter: phase 2 of Security Interests (tangible movables)
Indicative matter: Foundations Law amendments

General business regulation
Some finishing work is expected to be required to complete the subordinate legislation needed to implement a new Gambling Law.
Time is set aside for legislation to enable the transition of the Milk Marketing Board to a voluntary co-operative
Drafting will start or continue on a Financial Services Ombudsman Law.
Indicative matter: Licensing Law

Shipping
Work will continue on amendments to the Shipping (Fishing Vessels Safety Provisions) (Jersey) Order 2004 (expected to start before the end of 2010).

Sea Fisheries
The 20 days allocated in 2011 for general maintenance of sea fisheries legislation are expected to be used for implementation of the EU Technical Conservation Regulations. The days allocated may need to be increased.

1.3 Education, Sport and Culture

No major drafting projects are currently expected in 2011 other than that, in association with the Chief Minister's Department, work will continue on amendment of legislation administered by Education, Sport and Culture consequentially upon the introduction of Civil Partnerships legislation.

1.4 Health and Social Services Department

Work is expected to continue on -

- subordinate legislation required to implement the new Poisons Law, expected to be lodged in 2010
- the Health and Safety (Dwellings) Law 201-
- implementation of Directives 2001/83 and 202/1998 (expected to start later in 2010)
- amendments to the Medicines Law and subordinate legislation to enable nurse prescribing

Work is expected to start on -

- a replacement for the Medical Practitioners (Registration) (Jersey) Law (deferred from 2010)
- Regulation of Care Law 201- (deferred from 2010)
- amendments to the Health Insurance Law as part of the delivery of the primary care strategy

In association with the Chief Minister's Department, work will continue on amendment of legislation administered by Health and Social Services consequentially upon the introduction of Civil Partnerships legislation.

1.5 Home Affairs

Work will continue on -

- Any necessary legislation to implement the vetting and barring scheme to protect children and vulnerable adults
- a Police Authority Law 201-

Work will start on the 2nd phase of legislation to enable Civil Asset Recovery (deferred from 2010).

In association with the Chief Minister's Department, work will continue on amendment of legislation administered by Home Affairs consequentially upon the introduction of Civil Partnerships legislation.

Indicative: if required, work will start on legislation related to the introduction of E-Borders.

1.6 Housing

No legislative drafting is expected to be required in 2011 beyond minor and routine changes to existing legislation.

1.7 Planning and Environment

Work will start on -

- A replacement for the Diseases of Animals Law and subordinate legislation (deferred from 2010)
- Marine Licensing legislation (formerly referred to as Food and Environment Protection, deferred from 2010)

Indicative: Renewable Energy Law

1.8 Social Security

Work is expected to continue on -

- amendments to the Social Security Law (supplementation and contributions)
- amendments to Income Support (incapacity benefit)

Work is expected to start on the following -

- Insolvency Fund (deferred from 2010, R.134/2009)
- Long Term Care (deferred from 2010, R.5/2010)
- Employment Law amendments - 1 (miscellaneous, employer inducement, Tribunal sanctions)
- Employment Law amendments - 2 (family friendly policy)
- Income Support amendments to implement outcome of review

In association with the Chief Minister's Department, work will continue on amendment of legislation administered by Social Security consequentially upon the introduction of Civil Partnerships legislation.

1.9 Transport and Technical Services

Work is expected to continue on -

- Streetworks Law (expected to start in 2010)
- Motor Traffic Law amendments (re bus tendering process, expected to start in 2010)

1.10 Treasury and Resources

A basic allocation of time has been set aside for preparation of the 2012 Budget.

An allocation to allow changes required to the Public Finances (Jersey) Law 2005
In association with the Chief Minister's Department, work will continue on amendment of legislation administered by Treasury and Resources consequentially upon the introduction of Civil Partnerships legislation.

1.11 Non-Ministerial

8 days have been set aside for Privileges and Procedures Committee for any changes required to the public election procedures in advance of the ordinary election in 2011.

