

HALF YEAR CORPORATE REPORT | JUNE 2012

TREASURY & RESOURCES DEPARTMENT

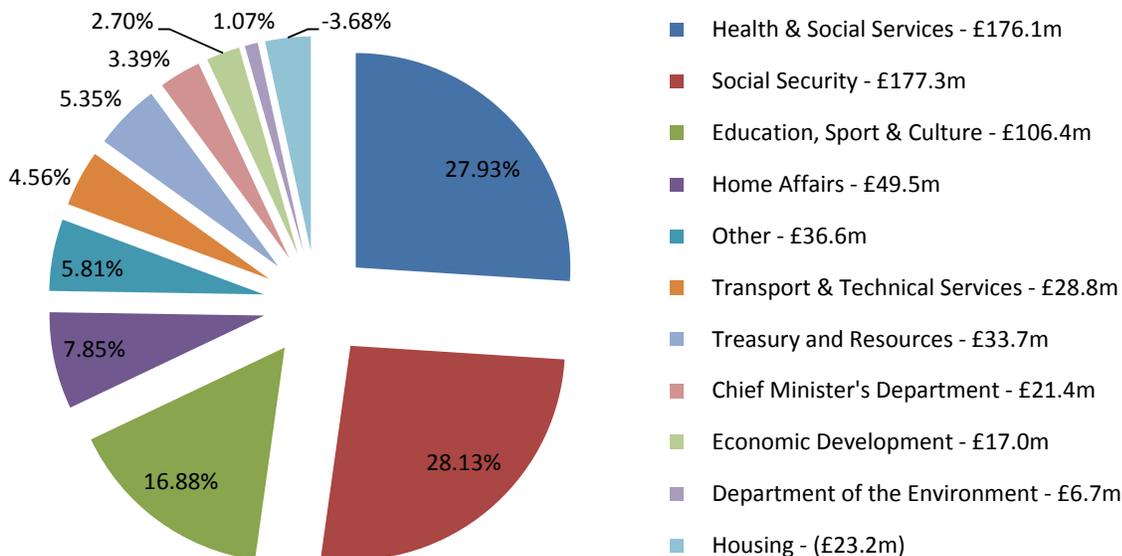


Introduction

The full year general revenue income forecast as at June 2012 is £13.5 million better than original budget. Near cash expenditure forecast (excluding central reserves, restructuring and depreciation) is £8.2 million better than forecast with no departments forecasting an overspend. Further detail and explanation for the variances can be found in the report.

