STATES OF JERSEY



B U D G E T — 2004 —







STATES OF JERSEY

Budget 2004

Finance and Economics Committee

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Contents



| | Page |
|---|------|
| Foreword | i |
| Executive Summary | iii |
| Financial Forecast 2003 - 2008 | V |
| Report of the Finance and Economics Committee | vi |
| Analysis of Income and Expenditure | 1 |
| Taxation and Investment Income | 2 |
| Consolidated Subjective Analysis 2004 | 3 |
| Cash Limits 2004 | 4 |
| Summary Cash Limits 2003 - 2008 | 5 |
| Non - Trading Committees' Revenue Estimates | |
| Policy and Resources | 7 |
| Privileges and Procedures | 11 |
| Finance and Economics | 14 |
| Environment and Public Services | 19 |
| Economic Development | 25 |
| Health and Social Services | 31 |
| Education, Sport and Culture | 35 |
| Home Affairs | 40 |
| Employment and Social Security | 46 |
| Housing | 49 |
| Harbours and Airport - La Collette Reclamation Scheme | 53 |
| Legislation | 53 |
| Overseas Aid | 53 |
| Trading Committees' Revenue Expenditure and Income | |
| Harbours and Airport | 56 |
| Postal Administration | 62 |
| Car Parks Trading Account | 65 |
| Capital Expenditure Estimates | 67 |
| Capital Fund Forecast 2004 | 71 |
| Summary of Estimates | 72 |



Foreword



FINANCE AND ECONOMICS COMMITTEE



The 2004 Budget carries an important message for the States, re-emphasing yet further the need for a cultural change in the way the States conducts its business and assesses priorities. The rate of increase of States revenues has slowed and the level of growth in expenditure has to be carefully managed such that it remains affordable. The States has made considerable progress in the last two years to contain expenditure growth, yet despite this progress, the Committee, in light of the latest forecasts, is proposing a budget this year which includes a small, but manageable deficit.

The latest financial forecasts project a further reduction in the estimate of corporate tax revenues compared to those presented in the Resource Plan 2004-2008. Largely as a result of this downturn in the growth of tax revenues, the forecast deficit, which the Committee had to address when considering its tax proposals, had risen from £7 million to £19 million in 2004.

Whilst the Committee's intention has been to propose a balanced budget for 2004, it has not reacted in a manner likely to disrupt the stability and integrity of its previously agreed overall spending plans and tax policies. Instead, the Committee proposes additional tax and spending measures for 2004 of £15 million, which are wholly consistent with a robust and sustainable approach to Jersey's long-term finances. These measures will reduce the deficit in 2004 to £4 million.

However, the Committee holds firm to a policy of balanced budgets and firmly believe this can be achieved by a clear strategy and a flexible package of fiscal measures through the period 2005 to 2008. The policy of balanced budgets must be able to accommodate inevitable annual fluctuations in tax revenues, and it must be recognised that tax revenues could remain fairly volatile as the global economy begins to recover.

For 2004, the tax proposals include increases in Impôts Duties, Vehicle Registration Duty and Stamp Duty, similar to those introduced in the 2003 Budget, which are estimated to raise an additional £9 million.

On spending, the Committee proposes to reduce the provision for pay awards in 2004, and to also make no allocation to the General Reserve, recognising the level of the current unallocated balance on that Reserve.

An Annex to the 2004 Budget report is included this year for the first time and provides a further level of detail behind the services identified within the individual Committees' pages. It is intended to give States members and the public more information about the resources required to deliver the current level of services.

Resulting from the Fundamental Spending Review, it is the first product of a States-wide examination of all our services at a greater level of detail. In addition, the benchmarking project will compare the performance of all services, both year on year, and with other appropriate jurisdictions. Together with the improved Fundamental Spending Review 2005-2007, this work will help focus activity to improve efficiency and prioritise the allocation of the resources available.

A further change in presentation is incorporated this year to improve the consistency of reporting across Committees. The Treasury have successfully completed the implementation of Phase 1 of the new financial information system and the associated reporting structure for all income and expenditure has been incorporated in this year's detailed Committee estimates. It will provide the base against which future years accounts will be assessed and compared. My Committee is pleased to report that implementation has been completed early and within budget.

States 👺 of Jersey

i

Foreword



The 2004 Budget presents the States' finances at a transitional stage of the process to deliver the reforms necessary for the new machinery of government. It reflects for the first time the Committees of the States in their transitional structure as a step towards the proposed Ministerial system of government in 2005.

The Island's economy remains strong and the States has a sound financial base on which to plan its future. With its first budget, the new Committee is addressing the short-term challenges and is determined to build on the successes of the past. Its intention is to set in place policies and processes that will carry the States through the current transitional phase to a robust structure delivering further value for money from services.

In conjunction with an agreed States Strategic Plan, the Committee will identify sustainable measures designed to deliver certainty, continued economic growth and stability for the priority services of the States.

Senator Terry Le Sueur

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President

Finance and Economics Committee

4th November 2003



Executive Summary



Key Features of the 2004 Budget are as follows:

Updated Financial Forecasts 2004 - 2008

- The deficit, before any budget measures, has increased to £19 million; this compares with a forecast deficit of £7 million as shown in the Resource Plan 2004-2008.
- The cause of the increased deficit is tax revenues rising by less than previously predicted. This is due primarily to a fall in corporate tax revenues, partly offset by higher than expected increases in personal tax receipts.
- The deficit is forecast to increase to £28 million by 2008, in the absence of further measures being introduced in future budgets.
- The Finance and Economics Committee's clear intention was to balance the budget each year, including 2004, but forecasts of States income have fallen by £12 million compared to previous estimates. The Committee is determined not to take decisions which are inconsistent with its overriding policy to provide stability and certainty to tax and spending.
- The Committee is proposing tax and spending measures totalling £15 million in 2004.
- After taking this action, the forecast deficit for 2004 is £4 million.
- The Committee is also outlining the further measures it will employ to balance budgets in the forecast years.

Income Tax

- The Committee's income tax proposals for 2004 are to:
 - ♦ Maintain tax allowances and exemptions at 2003 levels.
 - ♦ Limit tax relief to interest on mortgages up to £275,000 and other qualifying purposes.
 - ♦ Increase the late payment surcharge from 10% to 15%.
 - ♦ Introduce a penalty for the late submission of Income Tax Returns.
 - ♦ Introduce other changes to further improve equity in the tax system and prevent misuse of allowances.
- The Committee also announces its intention to progress:
 - ♦ The introduction of a simplified PAYE system.
 - ♦ Options to remove or restrict personal tax allowances for high earners.
 - ♦ A review of life assurance relief to prevent misuse.

Impôts Duty

- The Committee's proposals for 2004 are to:
 - ♦ Increase duties slightly above the rate of inflation in accordance with the draft Alcohol and Tobacco Strategies representing;
 - 40 pence on a litre of spirits.
 - 10 pence on a bottle of wine.
 - 4 pence on a pint of beer.
 - 25 pence on a packet of 20 cigarettes.
 - 5 pence on a litre of unleaded petrol.
 - ♦ Increase the rates of Vehicle Registration Duty by 25%.
 - ♦ Introduce a new discounted Vehicle Registration Duty on Hire Cars at 15% of standard rates.

Stamp Duty

- The Committee's proposals for 2004 are to:
 - ♦ Apply incremental increases to existing band rates.
 - ♦ Introduce a new higher rate for properties over £700,000.
 - ♦ Maintain the existing lower rates for first-time buyers.
 - ♦ Undertake a comprehensive review of all Stamp Duties with a view to further proposals in the 2005 Budget.

Net Revenue Expenditure 2004

- The total States Net Revenue Expenditure in 2004 is budgeted at £408 million; this represents an increase of only 1% over 2003, the first real terms reduction in revenue expenditure for many years. This considerable reduction has been achieved by:
 - ♦ Restricting the increase in revenue expenditure to the target of 2.5% through the 2004 Fundamental Spending Review, agreed by the States in the Resource Plan 2004-2008.
 - A Removing the £5 million allocation to the General Reserve.
 - ♦ Reducing the 2004 Pay Provision by £1 million.
- The 2004 Budget proposals include £4.5 million of net growth which has primarily been directed to the Health and Social Services, Finance and Economics and Education, Sport and Culture Committees.



Executive Summary





Fundamental Spending Review

- Committee Presidents achieved the tough Committee spending limits of 2.5% for 2004, compared to the original aim of 5%.
- The improved process for 2005 to 2007 has been developed to provide a more strategic and longer-term emphasis, with further objectives to:
 - ♦ Concentrate political decision-making on allocating resources in accordance with States strategic priorities (to deliver budget allocations within the target increases proposed in the Resource Plan 2004-2008).
 - ♦ Benchmark all States services to enable targeted efficiency measures to be delivered, and demonstrate value for money from these services.