APPENDIX A

States of Jersey

Summary of 2011 CSR Proposals (as amended)					
	2% Savings Proposals		User Pays	Growth Proposals	
	£'000	FTE	£'000	£'000	FTE
Chief Minister	387	5.0	11	200	-
- Grant to the Overseas Aid Commission	-	-	0	0	0.0
Economic Development	346	1.0	-	-	-
Education, Sport and Culture	2,288	7.3	-	350	-
Health and Social Services	2,770	32.0	43	1,600	-
Home Affairs	954	9.3	5	875	8.0
Housing	286	-	-	-	-
Planning and Environment	208	0.5	5	-	-
Social Security	1,863	-	-	-	-
Transport and Technical Services	855	6.5	36	-	-
Treasury and Resources	649	5.0	-	607	6.0
Non Ministerial States Funded Bodies	397	2.7	30	-	-
States Assembly and its Services	58	-	-	-	-
Sub Total	**11,061**	**69.3**	**130**	**3,632**	**14.0**
Growth proposed to be funded from increased Company Fees (Joint Financial Crimes Unit) and increased tax revenues (additional tax assessor)				(760)	
Totals	**11,061**	**69.3**	**130**	**2,872**	**14.0**

SUMMARY OF COUNCIL OF MINISTERS SAVINGS PROPOSALS (as amended)

Ref	Proposal	Savings £	Posts FTE
CHIEF MINISTER			
CMD-S1	Remove budget for fees relating to review and projects	30,000	
CMD-S2	Reduce funding for Communications Unit	27,700	1.0
CMD-S3	Reduce use of consultants, admin & Fiscal Policy Panel support in Economics Team	10,000	
CMD-S4	Reduce recruitment budget for the Law Draftsman	24,000	
CMD-S5	Reduce the Legal Advisory Panel budget	26,700	
RES-S1	Restructure Corporate Infrastructure to reduce by 2 posts & reduce equipment replacement	144,000	2.0
RES-S2	Restructure business support to reduce by 1 post	60,000	1.0
RES-S3	Restructure HR business partnering to reduce by 1 post	50,000	1.0
RES-S4	Vacate HR learning and development premises at Highlands	15,000	
Sub-Total:		387,400	5.0
ECONOMIC DEVELOPMENT			
ED-S1	Growth in funding for the Incubator and Innovation Initiatives, renewable energy, e-gaming and Intellectual Property legislation, reduction in Jersey Enterprise grants	(313,000)	
ED-S2	Competition Law - reduction in grant	100,000	
ED-S3	Overheads - Efficiency Savings	204,000	
ED-S4	Funding for the Financial Ombudsman	(100,000)	
ED-S5	Reduction in funding for Route Development, destination marketing and PR	175,000	
ED-S6	Reduction in grants to events	138,000	
ED-S7	Reduced opening hours in Jersey Tourism Visitor Services reception.	36,000	1.0
ED-S8	Additional support to JFL, grant to fund the States share of the JFSC for Anti-Money Laundering unit.	(750,000)	
ED-S9	Remove funding for TV sub-titling service, reduce funding for the Beach Lifeguard service, intellectual property and service reductions	295,000	
ED-S10	Reduce the Gambling Commission grant	100,000	
ED-S11	Reduce Grants and Area payments	118,000	
ED-S12	Legal Fees for the dissolution of JMMB	116,000	
ED-S13	Cease funding to subsidise the provision of School Milk	183,000	
ED-S14	Terminate employment of a UK representative	44,000	
Sub-Total:		346,000	1.0
EDUCATION SPORT & CULTURE			
ESC-S1	Cease primary school PE enhancement initiative	120,000	
ESC-S2	Introduce property occupancy charge for the States fee-paying schools	80,000	
ESC-S3	Restructuring the Special Education Needs Service and the way emotional and behavioural support is delivered to primary school children	165,000	2.0
ESC-S4	Re-defining core business for schools and colleges at ESC	298,000	
ESC-S5	Cease annual payment to Durrell to allow free entry and teaching time for school parties	33,000	
ESC-S6	Review management structure of Highlands College	210,000	3.3
ESC-S7	Youth Service senior management restructuring	50,000	1.0
ESC-S8	Review management structure in technical maintenance team	37,000	1.0
ESC-S9	Savings to be identified once the major reviews have been completed	1,295,000	
Sub-Total:		2,288,000	7.3
HEALTH & SOCIAL SERVICES			
HSS-S1	Restructure Environmental Health/Health Protection dept.	51,000	2.0
HSS-S2	Reduce public health admin staff costs	80,000	2.0
HSS-S3	Redesign sports injury outpatients clinic	6,000	0.1
HSS-S4	Replacement of blood gas analysers & reorganisation to reduce cost of consumables & lab management	18,000	
HSS-S5	Pharmacy skill mix review & reprofile of out-of-hours service to reduce cost of service	74,000	
HSS-S6	Improve theatre skill mix to reduce theatre cost	20,000	
HSS-S7	Cease non essential minor surgical procedures & equipment efficiencies; reprofile day surgery on-call service	18,000	
HSS-S8	Reduce physio services	153,000	2.9
HSS-S9	Remove vacant counsellor post	55,000	1.0
HSS-S10	Redesign OT services	45,000	0.5
HSS-S11	Remove vacant CAMHS post	55,000	1.0
HSS-S12	Comply with NICE prescribing guidelines	20,000	
HSS-S13	Reprofile needs assessment of clients	15,000	
HSS-S14	Reduce Department of Electronics charge, ambulance overtime & admin efficiences	56,000	
HSS-S15	Additional pharmacist & rationalising GP/Consultant prescribing to support prescribing efficiencies	188,000	
HSS-S16	Invest in a nurse bank/workforce IT system.	34,000	1.0
HSS-S17	Medical devices & equipment management.	50,000	-
HSS-S18	Reduce gardening & non-essential engineering maintenance; reprofile project management costs; engineers' overtime efficiencies.	352,000	8.5
HSS-S19	Reduce linen service & amalgamate 2 kitchens at St Saviours.	175,000	7.0
HSS-S20	Procurement savings from corporate procurement project	750,000	
HSS-S21	Organisation wide management restructure	400,000	6.0
HSS-S22	Recurrent reduction in all H&SS third party provider SLA	140,000	
HSS-S23	Improved efficiency in cremation service	15,000	
~~HSS-S24~~	~~Primary care service costs to be transferred to Health Insurance Fund~~	~~930,000~~	
Sub-Total:		2,770,000	32.0