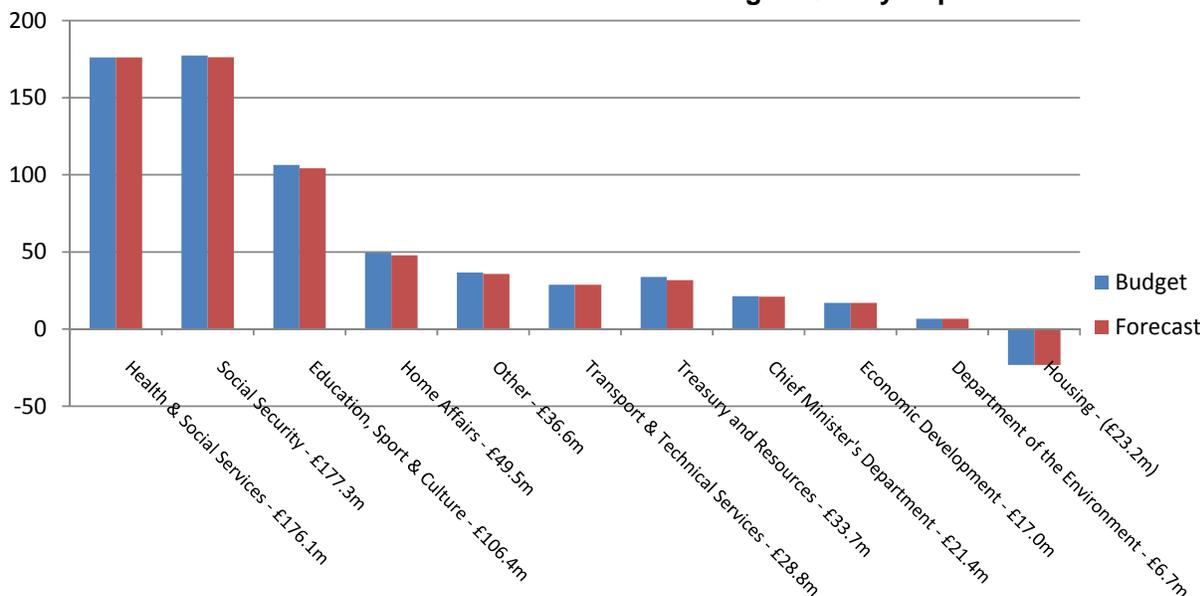
Expenditure – Near Cash

Allocation of Total Budget 2012 by Department



Rounding applied

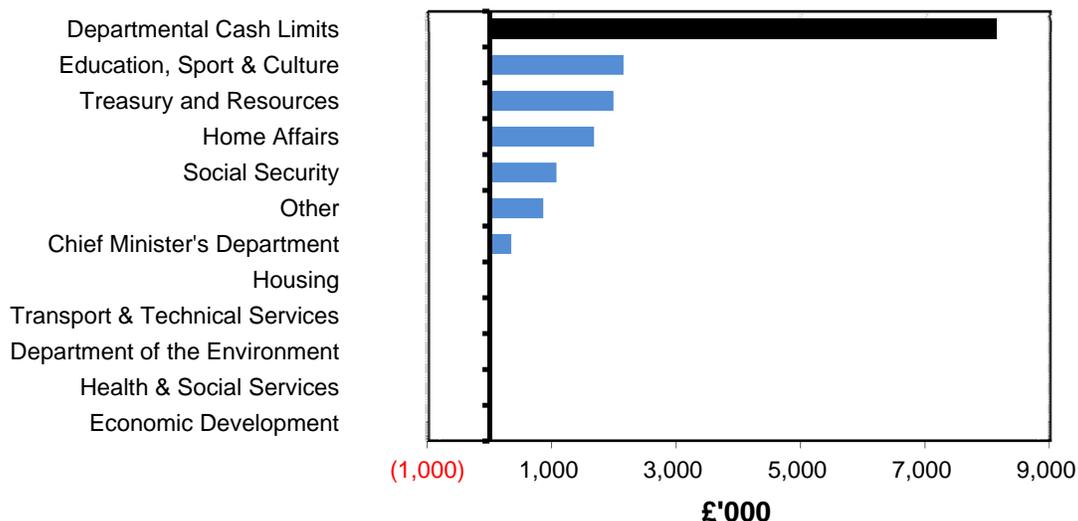
Full Year Forecast – Variance to Total Budget 2012 by Department



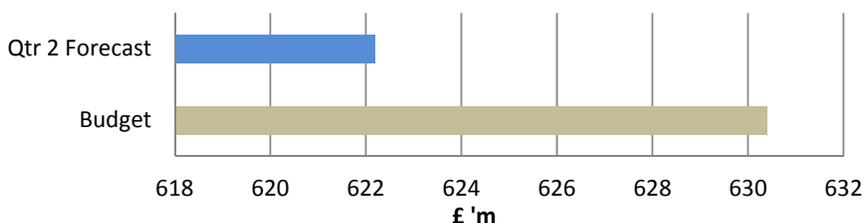
- The full year expenditure forecast of £622.2 million is £8.2 million less than budget.
- In addition to this there is just over £29 million in central reserves and restructuring provision which has not been transferred to departments' budgets. However, of this, £26 million is earmarked pending the correct approval process leaving a balance of £3 million available. (See Appendix 2)
- The £8.2 million balance of underspends relating to departments comprises:

- o Education, Sport and Culture have forecast an underspend of £2.15 million. £1.2 million of this relates to carry forwards and further anticipated savings during the year based on current knowledge of students in Higher Education and is requested to be carried forward to 2013. £900,000 relates to carry forward and further anticipated savings in Fee Paying schools and is also requested to be carried forward.
- o Home Affairs have forecast a £1.68 million underspend. £1.2 million is attributable to staff vacancies in the Police with £0.5 million of other minor variances. The department is requesting to carry forward all underspends.
- o Social Security have forecast an underspend of just over £1 million. This is primarily down to the slow take up of employment grants in the Back to Work scheme equating to £1 million and £100,000 of other smaller variances.
- o Treasury & Resources have forecast a £2 million underspend. This is primarily due to a £1.2 million underspend in Procurement relating to the timing of Restructuring Provision funding for Procure to Pay. There are also underspends in Jersey Property Holdings of £315,000, Taxes Office of £244,000 and other smaller variances. The department is requesting to carry forward all of the underspends.
- o Chief Minister's and States Assembly have forecast underspends of £350,000 and £862,000.

Full Year Forecast – Variance to Total Budget 2012 by Department (Excluding Central Reserves and Restructuring)

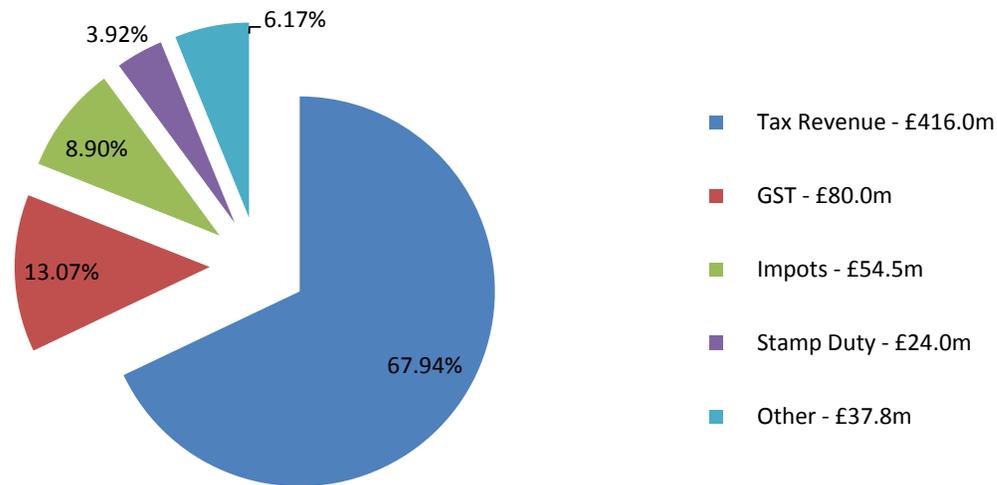


Full Year Forecast – Variance to Total Budget 2012 (Excluding Central Reserves and Restructuring)