Capital Expenditure

- The Capital Expenditure programme in 2004 has been reduced to £48 million, but still provides for, amongst other projects, the following major developments:
 - ♦ The second phase of a major extension of facilities at La Moye Prison.
 - ♦ Phase one of the St Clement's School redevelopment.
 - ♦ Phase one of the Belle Vue Residential Home development to enhance the provision of long-term nursing care.
 - ♦ Funding for the upkeep of the Island's sea defences.

Longer-Term Tax and Spending Strategy

- Substantial research into the development of a tax and spending strategy.
- Preferred options to be presented in the first half of 2004, following the publication and debate of the new States Strategic Plan.
- Following consultation, the Committee will submit final proposals to the States for approval.
- Approved measures will be phased in over the years leading up to the proposed change in the Island's corporate tax structure by 2009.



Financial Forecast 2003 – 2008





| Probable 2003 (restated) | | 2004 | 2005 | – Estimates – 2006 | 2007 | > 2008 |
|--------------------------------|---|------------|------------|-----------------------|------------|------------|
| £' million | | £' million | £' million | £' million | £' million | £' million |
| | Income | | | | | |
| 370 | Income Tax | 370 | 375 | 385 | 395 | 405 |
| 47 | Impôts | 54 | 53 | 52 | 51 | 50 |
| 12 | Stamp Duty | 14 | 14 | 14 | 14 | 14 |
| 15 | Other Income | 14 | 13 | 13 | 13 | 13 |
| 444 | Total Income | 452 | 455 | 464 | 473 | 482 |
| | Expenditure and Transfers to Reserves | | | | | |
| | Revenue Expenditure | | | | | |
| 376 | Committee cash limits | 403 | 412 | 424 | 436 | 448 |
| | Transfer to General Reserve | | | | | |
| 20 | Pay and Pension Contingency | 5 | 6 | 6 | 6 | 6 |
| 8 | In year unforeseen contingency | - | 6 | 8 | 8 | 8 |
| 404 | Total States Net Revenue Expenditure | 408 | 424 | 438 | 450 | 462 |
| 50 | Capital Allocation | 48 | 48 | 48 | 48 | 48 |
| 30 | Transfer to Strategic Reserve | 40 | 40 | 40 | 40 | - |
| _ | | | - | - | - | - |
| 454 | Total States Net Revenue and Capital Expenditure | 456 | 472 | 486 | 498 | 510 |
| (10) | Deficit for the year | (4) | (17) | (22) | (25) | (28) |

Notes:

<u>Income</u>

- The forecasts reflect the latest estimates revised in September 2003
- The presentation has been revised to show Stamp Duty as part of the General Revenues to the States, previously this appeared within the Finance and Economics
- The remaining Trading areas of Postal, Harbours and Airport are not forecast to make a return to the States which recognises the transitional state of these organisations.
- Other Income represents the return on certain States investments and associated bodies including Jersey Telecom and the Jersey Financial Services Commission. **Expenditure**
- The 2003 net revenue expenditure has been restated to reflect the transfer of Stamp Duty income to General Revenues.
- The allocation to the General Reserve in 2004 has been removed as one of the measures towards a balanced budget; the ongoing allocation will be reviewed in the

Deficits

- The States policy is to balance budgets and it is the clear objective of the Finance and Economics Committee to achieve that over the forecast period. The Finance Law allows for small deficits where these do not exceed the balance on the States Capital Fund (its "bank account").
- The unallocated balance on the Capital Fund at 31st December 2002 was £27 million.



1. FINANCIAL FORECASTS 2004 - 2008

1.1 2003 Budget

The 2003 Budget predicted a budget deficit in 2004 of £16 million, based on a revenue expenditure increase of 5% and capital expenditure of £50 million. This deficit was forecast to increase to £26 million in 2005 based on predicted rises in States revenues of 2.4% per annum.

Table 1.1 Financial Forecast - 2003 Budget (restated from November 2002)

| | Budget | Estimate | Estimate |
|-------------------|--------|----------|----------|
| | 2003 | 2004 | 2005 |
| | £m | £m | £m |
| Total Income | 450 | 458 | 469 |
| Total Expenditure | 454 | 474 | 495 |
| Deficit | (4) | (16) | (26) |

1.2 Resource Plan 2004 - 2008

As a result of revised income tax forecasts in early 2003, the estimated deficit for 2004 increased to £19 million. In response to this, the Finance and Economics Committee proposed, in the Resource Plan 2004-2008, total States net revenue expenditure increases for 2004 of only 2.5%, plus a £2 million reduction to each year of the Capital Programme. These proposals were approved by the States and reduced the predicted deficit for 2004 to £7 million.

Table 1.2 Financial Forecast – Resource Plan 2004 (July 2003)

| | Probable | Estimate | Estimate | Estimate | Estimate | Estimate |
|-------------------|----------|----------|----------|----------|----------|----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | £m | £m | £m | £m | £m | £m |
| Total Income | 443 | 455 | 465 | 474 | 483 | 492 |
| Total Expenditure | 454 | 462 | 475 | 488 | 501 | 514 |
| Deficit | (11) | (7) | (10) | (14) | (18) | (22) |

The Committee was intending to meet the remaining £7 million deficit in 2004 with an equivalent package of tax measures in the 2004 Budget.

1.3 2004 Budget

The 2004 Budget forecasts have been revised since the Resource Plan for the latest forecasts of income tax and impôt duty revenues. The trading Committees have also presented revised budgets which are incorporated into these forecasts.

The net effect is a reduction in projected States revenues of £12 million, which has resulted in the forecast deficit for 2004 increasing from £7 million to £19 million, as illustrated in Table 1.3.

The Committee has given careful consideration to the scale of the projected deficit and concluded that whilst it will make every effort to balance the budget during 2004, its policy is not to take decisions which are inconsistent with its overriding policy to provide stability and certainty to tax and spending. It will continue to take a measured and sustainable approach to balance budgets over the forecast period rather than in reaction to variations in any particular year.

As a result the Committee is proposing to plan for a deficit of £4 million in 2004, but with a clear strategy to identify the measures by which the States can return to a balanced budget in the short to medium-term based on the current forecasts. These measures are outlined in Section 1.4.





1. FINANCIAL FORECASTS (continued)

Table 1.3 Financial Forecast – 2004 Budget (November 2003)

| | Probable 2003 £m | Estimate 2004 £m | Estimate 2005 £m | Estimate 2006 £m | Estimate 2007 £m | Estimate 2008 £m |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Deficit as shown in 2003 Budge | et (4) | (16) | (26) | - | | - |
| Adjusted Deficit as per Resource Plan 2004 - 2008 | ce (11) | (7) | (10) | (14) | (18) | (22) |
| Change in Income Tax estimates (Sept 2003) | 2 | (10) | (15) | (15) | (15) | (15) |
| Reduction in Impôts duty estimates (Sept 2003) | _ | (1) | (1) | (1) | (1) | _ |
| Variation in Other Income (Oct 2003) | (1) | (1) | (3) | (3) | (2) | (2) |
| Revised Deficit before Budget proposals | (10) | (19) | (29) | (33) | (36) | (39) |
| Proposed Measures 2004 Budge | et | | | | | |
| Increase in Impôts duties Increase in Vehicle Registration | - | 6 | 6 | 5 | 5 | 5 |
| Duty | - | 1 | 1 | 1 | 1 | 1 |
| Increase in Stamp Duty Effect of reduced 2004 pay | - | 2 | 2 | 2 | 2 | 2 |
| provision | - | 1 | 3 | 3 | 3 | 3 |
| Reduce General Reserve | - | 5 | - | - | - | - |
| Deficit in 2004 Budget | (10) | (4) | (17) | (22) | (25) | (28) |

The package of measures to address the deficit for 2004, outlined in Table 1.3, is to:

- increase Impôts duties above inflation and broadly at the levels of increase applied in the 2003 Budget representing;
 - ♦ an average increase of 12% in alcohol duties;
 - ♦ an increase in tobacco duty equivalent to 25 pence on a packet of 20 cigarettes;
 - ♦ an increase in fuel duty of 5 pence per litre; and
 - ♦ an increase in vehicle registration duty of 25% and a new discounted rate of 15% proposed for hire cars;
- increase the rates for Stamp Duty on realty, including a new higher rate above £700,000;
- remove the allocation to the General Reserve in 2004, based on the projected unspent balance for 2003; and
- reduce the provision for pay awards in 2004 to a level more in line with the forecast increases in States revenues.

This package of tax and spending measures although substantial is consistent with the Committee's policies and will also, with the exception of the General Reserve allocation (which is a one-off saving), reduce the level of deficit in future years.

The Committee is optimistic that the position at the end of 2003 will improve from the £10 million deficit forecast in the Resource Plan. This is likely to be achieved through a small improvement in income tax revenues and, based on current commitments, a saving on the allocation to the General Reserve.