Ref	Proposal	Savings £	Posts FTE
HOME AFFAIRS			
HA-S1	Removal of discrimination legislation budget	100,000	
HA-S2	Reduction of police staff posts	221,000	3.8
HA-S3	Reduction of police overtime	93,000	
HA-S4	Closure of Police Facility / Reduction in non staff costs	167,000	2.5
HA-S5	Replacement of Multi-Functional Officer with a Clerk	29,000	
HA-S6	Customs and Immigration - Staff reductions	109,000	2.0
HA-S7	Reduce number of Unit Managers by one post / Reduction in Prison Overtime / Reduction in the Prison Perimeter Fence Renovation Programme	135,000	1.0
HA-S8	General Reduction in Prison non-staff expenditure	30,000	
HA-S9	Reduce the amount of financial support to BaSS projects	15,000	
HA-S10	Jersey Field Squadron - Reduction in Operating Costs	55,000	
Sub-Total:		954,000	9.3
HOUSING			
HSG-S1	Roll-out of electric heating will replace gas and oil systems thus saving on the cost of servicing and inspecting the existing heating devices	76,000	
HSG-S2	With digital TV, maintaining tv aerial service no longer required.	35,000	
HSG-S3	Reduce tenant participation budget	10,000	
HSG-S4	Staffing rationalisation, reduced training and temporary staff provision together with a general reduction in departmental running costs	100,000	
HSG-S5	Reduced licence fees and maintenance costs for IS systems	65,000	
Sub-Total:		286,000	-
P&E			
PE-S1	Restructuring file storage and management / removal of staff relocation budget	50,000	
PE-S2	Reduction of consultancy budget	12,000	
PE-S3	Replace current vacancy with part-time alternative	30,000	0.5
PE-S4	5% reduction in energy efficiency grants	54,000	
PE-S5	Fisheries and marine Service efficiencies	4,000	
PE-S6	Veterinary officer: Reduction in major contingency training	5,000	
PE-S7	Delay in recruitment and reduction of equipment maintenance until outcomes of Met service review are complete.	28,000	
PE-S8	Efficiencies from review of IT and building maintenance contracts	25,000	
Sub-Total:		208,000	0.5
SOCIAL SECURITY			
SS-S1	Freeze inflationary uplift on Jersey Council for Health and Safety Grant	1,000	
SS-S2	Restructuring of JET management with saving in salaries	17,000	
SS-S3	Reduction in JACS discretionary spend and reduced annual uplift for Employment Tribunal	9,000	
SS-S4	Removal of GST Bonus budget (current take-up £300k)	500,200	
SS-S5	Restrict Residential Care Fee Uplift to 2.8%	167,000	
SS-S6	Reduce Recently Arrived Discount Scheme budget	179,000	
SS-S7	Reduce the housing adaptations budget by 50% as average spend over the last 5 years had been £45,000	54,000	
SS-S8	Remove Christmas bonus for people in receipt of Survivor's allowance and pension, 100% Long Term Incapacity Allowance, Invalidity Benefit, residents not in receipt of Jersey OAP and all non-residents, remove pensioner entitlement below age 65	445,632	
SS-S9	Employ 3 Interventions Officers to prevent fraud/non compliance on Income Support to generate net savings	250,000	
SS-S10	Freeze rents and accommodation component of income support for net saving	228,000	
SS-S11	Corporate efficiency savings	12,000	
Sub-Total:		1,862,832	-