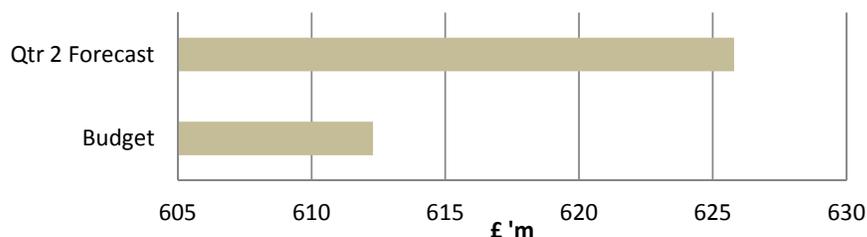
General Revenues

Sources of States General Revenue Income - Total Budget 2012

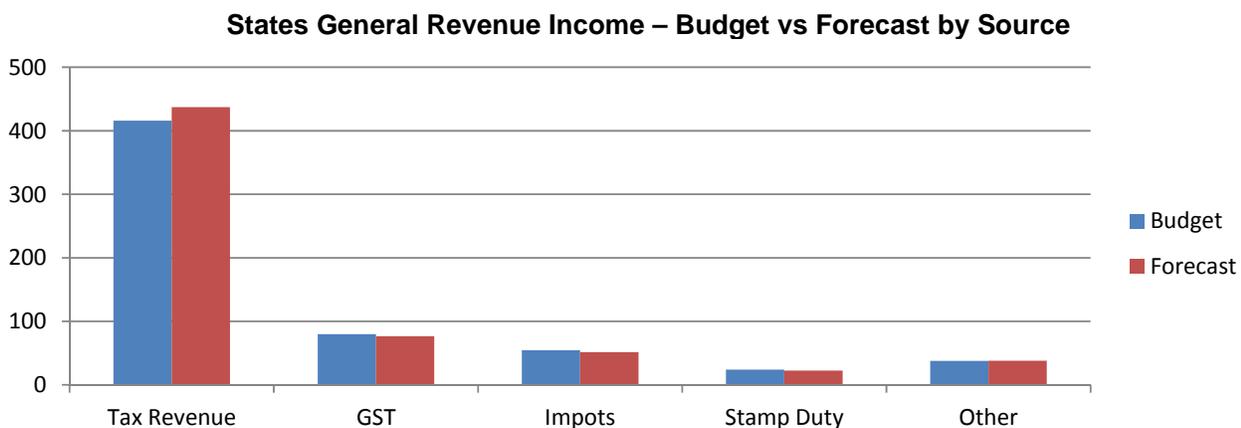
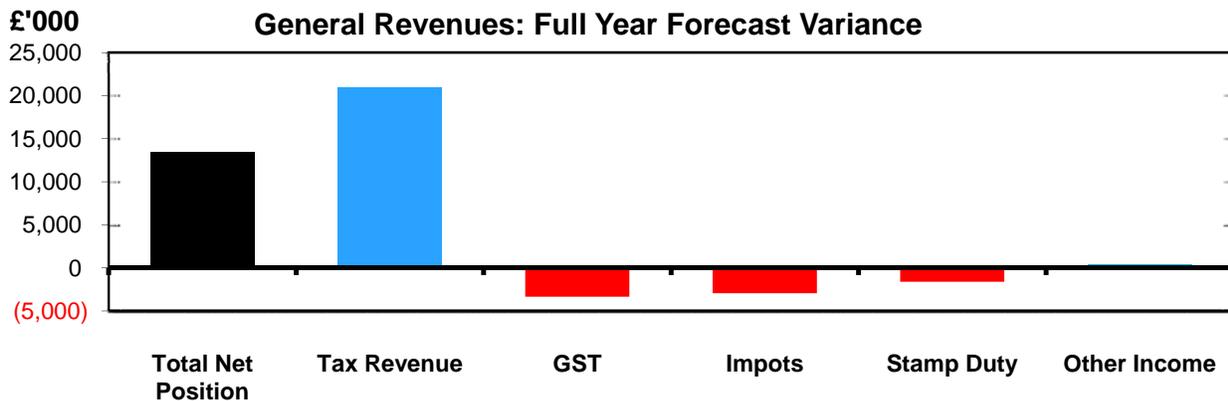


- The full year forecast of £625.8 million is £13.5 million higher than the Budget for 2012. That represents an improvement of £0.9 million since Quarter One.

Full Year Forecast – Total Variance to Total Budget 2012



- Income Tax is forecast to be £21 million better than the Budget position. This is made up of £17.7 million Personal Tax and £3.3 million Company Tax.
- GST is forecast to be £3.3 million lower than Budget.
- Impôts is forecast to be £2.95 million lower than Budget.
- Stamp Duty is forecast to be £1.6 million lower than Budget.
- Other income is forecast to be £0.37 million above Budget with Investment Income £0.22 million higher and Island Wide Rate £0.15 million higher. This variance excludes £4.5 million of dividend income which is forecast in the MTFP. The dividend will be included in the 3rd Quarter position.
- Income year to date variance is £13.7 million favourable at £357.2 million, primarily due to an increase in both Personal Tax and Company Tax. The main reason for the Personal Tax increase is an improvement in yield over expectations. Impôts and Other Income are also up against budget to date by £1 million and £0.7 million respectively with Impôts due to an increase in the quantities of alcohol, tobacco and fuel in the 2nd Quarter and Other Income due mainly to the timing of Annual Returns and dividend income.
- GST and Stamp Duty are both down against Budget by £1.3 million and £0.7 million respectively. The Stamp Duty forecasting model uses seasonal variation as well as volume and price assumptions. Historically, the model shows that the first quarter yields lower than average income. However, both the volume and value of transactions to 30 June 2012 were below that forecast at the time of the Budget 2012 (June 2011).