1.4 Balancing the budgets in the longer term

The latest income tax forecasts reveal a fall in corporate tax revenues and it is possible that this is the beginning of a reaction towards the structural changes in corporate tax in 2009. If this is the case it may reduce the drop off in revenues currently anticipated at that time and provide evidence (or some momentum) to accelerate the introduction of the longer-term tax measures being developed in the Fiscal Strategy.

In effect, the next few years may see the need to bring forward, earlier than previously anticipated, the new fiscal measures which are being developed to address the major structural change which will occur in 2009.

In the short-term, the Committee will be concentrating principally on a package of tax and spending options for the period beyond 2004. These are likely to include:

- recommending further reductions in the growth in revenue cash limits below the 3% maximum agreed in the Resource Plan; each 0.5% will save £2 million per annum;
- reducing the General Reserve allocation to a future provision strictly for emergencies only;
- further savings on capital to achieve a reduction in the annual capital allocation;
- a strategy for sustainable increases in Impôts Duties, including VRD, which continue to support health and environmental policies and generate additional revenues;
- a review of all Stamp Duties, with a view to further increasing future revenues;
- considering the removal of certain allowances used as loopholes for income tax in the short term and possibly in advance of similar proposals within the fiscal strategy;
- the possible introduction of a simplified PAYE system which should bring more people into the tax net; and
- exploring opportunities to increase the return on States investments.

1.5 Balanced budgets and the "Finance Law"

The Public Finances (Administration) (Jersey) Law 1967, (the "Finance Law"), prevents the States from setting a deficit budget unless a balance on the Capital Fund is sufficient to meet that deficit.

In the years up to and including 1999, States income exceeded the forecast levels, mainly due to buoyant income tax revenues. The resulting surpluses have been transferred into the Capital Fund in accordance with the Finance Law.

The Capital Fund is made up of these annual balances on General Revenues and any unspent balances on capital projects. At 31st December 2002 the unallocated balance was £27 million.

With deficits forecast for 2003 and now 2004, the unallocated balance on the Capital Fund will not accommodate the deficits forecast much beyond 2004. The Committee's objective is to return to balanced budgets as soon as possible. By 2005, the States may have no option but to reduce the revised forecast of a £17 million deficit in that year.

The Committee's intention would be to pursue a balanced budget in 2005 such that a provision remained on the Capital Fund to allow for any further variation in forecasts of States revenues.

2. FINANCIAL AND ECONOMIC STRATEGY

2.1 Introduction

The Resource Plan 2004-2008 sets out the framework within which the financial objectives of the States will be addressed. Over the next few months, the trio of key strategies; the Strategic Plan, the Fiscal Strategy and the Fundamental Spending Review, will dovetail and proposals will be placed before the States which present a coherent picture of an affordable, properly funded and prioritised public service provision.

This integrated planning framework, once approved, will provide the overall direction and objectives for the work of the States over the forecast period and beyond.





2. FINANCIAL AND ECONOMIC STRATEGY (continued)

2.2 Strategic Financial Objectives

The key objectives in resource terms emerging from the development of the Strategic Plan are to respond to the challenges ahead which are posed by:

- international competition from other offshore finance centres;
- the introduction of zero % corporate tax and a special rate of 10% for financial services; and
- the increasing demand for new and improved services.

The Fiscal Strategy will set out the proposals for the necessary structural changes to the Island's taxation system to address both international competition and the requirements of the EU Tax Package, (see Section 9).

The Fundamental Spending Review will address, in conjunction with the Strategic Plan, the demands for an affordable level of public services by focussing on efficiency and prioritising the allocation of resources to provide best value services. This will be informed by the results from the current benchmarking review which is establishing performance indicators for all States services.

Alongside these developments, the States will need to ensure that it maintains equity in the tax system and addresses social disadvantage through the development of an income support structure.

2.3 Budget 2004

The Finance and Economics Committee's role in all this is clear. It must set in place a robust fiscal structure capable of delivering affordable, value for money services.

The Committee can not do this on its own. It will require the support and political will of all States members to take difficult decisions. The Committee will continue to provide members with clear and timely information and advice as the financial position changes.

There is evidence that the culture within the States is changing. There is also a realisation amongst States Members that the financial discipline of controlling spending to affordable levels and improving efficiency is the basis for a sustainable financial position, and that this is also critical to the stability of the economy as a whole.

The 2004 process has seen the States approve net revenue expenditure increases of only 2.5% in the recent Resource Plan debate. This represents considerable progress from the unsustainable increases of almost 10% per annum of only two years ago.

This progress must continue even though the decisions required will become more challenging. The Committee has made it quite clear in the Resource Plan what its underlying assumptions represent for the levels of growth and savings required in 2005 to 2008. The recent forecasts for States revenues serve only to reinforce the need to drive through these proposals.

2.4 Finance and Economics Committee Strategy

The Committee's Strategy for the period 2004 to 2008 is to:

- develop an effective process, involving all committees, to enable a fundamental review of States revenue expenditure from 2005 through to 2007, in order to;
 - ♦ restrict annual increases in total States net revenue expenditure to affordable levels, currently the target is a maximum of 3% per annum;
 - deliver allocations to Committees within the overall spending targets and in accordance with States priorities;
 - ♦ demonstrate value for money from public services; and
 - of ensure the delivery of a policy for balanced budgets over the forecast period;
- support the current review to benchmark States services to enable targeted efficiency measures;
- implement the policy agreed in conjunction with the Policy and Resources Committee, to bring the level of provision for annual increases in the States pay bill broadly in line with the current forecasts of increases in States revenues by June 2004;
- continue to increase financial discipline by restricting the annual allocation to the General Reserve and move towards a reduced contingency for emergency items only, as will be required by the new Finance Law;





- continue to control levels of capital spending closely and phase projects, where necessary, to achieve its objective of balanced budgets in a way which is consistent with the Anti-Inflation Strategy;
- continue to develop revenue raising measures, necessary to achieve balanced budgets in the short term, but which are also sustainable and consistent with a longer-term tax strategy;
- complete the Fiscal Strategy consultation and bring forward proposals for changes to public spending and tax policies which will promote the well-being of the population of Jersey in the longer-term;
- restrict the extent of external borrowing to a minimal level; and
- aim for a minimum growth in the Strategic Reserve of 5% per annum, accepting that in the current economic circumstances no transfers are possible, but there is an objective to replace these contributions when economic growth allows.

2.5 Inflation

In respect of inflation the Committee remains concerned about the persistently high rate of inflation in the Island. The Retail Price Index increased by 3.8% in the year to September 2003, compared to 4.2% in June 2003 and this is an encouraging trend.

The Committee does not have at its disposal the primary fiscal tool of interest rates, available in other jurisdictions; however it will endeavour to reduce inflationary pressures through such indirect measures as are available.

In particular a reduction in the growth of States spending is one of the prime measures which the Finance and Economics Committee is convinced will assist in the fight against inflation.

This will include the development of the Fiscal Strategy with an objective to develop policies in such a way that they will bear down on inflation in Jersey. Government deficits by their very nature are inflationary so the tight control of States spending through the Fundamental Spending Review and capital monitoring system is essential to the anti-inflation objective.

3. NET REVENUE EXPENDITURE 2004

3.1 Revenue Expenditure 2004

A key feature of this year's budget is the continued progress on containing the growth in public expenditure. The Resource Plan 2002 set a target increase for total States net revenue expenditure for 2003 of 5%. This has been substantially reduced to only a 2.5% increase for 2004, a rate approved in the Resource Plan 2004-2008, and with the proposals to remove the unforeseen contingency and a reduced pay provision for 2004, the actual increase proposed is now only 1% as shown at Table 3.2.

Had it not been for the considerable progress on expenditure in 2004, the scale of the forecast deficits in 2005 and 2006, which are already significant, would have been some £10 million and £20 million higher respectively.

The Committee congratulates the non-trading Committees on this achievement and recognises the extremely difficult decisions that have had to be taken. Not only has the original target for 2004 been surpassed, but the States, in approving the Resource Plan 2004-2008 have agreed growth in total States net revenue expenditure for 2005 to 2008 of no more than 3% a year.

This discipline of setting tough expenditure targets and then not only sticking to them, but improving on them is evidence of a new culture in the States of affordability; it is one the Committee is determined to develop and employ.

The Committee is grateful for the support of all States Members and Committees throughout the year, particularly those major Committee Presidents who took part in the 2004 Fundamental Spending Review process, and the Committee trusts it can rely on their continued support now and in the future.





3. REVENUE EXPENDITURE 2004 (continued)

3.2 2004 Fundamental Spending Review

The Resource Plan 2002 charged all Committees to "co-operate with the Policy and Resources and Finance and Economics Committees to develop an appropriate process of allocation and prioritisation between committees of the total States net revenue expenditure for 2004".