Ref	Proposal	Savings £	Posts FTE
TREASURY AND RESOURCES			
Tres-S1	Savings on bank charges due to automation & reduced staff due to less bank reconciliations	27,000	0.5
Tres-S2	Reduced consultancy/temp support; reduced training	21,000	
Tres-S3	Reduce number of audit days per annum by 17 (3%)	10,000	
Tres-S4	Cancel contracts of seasonal staff, a permanent administration clerk and substantial reduction in use of postal services	117,000	2.5
Tres-S6	Reduce annual payment into States self-insurance fund (equiv to 3.5% reduction).	97,000	
RES-S5	Restructure architects to reduce by 2 posts.	120,000	2.0
RES-S6	Re-profile 2011 building maintenance	244,000	
RES-S7	Reduce staff CIP qualification programme	13,000	
Sub-Total:		649,000	5.0
TRANSPORT & TECHNICAL SERVICES			
TTS-S1	Reduction in overtime across the waste directorate	44,000	
TTS-S2	Reorganising service in Highways maintenance	79,000	1.0
TTS-S3	Restructure drainage infrastructure team	105,000	2.0
TTS-S4	Reduction in overheads and restructuring of the waste management general site maintainance section	61,000	2.0
TTS-S5	Cleaning Section - Restructuring and review of processes and overtime coupled with reduced equipment purchase	75,000	
TTS-S6	Re-engineering of Parks and Gardens, review of plus payments, reduced plant and vehicle hire	279,000	
TTS-S7	Efficiency savings in bus service in line with Jersey Bus Network Review 2010	150,000	
TTS-S8	DVS: Reorganisation of management structure	32,000	1.0
TTS-S9	Reorganisation of administration services and decommissioning of legacy IT systems	30,000	0.5
Sub-Total:		855,000	6.5
NON-MINISTERIAL			
Bailiff			
B-S1	Reducing access to official publications that are aids to the judicial process and delivery of judgements	1,500	
B-S2	Reducing the budget for Liberation Day celebrations	14,000	
B-S3	Remove part of the expense funding for incidental costs associated with training and conferences etc	4,500	
B-S4	Termination of at least one incoming visit of a foreign dignatory or States head	3,500	
B-S5	Reduce budget for ceremonial and civil events	1,500	
Sub-Total:		25,000	-
Law Officers			
LOD-S1	Savings accruing from recruiting staff instead of buying in services	150,000	
Sub-Total:		150,000	-
Judicial Greffe/Viscounts			
JG/VD-S1	Cease payment of an annual grant to Jersey Law Information Board	100,000	
JG/VD-S2	Delete a vacant post in Viscounts	33,000	1.0
Sub-Total:		133,000	1.0
Official Analyst			
OA-S1	Delaying equipment replacement. Approximately 1/3 equipment budget. Additional minor and continuing efficiency savings	13,000	
Sub-Total:		13,000	-
Lt Governor			
Lt-Gov-S1	Rental adjustments, restructuring of housekeeping and admin teams	28,000	1.0
Sub-Total:		28,000	1.0
Data Protection			
DPC-S1	Reduction of admin expenses for 1 year only	6,000	
Sub-Total:		6,000	-
Probation			
P-S1	Removal of Community Service Manager part time post.	32,000	0.7
Sub-Total:		32,000	0.7
C&AG			
CAG-S1	Reduction in non-audit fee expenditure	10,000	
Sub-Total:		10,000	-
States Assembly			
States-S1	Reduction in Scrutiny budget	33,000	
States-S2	Reduction in inter parliamentary budget	3,000	
States-S3	Efficiency Savings	22,000	
Sub-Total:		58,000	-
Grand Total		**11,061,232**	**69.3**