Tax Revenue

- £21 million favourable variance for 2012 Revenues, mainly due to a projected increase in both Personal Tax and Company Tax Revenues. The primary reason for the Personal Tax increase is an improvement in yield over expectations.

GST

- £3.3 million adverse variance based on returns received to the end of April 2012. This is a further £1.1 million decrease to the forecast from the first quarter. Subsequent to June the forecast has been increased by £1 million, meaning that Domestic GST revenues are now expected to be in line with the prior year (on a 5% comparable basis). (See Appendix 1)

Impôts

- £2.95 million adverse variance due to the final 2011 outturn showing a significant fall in both fuel and tobacco duty compared to previous trends. There has been an increase in the quantities of alcohol, tobacco and fuel put to duty during the second quarter of 2012, resulting in an increase of £1.4 million in the estimated yield from the first quarter.

Stamp Duty

- £1.6 million adverse variance based on the latest economic assumptions suggesting a slower recovery from the economic downturn, as both the volume and value of transactions for the period to June 2012 were below that forecast at the time of the 2012 Budget.

Other

- £0.37 million favourable variance in respect of an expected increase in investment income (£0.22 million) due to an increase in yield, and an increase in Island Wide Rates (£0.15 million) receipts, due to a higher Retail Price Index of 4.7% in March 2012 than the expected 3.5% that was used for 2012 budgeting.

STATES OF JERSEY SERVICE ANALYSIS

The table below includes non cash expenditure meaning depreciation, impairment and amortisation of assets and grants are reflected

	Year to date				Full Year		
	Actual £'000	Budget £'000	Variance to Budget £'000	Variance to Prior Year £'000	Budget £'000	Forecast £'000	Variance to Budget £'000
INCOME - ANALYSIS OF GENERAL REVENUES							
Tax Revenue	(260,933)	(246,832)	14,101	17,327	(416,000)	(437,000)	21,000
GST	(42,719)	(43,994)	(1,275)	11,018	(80,047)	(76,700)	(3,347)
Impots	(25,922)	(24,941)	981	2,273	(54,500)	(51,554)	(2,946)
Stamp Duty	(11,394)	(12,117)	(723)	(369)	(24,029)	(22,414)	(1,615)
Other*	(16,225)	(15,574)	651	3,357	(37,767)	(38,135)	368
Total Income from General Revenues	(357,193)	(343,458)	13,735	33,606	(612,343)	(625,803)	13,460
NET REVENUE EXPENDITURE BY DEPARTMENT							
Chief Minister's Department	9,087	9,989	902	4,143	21,551	21,324	227
Economic Development	7,395	7,413	18	1,407	17,034	17,034	0
Education, Sport & Culture	52,612	55,062	2,450	728	106,573	104,420	2,153
Health & Social Services	86,986	86,542	(444)	(1,734)	178,643	178,643	0
Home Affairs	23,744	25,800	2,056	(262)	50,087	48,408	1,679
Housing	(9,672)	(9,235)	437	4,709	(12,532)	(5,326)	(7,206)
Department of the Environment	3,094	3,390	296	246	6,866	6,866	0
Social Security	81,645	87,318	5,673	(924)	177,318	176,241	1,077
Transport & Technical Services	16,999	19,639	2,640	(2,241)	42,490	41,939	551
Treasury and Resources	18,127	20,150	2,023	(3,311)	45,630	42,697	2,933
Other*	19,974	21,260	1,286	(2,657)	36,779	35,906	873
	309,991	327,328	17,337	104	670,439	668,152	2,287
NET REVENUE EXPENDITURE BY TRADING OPERATION							
Jersey Airport	(264)	462	726	215	1,765	1,900	(135)
Jersey Harbours	(903)	108	1,011	693	270	279	(9)
Jersey Car Parks	141	207	66	(1,100)	890	771	119
Jersey Fleet Management	(195)	(210)	(15)	(39)	(273)	(279)	6
	(1,221)	567	1,788	(231)	2,652	2,671	(19)

* Other Income includes Consolidated Fund investments and other statutory income. It excludes revenue relating to the Common Investment Fund (which is reported separately) and Non-voted Consolidated Fund Revenue.