The process was developed through close consultation with departments and the Presidents of the major spending Committees and some of the positive initiatives identified in the 2003 process were incorporated - scrutiny, involvement of Chief Officers, greater flexibility with packaging and identifying various types of savings.

Unlike the 2003 process, Committees were required to submit both savings and growth packages. All Committees, except the Health and Social Services Committee, were required to submit prioritised savings amounting to 10% of their gross expenditure. The exclusion of the Health and Social Services Committee reflected its priority as assessed by the Presidents in the 2003 process and was one of a number of measures introduced to simplify the final decision making process. These also included the vetting of all packages by scrutiny groups made up of Audit Commissioners and Chief Officers. This element of the process will continue and be further strengthened in 2005.

The 2004 process culminated in a three day political Decision Conference at which the major Committee Presidents prioritised the remaining savings and growth packages within a target net growth of £2 million.

No committee sought to amend the cash limits proposed by the group of major Committee Presidents in the Resource Plan 2004-2008, even though many acknowledged the constraints they were facing. However, a decision was taken to defer, until 2005, the introduction of a sewerage charge. This has resulted in the net growth in Committee cash limits increasing from £2 million to £4.5 million for 2004, as shown in Table 3.1.

Table 3.1
Outcomes of 2004 Fundamental Spending Review

| | Growth | Savings | Net Position |
|---------------------------------|--------|---------|-----------------|
| Committee | £'m | £'m | £'m |
| Health and Social Services | 3.4 | | 3.4 |
| Finance and Economics | 4.5 | (1.4) | 3.1 |
| Education, Sport and Culture | 1.5 | (0.4) | 1.1 |
| Employment and Social Security | 2.3 | (2.2) | 0.1 |
| Environment and Public Services | 0.7 | (0.8) | (0.1) |
| Home Affairs | 0.5 | (0.7) | (0.2) |
| Policy and Resources | - | (0.2) | (0.2) |
| Economic Development | - | (0.9) | (0.9) |
| Housing | 0.2 | (2.0) | (1.8) |
| Totals | 13.1 | 8.6 | 4.5 |

The resulting increase in committees' 2004 cash limits are summarised in Table 3.2. Only three committees received material increases through the priorities identified in the 2004 Fundamental Spending Review process; these were the Health and Social Services, Finance and Economics and Education, Sport and Culture Committees.





Table 3.2 Increases in Committee Net Revenue Expenditure from 2003 to 2004

| | 2003 Budget | Committee Transfers | Pay Awards | FSR Process | Other Adjustment | 2004 s Cash | 2003/2004 Change |
|------------------------------------|---------------------|------------------------|---------------|----------------|---------------------|----------------|---------------------|
| Committee | (restated) £'000 | £′000 | £′000 | £′000 | £′000 | Limit £′000 | % |
| Policy and Resources | 6,548.4 | (96.8) | 283.9 | (243.0) | _ | 6,492.5 | (0.9) |
| Privileges and Procedures | 423.7 | 3,537.7 | 5.6 | _ | _ | 3,967.0 | _ |
| Finance and Economics | 24,255.9 | (9,589.0) | 1,384.5 | 3,145.0 | _ | 19,196.4 | $(20.9)^{1}$ |
| Environment and Public Services | 20,386.7 | 161.5 | 1,509.9 | (92.0) | - | 21,966.1 | 7.7 |
| Economic Development | 17,733.7 | 1,299.5 | 428.3 | (924.0) | - | 18,537.5 | 4.5 |
| Health and Social Services | 107,736.8 | - | 10,457.2 | 3,405.0 | - | 121,599.0 | 12.9 |
| Education, Sport and Culture | 79,451.9 | 2,658.3 | 4,714.3 | 1,078.0 | - | 87,902.5 | 10.6 |
| Home Affairs | 32,242.0 | 3,359.9 | 2,148.3 | (168.0) | - | 37,582.2 | 16.6 ² |
| Employment and Social Security | 81,561.3 | (1,331.0) | 106.1 | 65.0 | - | 80,401.4 | (1.4) |
| Housing | 1,353.4 | - | 222.8 | (1,815.0) | - | (238.8) | $(117.6)^3$ |
| Legislation | 47.0 | - | - | - | - | 47.0 | - |
| Overseas Aid | 4,602.9 | - | 2.1 | - | 701.0 | 5,306.0 | 15.3 4 |
| Harbours - La Collette | (124.7) | - | - | - | - | (124.7) | - |
| Total Cash Limits | 376,219.0 | - | 21,263.0 | 4,451.0 | 701.0 | 402,634.0 | 7.0 |
| General Reserve | | | | | | | |
| - Unforeseen Contingency | 8,031.0 | | | | | - | |
| - Pay and Pension Contingency | 19,700.0 | | | | | 5,016.0 | |
| | 27,731.0 | - | - | - | - | 5,016.0 | - |
| Total States Net Revenue Expenditu | re 403.950.0 | _ | 21,263.0 | 4,451.0 | 701.0 | 407,650.0 | 1.0 |

Notes to Table 3.2

- 1. A number of functions including the States Greffe and Member remuneration have transferred to the Privileges and Procedures Committee from the Finance and Economics Committee as part of the machinery of government reforms.
- 2. The Impôts department has transferred from the Finance and Economics Committee to the Home Affairs Committee, as part of the machinery of government reforms.
- 3. The Housing Committee savings from the Fundamental Spending Review process were based on 10% of the Committee's gross expenditure but represent a much larger proportion of net expenditure.
- 4. The Overseas Aid Committee budget is in accordance with the agreed funding formula.

General Notes:

- A large part of the increase in Cash Limits is pay awards, some £21 million in total. The majority of this funding, for the June 2002 and June 2003 pay awards, was provided in the 2003 pay and pension contingency.
- No provision is being made for any unforeseen contingencies within the 2004 General Reserve allocation. As a result net revenue expenditure has only increased by 1%.
- The reduction in the General Reserve to just £5 million in 2004 for pay and pensions is a one-off saving; it is likely that an unforeseen provision will be required in the future, if only for emergency items.
- Further details of the reasons for changes in Committees' cash limits are provided in the detailed Committees' budget pages.

States of Jersey



4. NET REVENUE EXPENDITURE 2005 TO 2008

The approved Resource Plan 2004 to 2008 agreed net revenue expenditure target increases for 2005 to 2008 at a maximum of 3% per annum. These targets were proposed by the Committee in advance of receiving the latest tax forecasts, and with the increase in the forecast deficits there is obvious pressure to reduce revenue expenditure even further to contribute towards balanced budgets.

Having set the 2004 net revenue expenditure increase at 2.5%, the Committee had a clear objective to maintain this level for future years. However, the Committee was persuaded by the outcomes of extensive modelling work, and the broad consensus from consultation with members and officers, that targets of 3% per annum were the minimum realistically achievable. Furthermore, these targets were based upon a number of key assumptions:

- an annual increase in the wage bill of no more than 2.5%;
- a requirement to provide 2.5% for non-staff inflation, particularly when annual efficiency savings are being sought within each Committee's budget;
- an annual uplift for all benefits and allowances of around 4% per annum; these are determined by indices and it is anticipated that in the short-term neither average earnings nor retail price indices will fall much below this level; and
- that efficiency savings can and will be achieved, and these are set at 0.5% for corporate savings and 0.5% for departmental efficiency savings, each and every year for the four year period, **amounting to some £16 million per annum by 2008.**

Once these assumptions are incorporated, the remaining variables are the level of service provided and their respective priorities. It is extremely likely that growth in any services will only be found by compensatory savings in other areas. For this reason the Fundamental Spending Review for 2005 to 2007 requires all Committees to identify proposals for 5% service reductions each year for the three years of the process, i.e. a total of 15%.

If the assumptions in the forecasting model are broadly accurate, only a proportion of the 5% savings proposals offered by each Committee will be required. In fact this has been assumed to equate to on average 1% per annum from every Committee; which would represent **further savings of £16 million per annum.**

These combined **levels of savings totalling £32 million** will not be found without reducing the level or number of services that the States currently delivers, and the Fundamental Spending Review will seek to identify these lower priority services. Inevitably this level of savings will also result in manpower reductions.

Notwithstanding all these challenges, the Finance and Economics Committee will give serious consideration to proposing reduced targets for expenditure growth for the 2005 to 2007 Fundamental Spending Review. The Committee will endeavour to set expenditure targets which achieve the maximum possible contribution towards the current spending deficits, and to achieve the agreed policy of balanced budgets.

4.1 Fundamental Spending Review 2005 - 2007

The Fundamental Spending Review is the principal mechanism through which future revenue expenditure growth can be managed. The current process has evolved from the positive initiatives and developments of the 2003 and 2004 processes.