SUMMARY OF COUNCIL OF MINISTERS GROWTH PROPOSALS

Ref	Proposal	2011 Approved Growth in 2010 B Plan £	2011 Growth Proposals £
CHIEF MINISTER			
	2010 Business Plan Growth		
	Census	100,000	
	2011 Additional Growth		
	Political and media engagement & Inward Investment:		
CMD-G1	EU Influencing (professional support/engagement)		200,000
Sub-Total:		100,000	200,000
EDUCATION SPORT & CULTURE			
	2010 Business Plan Growth		
	Increased Early Years Provision	105,000	
	2011 Additional Growth		
ESC-G1	Structural gap in the finances of the Jersey Heritage Trust of £685,000 to be partly funded from external sources		350,000
Sub-Total:		105,000	350,000
HEALTH & SOCIAL SERVICES			
	2010 Business Plan Growth to be applied to:		
	In patient facilities - additional beds	1,200,000	
	In patient facilities - improve Endoscopy	900,000	
	Increased costs of ICR Programme	1,200,000	
		3,300,000	
	Balance of 2% growth	47,000	
	Support to Vulnerable Children (Williamson)	200,000	
	2011 Additional Growth		
HSS-G1	Terms and conditions of middle grade doctors in line with UK		1,000,000
HSS-G2	Additional senior medical staff		600,000
Sub-Total:		3,547,000	1,600,000
HOME AFFAIRS			
	2011 Additional Growth		
HA-G1	Filling of Essential Vacancies		365,000
HA-G2	Resources for Joint Financial Crimes Unit (JFCU) to achieve IMF compliance *		510,000
Sub-Total:		-	875,000
SOCIAL SECURITY			
	2010 Business Plan Growth		
	Income Support - Residential Care Costs	150,000	
	Increase Social Inclusion and Reduce Social Deprivation	1,000,000	
Sub-Total:		1,150,000	-
TREASURY AND RESOURCES			
Tres-G1	Restructuring the finance function		550,000
Tres-G2	Employ an additional tax investigator to generate tax revenues of £250,000 per annum **		57,000
	2010 Business Plan Growth		
	Property Maintenance Structural Under Funding	1,250,000	
	Town Park - Lost Parking Revenues	341,000	
Sub-Total:		1,591,000	607,000
TRANSPORT AND TECHNICAL SERVICES			
	2010 Business Plan Growth		
	Town Park Costs	341,000	
	Bellozane Infrastructure Maintenance	200,000	
Sub-Total:		541,000	-
GRAND TOTAL:		**7,034,000**	**3,632,000**
LESS:	* Potential for Company Fees to be raised to fund JFCU costs		(510,000)
	** Additional tax revenues from additional tax investigator		(250,000)
			2,872,000

SUMMARY OF COUNCIL OF MINISTERS USER PAYS PROPOSALS (as amended)

Ref	Proposal	User Pays charges
		£
CHIEF MINISTER		
CMD-UP1	Increase in consent fees	11,000
Sub-Total:		11,000
HEALTH & SOCIAL SERVICES		
~~HSS-UP1~~	~~Reduction in level of subsidy on certain health products and goods to 50%~~	~~131,100~~
~~HSS-UP2~~	~~Remove the subsidy on diabetic supplies~~	~~170,000~~
HSS-UP3	Review TOP charges	8,000
HSS-UP4	Review laundry & beverages charges	35,000
Sub-Total:		43,000
HOME AFFAIRS		
HA-UP1	Introduce charges for fire certification	5,000
Sub-Total:		5,000
PLANNING & ENVIRONMENT		
PE-UP1	Introduce charge for Granville Bay licences	5,000
Sub-Total		5,000
TRANSPORT & TECHNICAL SERVICES		
TTS-UP1	Increase in charges for Knackers Yard	36,000
Sub-Total:		36,000
NON-MINS		
Bailiff's Chambers		
BA-UP1	Review and identify an appropriate scale of sliding fees to be introduced for all license transfer and extension applictions, and for public event permits.	22,500
Lt Governor		
LTG-UP1	Crown events held at or provided by Government House to be paid for by the Receiver General.	7,000
Sub-Total:		29,500
Grand Total		**129,500**