Other departmental expenditure aggregates States Assembly, Overseas Aid and Non Ministerial States Funded cash limits.

The change in forecast includes changes in respect of additional budgets and virements approved.

Reconciliation Near Cash back to IFRS budget	£ million
Budget 2012 Net Revenue Expenditure	616
Less: Central Reserves & Restructuring (CR&R)	(15)
Carry Forwards	41
Less: CR&R Carry Forwards	(14)
Additional Budget	2
Near Cash	630
Non Cash Depreciation	40
Total Net Revenue Expenditure	670

STATES OF JERSEY SERVICE ANALYSIS – (continued)

The following tables separate the significant Near Cash and Non Cash elements that make up the year to date and full year variances explained in this summary. The aim is to show how Non Cash net revenue expenditure, such as depreciation and impairments, affects the overall variances. Accounting Officers are responsible for their Near Cash position.

Departments	Year to Date Reconciliation			Full Year Reconciliation		
	Variance actual expenditure v budget			Variance forecast expenditure v budget		
	Near Cash	Non Cash	Total	Near Cash	Non Cash	Total
Entity	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000
Chief Minister's Department	998	(96)	902	350	(123)	227
Economic Development	13	5	18	0	0	0
Education Sport & Culture	2,426	24	2,450	2,153	0	2,153
Health & Social Services	(427)	(17)	(444)	0	0	0
Home Affairs	2,080	(24)	2,056	1,679	0	1,679
Housing	274	163	437	36	(7,242)	(7,206)
Department of the Environment	266	30	296	0	0	0
Social Security	5,673	0	5,673	1,077	0	1,077
Transport & Technical Services	957	1,683	2,640	0	551	551
Treasury and Resources	1,509	514	2,023	1,993	940	2,933
Other	1,279	7	1,286	862	11	873
Departmental Cash Limits	15,048	2,289	17,337	8,150	(5,863)	2,287

Appendix 1 – Focus on GST

GST Actual Position as at end of second quarter 2012

Reported Goods and Services Tax revenue consists of four main elements:

Type of GST Revenues	Year to June 2012
Domestic GST	32,103,891
Import GST	1,373,142
International Service Entity Fees	9,278,500
GST Write Offs	- 36,182
Total	42,719,351

In accordance with UK GAAP, GST revenue is recognised on an accruals basis. This means that in the case of Domestic GST, revenue to the end of June 2012 will include an estimate of revenue for returns that have not yet been received for that period.

Comparison to prior year

Comparing to prior year is complicated by the fact that the increase in GST from 3 to 5% occurred in June 2011, therefore a direct comparison does not provide a true picture of the underlying trend in GST revenues.

Domestic GST

Adjusting for the increase in GST, Revenues have been broadly flat from 2009 (65.5m on 5% comparable basis) to 2011 (£66m on 5% comparable basis). Comparing 2012 to 2011 for the Year to June, 2012 revenues are down approximately £1.7m compared to 2011, however it should be noted that the 2011 comparable period included the increase of GST from 3% to 5%, and there are clear indications of an increase in purchasing prior to the uplift, so a comparison to 2011 is misleading. Comparing to 2010 (on a 5% comparable basis), 2012 revenues are £100k down. As at the end of June, forecast Domestic GST revenues were approximately £1m down on prior year, or 1.5% (on a 5% comparable basis). Subsequent to June the forecast has been increased by £1m, meaning that Domestic GST revenues are now expected to be in line with the prior year (on a 5% comparable basis).

Import GST

Import GST is broadly in line with prior year on an equivalent basis (£1.37m current year v £1.43m prior year - although as for Domestic GST above, there is likely to have been an increase in purchasing prior to the uplift in the rate).