In both 2003 and 2004 the revenue expenditure targets proposed by the Finance and Economics Committee, and agreed by the States, were achieved principally through the prioritised resource allocation processes. This element of the process will continue to be the final phase of decision making, resulting in the allocation between Committees.

Other elements of the earlier processes which have been successful and will be retained are:

- the scrutiny process, particularly the involvement of the Audit Commissioners;
- the involvement of Chief Officers early in the process to ensure compliance with the principles of the scheme; and
- greater flexibility in the packaging of submissions from Committees.

The 2005 process will essentially involve two main streams of work:

- the identification of the new base cost of existing States services, taking account of necessary pay and price uplifts, making allowance for efficiency savings and then considering growth that is demand or activity led rather than an improvement or new service; and
- secondly the establishment of priorities for resource allocation from the packages of savings and growth in services received from committees.





The Finance and Economics Committee will have an enhanced role in an attempt to further facilitate the simplification of the political decision making phase. The Committee will consider the packages which have survived the scrutiny process and Chief Officer vetting and prepare ranges of scenarios within which the Committee Presidents may decide to consider eventual outcomes.

However, at all levels, whilst the process will be simplified at every opportunity, all the detail will still be available to participants. Similarly it is the explicit intention of the Committee to ensure that all States Members are given the opportunity to be more involved and participate in the various stages of the process. Indeed this began in August and September where a number of participatory sessions took place with States Members. These identified additional areas for Committees to consider when preparing and prioritising savings.

The main objectives of the process for 2005 to 2007 are to:

- take a more strategic and longer-term view by extending the period covered by the process from one to three years;
- deliver budget allocations within the target increases proposed for States net revenue expenditure;
- seek to demonstrate value for money from all States services;
- benchmark States services to enable targeted efficiency measures and to identify where further attention needs to be concentrated to improve performance;
- work towards a greater certainty and stability in Committee funding over a three year cycle;
- address States-wide as well as departmental efficiencies over the three year period; and
- concentrate political decision-making on prioritising services and resource allocation against the background of an agreed Strategic Plan.

In the early part of 2004 the proposals from the States Strategic Plan and the Committee's own Fiscal Strategy will become clearer and these will need to be recognised in the continuing development of the process.

In particular, clear direction on the priority of services and the associated strategic objectives will inform the political decision making phase.

The Policy and Resources Committee has commissioned a benchmarking project which will identify performance measures for all States services to compare both internally and against similar jurisdictions. This performance information will provide a further focus for savings and efficiencies within the context of the Fundamental Spending Review.

It was expected that the Health Funding Review would provide clear guidance towards future funding requirements. However, further work is now being carried out by the Integrated Care Group towards a more comprehensive solution and the outcomes of the group will also need to feed into the Fundamental Spending Review at the appropriate juncture.

The Fundamental Spending Review will also provide an opportunity for other important initiatives to be progressed, these will include; Resource Accounting and reviews of States assets.

The Fundamental Spending Review will only succeed and meet its longer term objectives with the commitment and support of all States Members, Committees and Departments over a sustained period.

5. GENERAL RESERVE

The General Reserve currently provides a contingency for items unforeseen at the time of setting budgets and a provision for pay and pension awards which have not yet been agreed.

The new Finance Law, currently being drafted and planned for implementation in 2005/6, removes the requirement for a General Reserve. Instead, the States will need to budget to provide any contingency funding, for emergencies only, within a "Consolidated Fund".

The Committee has therefore been assessing the current balance on the General Reserve with a view to writing this down to this minimum contingency level for emergencies. This will form part of the measures contributing to a strategy to balance budgets over the forecast period.





5. GENERAL RESERVE (continued)

The proposal for 2004 is not to make any allocation to the Reserve recognising the current unspent balance of £20 million as at June 2003, the last reporting date. This proposal makes a £5.1 million one-off contribution to reduce the deficit in 2004. The Committee is of the view that reducing the level of allocation in future years is also appropriate and sustainable.

The Consolidated Fund, which will replace the existing Capital Fund, will nevertheless also need to maintain a sufficient balance to manage annual fluctuations in tax revenue forecasts. It is hoped that such a balance will be maintained on the existing Capital Fund and transferred over when the new Finance Law comes into place.

6. CAPITAL

The States, in approving the Resource Plan 2004 - 2008, agreed the detailed programme and individual capital projects for 2004. The agreed programme can be summarised as follows:

Table 6.1 Summary of Capital Programme 2004

| 2003 £m | | 2004 £m | |
|--------------------------------------|--|--|--|
| 22.8 4.0 | Building and Civil Engineering Works Equipment and Minor Works | 18.2 4.0 | |
| 26.8 | | 22.2 | |
| 0.5 9.5 0.5 - 5.0 8.0 | Central Planning Vote Corporate IT Vote Capital Reserve Vote Land Acquisition Vote Loan Sanction Repayments Housing Development Fund | 0.5 8.0 0.5 0.5 8.0 8.5 | |
| 50.3 | Total | 48.2 | |

In the light of future forecast deficits, the Finance and Economics Committee considered it to be prudent to reduce the annual allocation to capital by £2 million, to £48 million per annum.

Despite capital expenditure being reduced to £48 million, a number of key projects will be delivered, including:

- loan sanctions repayments in respect of two major capital projects the Magistrates Court and Hautlieu School;
- a further injection of £8.5 million to the Housing Development Fund to continue the programme of providing social rented properties;
- £8 million allocation to support the corporate ICT strategy;
- £3 million for the second phase of a major extension of facilities at La Moye Prison;
- £4.2 million for phase one of the St. Clement's School redevelopment;
- £3.8 million for phase one of the Belle Vue Residential Home development; and
- a tranche of funding for sea defences totalling £2.5 million.

Inevitably, when faced with overwhelming demands for capital funding against a reducing overall allocation, compromises have had to be made. The Finance and Economics Committee is grateful for the corporate approach and constructive co-operation taken by bidding Committees during the capital allocation process which enabled a revised programme to be produced.

As part of the measures available to balance budgets in 2005 - 2008, the Committee will continue to explore every avenue to further reduce the capital allocation, while at the same time balancing the necessary financial discipline against the need to maintain the future infrastructure.





7. STRATEGIC RESERVE

The Island is fortunate to be approaching a period of structural tax reform with an underlying contingency in the form of the Strategic Reserve. The importance of the Reserve is even more evident given uncertainty in the global economy and significant international tax competition potentially causing deterioration in States tax revenues.

The Strategic Reserve exists to provide a contingency against such pressures, particularly if these occur over a sustained period or they result in an economic downturn for the Island.

The Committee has so far managed to protect the Reserve by proposing other tax and spending measures to address the short-term spending deficits. The Committee is also determined to explore every alternative within the Fiscal Strategy to prevent it being eroded in the medium-term through the period of structural change in corporate tax.

The recent financial position has prevented further contributions to the Strategic Reserve. However, the Committee does plan to replenish contributions at the earliest opportunity once sufficient economic growth returns to the Island, although the real value continues to be preserved through the re-investment of income earned. Contributions to the Reserve remain an important measure in the Committee's policy to reduce inflationary pressures on the Island.

8. TRADING COMMITTEES AND THE JERSEY FINANCIAL SERVICES COMMISSION

The Trading Committees are going through a transitional period where the best vehicle for their future business activities is being considered. At the same time the States should require these committees to continue to make an appropriate financial return to States finances.

The need to support the balance sheet of Jersey Post up to Incorporation reduces the opportunity for the States to achieve a return from its trading activities in the short-term. Once incorporated the States will receive tax revenue based on the new organisation's profits.

Jersey Telecom has now incorporated and the States will receive dividends in place of an annual return. A special dividend has been agreed for 2003 and it is assumed that a similar level will be agreed for 2004. This is required in advance of anticipated tax on profits in future years.

A study has been commissioned to undertake an independent, objective, high level review of options for the ownership, operation and regulation of Jersey Harbours. The review will consider whether any options offer significant advantages over the existing arrangements. The conclusions of the review will enable the Policy and Resources, Finance and Economics, Economic Development and Harbours and Airport Committees to make a well informed recommendation to the States as to the most efficient and effective structure for Jersey Harbours.

The States approved P.198/2002 which requires elements of Airport funding to be provided from General Revenues. The appropriate mechanism for this funding will have to be determined within existing States revenues and prioritised accordingly. No funding was provided within the Resource Plan 2004-2008 and the Committee will continue to encourage the Airport to maximise the opportunities within its own trading operation.

The Jersey Financial Services Commission has agreed a return, similar to current levels, through to 2005 at which point it is hoped that new legislation will be introduced resulting in a change in the basis on which the return to the States is made. An appropriate return will be negotiated which reflects the difficult financial position of the States and the need for all bodies to maximise their contribution.





9. A LONG-TERM STRATEGY FOR TAX AND SPENDING

A long-term strategy for tax and spending is one of the most important economic policy issues facing the Island today. The Committee wishes to propose a strategy which will endure well into the next decade.

The longer-term strategy for tax and spending will have to meet several challenges:

- deliver a system for managing States spending in a much more effective way;
- enable the States to lay down affordable plans to fund the public services required for an ageing population in to the next decade; and
- sustain an economic environment which will contribute to the continuing success of the Island's financial services and other industries.

The Committee must also ensure that the policies which are introduced to meet these challenges will be consistent with its commitment to bear down on inflationary pressures in the Island.

The Committee is proposing in this Budget to concentrate its revenue-raising measures on increases to impôts and stamp duty. This is consistent with its long-term aim of raising more income from indirect taxation and to bring about a greater balance between direct and indirect sources of revenue. Although higher indirect taxes could increase the Retail Price Index in the short-term, they will bear down on inflation beyond that period by taking money out of the economy.

Work on the public funding consequences of the ageing of the Island's population has continued. The funding pressures will begin to emerge at the start of the next decade. The ageing of the population will lead to greater pressures for spending on, for example, health care and pensions. At the same time, the ageing of the population will potentially lead to fewer people in work, the prospect of lower income tax revenues and to lower contributions per capita through social contributions.

These pressures will have to be addressed by the Finance and Economics Committee, working closely with colleagues from other committees and departments, to find the best policy solutions.

The Committee has given the highest priority since last January to its work on the tax and spending policies which need to be adopted in response to the agreement which has been negotiated with the European Union on the EU Tax Package.

These negotiations have led to an agreement between the States and the European Union whereby the States Assembly will in due course be invited to agree to the introduction of a zero per cent corporate tax rate by 2009. The Assembly will at the same time be invited to endorse a higher rate, likely to be in the order of 10% for companies in the financial services industry, as well as certain other entities, for example, the public utilities.

The 10% rate has been chosen following extensive research and analysis, including comparison with our competitor jurisdictions, many of which are in the process of reducing their corporate tax rates to similar or lower levels. The Island's financial services industry must be able to compete on similar terms in international markets.

The changes to the corporate tax structure in Jersey will inevitably lead to a loss of tax income for the States. The net loss resulting from these changes could amount to up to £80-£100 million, which represents almost one-quarter of current States spending, and plans are already being made to raise this amount of income from other means.

The proposals for a zero and 10% structure (see above) may be augmented by new taxes on the corporate sector. This would reduce the amount of additional revenue which would have to be raised from the personal sector. A sales tax and higher social contributions would affect the corporate sector as well.

However, new taxes on the corporate sector in the Island, over and above the 0% to 10% structure, would probably have to be negotiated with the European Union and this may take some time. Also, any new taxes would have to be consistent with the international competitiveness of the Island's key industries.

Savings will also be pursued on States expenditure through the strict application of cash limits on public spending and from efficiency gains achieved through the Fundamental Spending Review.





However, efficiency gains alone could never be sufficient to replace the large amount of income which will be lost as a result of the agreement with respect to the EU Tax Package. It would also be impossible to achieve this level of savings through just spending constraint, though both of these can be expected to make a substantial contribution. It is therefore inevitable that the tax burden for residents in the Island will grow over the next few years.

The Committee is continuing to work on its plans for raising additional revenue from the resident population in a way which will be equitable to everyone in Jersey. This will require parallel reforms to the system of welfare support for those on low incomes in the Island.

The main options which are being considered to raise more income from personal taxation include:

- adjustments to personal income tax exemptions and allowances;
- the introduction of a new tax on spending (such as a Sales Tax or VAT); and
- higher rates of social contributions or payroll taxes.

In practice, the proposals may well have to include all, or a combination of several, of these measures. The effect of these proposals will not only impact upon personal tax revenues but would affect the corporate sector as well.

The changes to the structure and rates of corporate and personal taxation in Jersey will have to be phased in over the next few years, and the Committee is intending to set out its plans in more detail during 2004 following the publication of the outline of the Strategic Plan. There will then follow a period of thorough consultation and explanation throughout the Island.

The plans to reform the structure of corporate taxation may begin to affect States revenues within the next two years. This will require early action, over and above the measures which will be required to cover the existing Budget deficit, and heighten the need for early agreement of the long-term strategy.

The initial measures for raising further income from personal taxation to cover the emerging consequences of corporate tax reform will probably have to be focused on revisions to the structure of existing personal allowances.

Ultimately, all households and individuals in the Island will have to contribute in some measure to the additional revenue requirement. This may be directly through taxation, reduced access to public services or charges for access to those services.

A major criterion for the Committee is that the overall package of measures should maintain the progressive structure of the tax burden across households and individuals. This means that additional tax should be paid in proportion to the ability of households and individuals to pay.

10. INCOME TAX

10.1 Background

Income tax revenues are subject to the volatility in the economy, particularly the high proportion of those revenues which are derived from tax on corporate profits. The tax revenues for 2004 and 2005 are based upon interest and earnings in 2003 and 2004 respectively, and corporate profits for 2002 and 2003. Consequently, it is reasonable to expect some certainty in these forecasts. The forecasts beyond 2005 are much less certain and will also be influenced by the proposed changes in the Islands' tax structure.

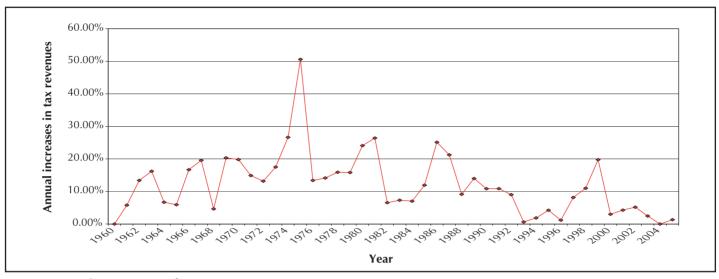
Table 10.1 illustrates the volatility of income tax revenues over the last forty years.





10. INCOME TAX (continued)

Table 10.1 Income Tax Revenues – 40 Year Trends

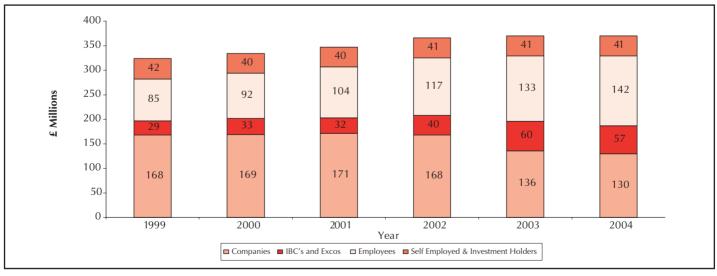


10.2 Latest Estimates – September 2003

The Comptroller of Income Tax produces two forecasts of tax revenues each year, one in January, projected on the actual tax revenues of the previous financial year, and a further forecast in September based on assessments for the current year's tax charged.

These latest forecasts for September 2003 show that corporate profits have fallen off more than expected resulting in a lower yield by some £15 million for 2005. There is no doubt that the continuous fall in the UK stock market and the lowest interest rates for over 40 years, together with difficulties in the international economy have filtered through to the profits generated by financial institutions in lersey.

Table 10.2 Sources of Income Tax Revenues



The graph shows that the recent slight decline in corporate tax revenues is forecast to continue and may possibly represent some repositioning in advance of the proposed structural changes which the Committee has made public in recent months.

The decline in corporate tax revenues has been partly offset by further growth in personal tax revenues, which in contrast, have exceeded forecasts. This is partly due to the Committee's policy of freezing exemptions and allowances, which has brought more taxpayers into the tax net, and also the long-term shift in employment from the agriculture and tourism industries to better paid jobs in the financial sector.





Table 10.3 shows that there is no increase in tax revenues forecast between 2003 and 2004. Should this come to fruition it would be the first time in 40 years that tax revenues have not increased year on year. Even in the period of recession in the early 1990's, small increases in tax were still maintained.

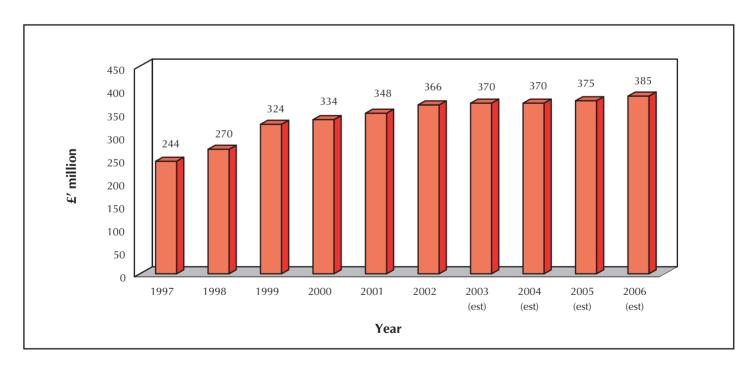
Table 10.3 Variations in the Income Tax Estimates

| Income Tax Forecast | Probable | Estimate | Estimate | Estimate | Estimate | Estimate |
|-----------------------------------|----------|----------|----------|----------|----------|----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | £m | £m | £m | £m | £m | £m |
| Resource Plan 2004-2008 (Jan est) | 368 | 380 | 390 | 400 | 410 | 420 |
| Budget 2004 (Sept est) | 370 | 370 | 375 | 385 | 395 | 405 |
| Increase/(Decrease) in Forecast | 2 | (10) | (15) | (15) | (15) | (15) |

The forecasts show a fall of £10 million on previous forecasts for 2004 increasing to £15 million in 2005. The forecasts beyond 2005 are less certain but with some evidence that the global economy is improving the predictions are for a return to moderate growth of between 2% and 2.5% beyond 2006. Even at these levels they are still below the current forecast levels of expenditure growth.