International Service Entity Fees (ISE Fees)

ISE Fees are primarily charged at the beginning of the year, therefore it is expected that year to date revenues will equate to full year revenues. ISE Fees have increased by approximately £0.4m compared to the prior year, largely due to the increase in ISE Fees that banks must pay (from £30k to £50k – introduced in the 2012 Budget).

Appendix 2 - Central Reserves and Restructuring Costs

Central Reserves			Awaiting Transfer	Transferred to Departments	Balance of Budget Available
	Date				
	01/01/2012	Opening Balance		12,810,800	
	21/02/2012	Carry forwards		7,912,000	
	13/04/2012	Carry forwards		7,859,917	
Treasury and Resources	29/02/2012	LVCR Legal Costs		(350,437)	
Health and Social Services	26/06/2012	Service improvement		(1,758,000)	
Chief Minister's	21/06/2012	Freedom of Information		(500,000)	
		Budget remaining 30 June 2012		25,974,280	25,974,280
Awaiting Approval or Transfer					
Treasury and Resources	TR-2011-DD102	Human Resources Training 2012	(270,000)		
Bailiff's Chambers	MD-TR-2012-0072	Royal Visit	(60,000)		
Treasury and Resources	MD-TR-2012-0056	LVCR Legal Costs	(392,485)		
Treasury and Resources	TR-2012-DD057	Project Omega	(12,113)		
			(734,598)		25,239,682
Awaiting Request and Transfer					
		Project Omega Balance Forecast	(4,987,887)		
		AME - Balance Forecast	(4,000,000)		
		MTFP - Commitment - Forecast	(9,100,000)		
		1% Pay Consolidated Forecast	(2,600,000)		
		Smooth Reserve - Balance Forecast	(2,859,917)		
		Ex-gratia payment	(7,700)		
		3rd Sector Forum	(155,000)		
		Human Resources Training 2013	(160,000)		
			(23,870,504)		1,369,178
		Full year budget remaining		25,974,280	1,369,178
Restructuring Costs					
	01/01/2012	Opening Balance		7,000,000	
	13/04/2012	Carry forward		711,900	
Health and Social Services	13/02/2012	Invest to Save - Lean Projects and Energy Projects		(615,000)	
Health and Social Services	22/03/2012	Invest to Save - CSR Support		(647,000)	
Chief Minister's	22/03/2012	Organisational Change		(710,000)	
Treasury and Resources	22/03/2012	Taxes Transformation and Procurement Project		(1,800,000)	
Home Affairs	04/05/2012	Voluntary Redundancy		(68,300)	
Treasury and Resources	13/06/2012	Energy Project		(500,000)	
Economic Development Department	20/06/2012	Integration Jersey Business Venture and Jersey Enterprise		(205,000)	
Health and Social Services	25/06/2012	Buy out of alternating shift payments		(127,000)	
		Budget remaining 30 June 2012		3,039,600	3,039,600
Awaiting Approval or Transfer					
Treasury and Resources	MD-TR-2011-0039	Taxes Transformation Programme	(80,000)		
Chief Minister's	MD-TR-2011-0039	Law Draftsmen ~ additional resources	(93,000)		
Treasury and Resources	MD-TR-2011-0126	Taxes Transformation Programme	(300,000)		
Home Affairs	MD-TR-2011-0039	Command Fire Ambulance Manager - postponed	(36,000)		
Chief Minister's	MD-TR-2012-0052	HR System Replacements	(62,000)		
Department of the Environment	MD-TR- 2012-0052	File thinning and Online Web Services	(140,000)		
Education Sport and Culture	MD-TR-2011-0126	Les Creux Bowls	(60,000)		
			(771,000)		2,268,600
Awaiting Request and Transfer					
Chief Minister's		Public Sector Reform	(500,000)		
Chief Minister's		Human Resources 'Fit for Purpose'	(150,000)		
			(650,000)		1,618,600
		Full year budget remaining		3,039,600	1,618,600
		Total budget remaining to 30 June 2012		29,013,880	
		Total full year budget remaining			2,987,778