The prospect of future growth in our tax revenues can only be expected if the States gives clear and early assurances of its intentions for future corporate and indirect tax measures. Robust policies and timely decisions in the coming months are essential to instil the required confidence in the Island's corporate sector through the transitional period ahead.

Table 10.4 Income Tax Receivable 1997 -2006







10. INCOME TAX (continued)

10.3 Income Tax Proposals

In the 2004 Budget, the Finance and Economics Committee proposes:

- tax allowances and exemptions are frozen for 2004;
- limiting tax relief to interest on mortgages up to £275,000, from the year of assessment 2004, except for certain qualifying purposes;
- an increase in the late payment surcharge from 10% to 15%;
- the introduction of a penalty for the late submission of Income Tax Returns;
- imposing a penalty when people misuse pension funds;
- further small changes to benefits in kind;
- the abolition of Article 71 to prevent the unreasonable offset of a trading loss;
- changes to capital allowances;
- · additional Commissioners of Appeal are appointed to handle the increased workload of the appeals system; and
- a series of changes to make the Income Tax Law Human Rights compliant.

In addition to these new measures which will further the Committee's aim to improve equity in the tax system the Committee will also be progressing initiatives in respect of:

- the possible introduction of a simplified PAYE system;
- the EU Savings Directive and OECD Tax Information Exchange Agreements;
- consideration of the various options to remove or restrict personal tax allowances for high earners; and
- consideration of measures to prevent the misuse of life assurance tax relief.

It is estimated that the freezing of allowances and exemptions in 2004 will increase tax receipts in 2005 by some £5 million and the taxation of benefits in kind may increase tax receipts in 2005 by some £2 million. The other proposed changes in 2004 will have no material effect on tax receipts.

For the future there is potential for a PAYE scheme, and a possible change in the structure of personal allowances to provide further increases in tax receipts.







10.4 Exemptions and Allowances

It has been the Committee's policy in recent years to announce in advance of the year of assessment that all exemption limits and allowances would be frozen. The Committee is continuing this policy and all allowances and exemption limits will be frozen again in 2004, affecting tax collectable in 2005. The result is that they remain at current levels, which are:

Exemptions

| Single PersonSingle Person (aged 63+)Married Couple | £10,750 £12,000 £17,250 |
|---|-------------------------------|
| – Married Couple (aged 63+) | £19,750 |

Allowances

| – Single Person | £2,600 |
|--|--------|
| – Married Couple | £5,200 |
| – Earned Income (max) | £3,400 |
| – Wife's Earned Income (max) | £4,500 |
| – Child Allowance | £2,500 |
| Child Allowance (higher education) | £5,000 |
| – Additional Allowance * | £4,500 |
| | |

^{*} for people with single-handed responsibility for children

The effect of the Committee's policy of freezing exemption limits and allowances has been to increase the proportion of persons who actually pay tax. Since the policy was introduced the number of taxable persons who don't actually pay tax will have reduced from 43% in 1993 to 25% in 2004.

TAX FACT

The tax threshold, i.e., the point above which an individual starts to pay income tax, is determined by the individual's personal circumstances. For example, a married couple, who are both working and have two children (one at university) paying mortgage interest of £7,500, do not become liable to income tax in 2003 until their income exceeds £36,750, calculated as follows:

| Married man's exemption Wife's earned income allowance (max) | £17,250 £4,500 |
|--|-------------------|
| Child allowance | £2,500 |
| Child allowance (higher) | £5,000 |
| Mortgage interest | £7,500 |
| | £36,750 |





10. INCOME TAX (continued)

TAX FACT

The generous tax thresholds in Jersey mean that many pay less tax than in neighbouring territories. It should also be noted that VAT is an additional tax burden in the Isle of Man and the UK.

The income tax payable by a married couple in 2003 with a joint income of £30,000 is as follows:

| Isle of Man | £ 1,400 |
|----------------|---------|
| Jersey | £ 2,228 |
| Guernsey | £ 3,000 |
| United Kingdom | £ 4,364 |

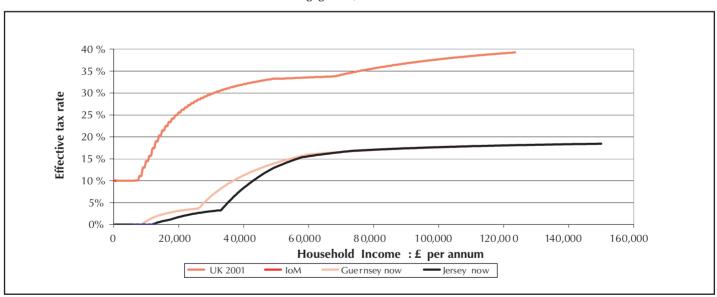
The income tax payable by a married pensioner (aged 63+) in 2003 with an income of £20,000 is as follows:

| Jersey | £ 68 |
|----------------|---------|
| Isle of Man | £ 400 |
| Guernsey | £ 460 |
| United Kingdom | £ 2,512 |

The figures in respect of the Isle of Man reflect the competitive policy for direct taxation which this jurisdiction is able to adopt because of its significant indirect tax revenue.

Table 10.5 Comparative example of different tax regimes

Jersey, Guernsey, IoM and UK: 2 adults, 2 children, £120,000 mortgage: Tax, NI/SS and VAT



The graph shows the effective tax rates of a sample household under the tax regimes in the different jurisdictions. The example estimates the effect of all tax and social contributions. The example is based on current rates for Jersey and Guernsey but 2001 rates for UK and Isle of Man. It is likely that the actual differentials today would be slightly greater.





10.4 Summary of other proposed changes for 2004:

Interest tax relief

It is inequitable that interest tax relief is granted on loans and overdrafts used to purchase second homes outside Jersey or for the purchase of private assets such as expensive motor cars and boats. Reducing interest tax relief on mortgages may also help to moderate future rises in house prices. It is proposed, therefore, that tax relief for interest paid from 1st January 2004 onwards, should be abolished except for certain qualifying purposes. These qualifying purposes are as follows:

- on mortgages up to a capital sum of £275,000 used to purchase or extend a principal private residence in Jersey only;
- used to acquire capital items used wholly and exclusively by an employee in earning the remuneration of an office or employment;
- used wholly and exclusively in earning the profits of a trade, profession or vocation;
- used to acquire, in whole or in part, a trade, profession or vocation, or the share capital of a trading company, whether in Jersey
 or elsewhere; and
- used to purchase or extend commercially let property and in wholly and exclusively earning the profits of commercially let property.

The purpose of these qualifying exceptions is to ensure that first time buyers are assisted when they buy a principal private residence in Jersey and to ensure that employment, commercial and business activity continues to prosper.

Late payment surcharge - increase to 15%

Many taxpayers pay their tax on time and do not suffer the 10% surcharge. However, there are a significant number of taxpayers who do not pay their tax on time. For example, last year the Comptroller of Income Tax had to issue over 7,000 late payment surcharge notices for tax not paid by the deadline date. This was an increase compared to the number of notices issued when the late payment surcharge was first introduced 4 years ago.

It is inequitable that taxpayers fail to pay their correct tax when properly due as they are benefiting at the expense of their fellow citizens. Additional resource costs are also incurred at the Income Tax Office pursuing those who fail to pay their correct tax at the proper time.

It is proposed to increase the late payment surcharge to 15%, with effect from next year, to encourage compliance with the payment deadline.

Penalty for late submission of Income Tax Returns

Many taxpayers complete and submit their Income Tax Returns early in the year. However, a significant number fail to submit their Income Tax Returns within the first six months of the year and others submit them only partially completed. All this causes additional work for the Comptroller's staff who often have to re-compute tax assessments several times.

It is also impractical, not least because of the resource cost involved, for the Comptroller of Income Tax to prepare formal prosecution files for all these cases to be prosecuted in the Royal Court. This is what would be required to levy the penalties currently available under the Income Tax Law, for failure to submit an Income Tax Return.

It is proposed, therefore, that a £200 penalty be introduced and charged, in the event that completed Income Tax Returns are not submitted by the end of May. This penalty will only apply to those liable to pay tax and will be reduced to an amount equal to the tax bill where this is less than £200. Tax agents submit Income Tax Returns for many clients and it is proposed that the penalty date for such cases be the end of July as these tax agents would not be able to cope with the additional workload created by the end of May date.

There will be a right of appeal to an independent tribunal, the Commissioners of Appeal, against the imposition of a penalty by the Comptroller.





10. INCOME TAX (continued)

Approved pension schemes

Valuable tax reliefs are available in respect of contributions to pension schemes which abide by the conditions set out in Income Tax Law and Practice. These pension schemes then become termed approved pension schemes. There has never been a legal means of withdrawing approval for such schemes or recovering any tax lost if the conditions are breached. This year a breach of scheme rules occurred which was satisfactorily resolved. Nevertheless, it is now proposed to legislate to introduce a penalty for breaches of approved pension scheme rules.

Benefits in kind - further changes

Last year's Budget saw the introduction, with effect from 2004, of a new regime to tax employees on benefits in kind. The legislation was complex and has been subject to detailed scrutiny as part of the implementation process. It is now proposed that two amendments, relating to leasing payments and the rules for apportionment, be made.

Abolition of Article 71 - offset of a trading loss

This Article allows relief for trading losses and has been in existence for many years. It has now been discovered that this Article is being used in a manner in which it was not intended, by arranging affairs in such a way that allows the potential to claim relief for three times the actual amount of the loss incurred. It is now proposed that this loophole be closed.

Capital allowances

A grant given by the States to a trading concern to purchase capital items is not taxable. However, when such a grant is used by the trader to buy plant and machinery, capital allowances are granted at the rate of 25% per annum. This means that States revenues, in effect, suffer twice. It is now proposed to close that loophole by ensuring that no capital allowances are given in respect of capital items, purchased from funds received out of States revenues.

Additional Commissioners of Appeal

The Commissioners of Appeal are an independent tribunal and exist to hear appeals from the decisions of the Comptroller of Income Tax. Due to an increase in the number of appeals being made, it is proposed to increase the number of Commissioners of Appeal from the current 5 to 8, thereby allowing more meetings to take place and ensuring that there are sufficient Commissioners to form a quorum for meetings.

Human Rights compliance

The Comptroller of Income Tax has been reviewing the Income Tax Law in the light of the impending introduction of Human Rights legislation. Last year's Budget saw action on the most significant item - the introduction of separate assessment for husbands and wives. Additional areas have now been identified where there may be potential for challenge on the grounds of discrimination, so the following changes are proposed in order to make the Income Tax Law Human Rights compliant:

- a special allowance exists for a married man with children whose wife is incapacitated. This allowance does not apply where the husband is incapacitated. It is proposed that this allowance will apply when either spouse is incapacitated;
- non-resident relief is restricted to Commonwealth or European Union citizens. It is proposed that this relief is now extended to all non-residents no matter their country of residence;
- maintenance relief for post 1997 agreements only applies in respect of children of a married couple. It is proposed that this be extended to include payments in respect of children where the parents have not married;
- pension relief applies a reduced rate of charge for taxed Commonwealth pensions. Extending this relief to all those who have taxed pensions from abroad is likely to mean a substantial additional cost in terms of tax relief. It is proposed, therefore, that this provision is repealed. However, it is also proposed that all those who currently receive it will continue to do so; and
- daughter's services allowance and dependent relative allowance have, respectively, no equivalent son's services allowance nor
 a special widowed father's provision so, rather than extending them, as they have been frozen at the same level for 15 years,
 it is proposed that these allowances, which very few taxpayers claim, be repealed. In addition, it is proposed that housekeepers
 allowance, which has also been frozen for 15 years, be repealed. However, it is also proposed that all those who currently
 receive these allowances will continue to do so.





10.5 Other initiatives proposed for further consideration

PAYE

Consultation has taken place on the possibility of introducing a PAYE system in Jersey. The Finance and Economics Committee has decided that it would not be cost-effective to introduce a system based on the UK model because of the significant staff and resource consequences at the Income Tax Office and for employers.

However, the Committee is examining the possibility of introducing a much simpler and cost-effective tax deduction scheme for employees and a decision will be made early next year as to whether or not to proceed with such a system. There is potential to raise additional revenue through the introduction of such a scheme but the scale of increase is not expected to be significant. The issue of PAYE will remain subject to ongoing review in connection with an Income Support system.

EU Savings Directive / OECD Tax Information Exchange Agreements

The implementation of the arrangements agreed in respect of both the EU and the OECD tax initiatives will require legislation to support the bilateral agreements the Island will be entering into with individual EU and OECD Member States. This legislation will need to provide for the Comptroller of Income Tax to act as the Competent Authority in the Island for the purposes of executing these agreements.

It is expected that the draft legislation will be presented to the States for debate, following a period of consultation with interested parties, in the first half of 2004 and separate from the normal Budget cycle.

Reduction / removal of allowances for the higher paid

As part of the package of proposals to be brought forward to raise additional tax revenues, the Finance and Economics Committee is minded to remove interest tax relief, exemptions and allowances for those with higher incomes. The effect of this proposal would be that all taxable households with a pre-tax income of £80,000 or less would be entitled to all interest tax relief, exemptions and allowances while those with pre-tax income of £150,000 per annum or more would be entitled to no interest tax relief, no exemptions and no allowances.

It is proposed that there would be a sliding scale withdrawing all interest tax relief, exemptions and allowances for those in the £80,000 to £150,000 pre-tax income band. The Finance and Economics Committee intends to launch a consultation on these proposals next year, with the aim of introducing legislation in next year's Budget for the year of assessment 2005, which would start yielding additional tax revenues in 2006.

Life Assurance

Tax relief for premiums paid to a life assurance company in order to secure a capital sum on a person's death has been in existence for very many years. The original purpose of the relief was to encourage people to save for their funeral expenses or to assist their dependants in the event of a catastrophe so that they would not be reliant on the Parish or public funds.

The United Kingdom abolished life assurance relief several years ago. The Jersey Income Tax Law still gives this relief but it is highly unlikely that people have their funeral expenses in mind when buying a life assurance product today. There is little doubt that investment is the main reason for purchasing life assurance products today, as these products are very tax efficient investment vehicles. The Finance and Economics Committee intends to launch a consultation on this matter next year to determine whether life assurance relief should be abolished.

11. IMPÔTS

11.1 Announcement and Effective Date of Increases

The Committee is continuing its recent policy of including the proposed duty increases in the Budget Report ahead of budget day, and the proposals for 2004 are indicated at Section 11.5.

The Committee has adopted a consistent policy in recent years in relation to increases in duty and importers now expect increases at budget time and make any decision regarding extra stocks accordingly.

It is proposed that this year increases in duty will not take effect until midnight on 31st December 2003.





11. IMPÔTS (continued)

The Committee is determined that one of the outcomes from the tax and spending consultation is that there should be **clear and longer term policies in relation to future tax measures.** In recent years the Committee's policy of increasing Impôt duties above the cost of living has successfully increased revenues, but has also been a contributing factor in reducing consumption of tobacco and spirits. This is in line with the draft Alcohol and Tobacco Strategies.

The Committee will continue this policy which balances the need to raise additional revenues, reduce inflationary pressures and contribute to health and environmental policies in relation to consumption. Clearly this policy will be one of the more significant measures by which the Committee will seek to achieve a position of balanced budgets over the forecast period. Initial work has begun to identify appropriate levels of increase which are sustainable into the future.

11.2 Alcohol

The Committee is proposing an above inflation increase in alcohol duty in 2004 which represents an average 12% duty increase on these commodities. These proposals complement the aims of the draft Alcohol Strategy of the Health and Social Services Committee, which recognises the correlation between retail price and consumption. The proposals also seek to go some way towards harmonising the rates of duty proportionate to the unit strength of the alcohol and it is intended that proposals in future years will further this objective.

In this respect it is proposed that the duty on "alcopops", currently based on volume, should be aligned with the spirit rate and based on alcohol content. This would increase the price and bring the Island into line with the UK, which introduced this change two years ago with the aim of reducing consumption of these drinks by young people.

The increases in the principal duty rates range from 5.2% on spirits to 21.2% on beer, but the percentage increase on the retail price would be significantly lower. The current differentials between duty and retail price can be seen in Table 11.3.

11.3 Tobacco

The policy of increasing duty on tobacco at a level above the cost of living is being continued. The draft Tobacco Strategy 2003 - 2007 has as an objective to ensure that the cost of tobacco products increases annually over and above the level of inflation. The **proposed new duty rates are 11.9% higher** than the current rates, and are thus significantly above inflation. However, this is consistent with the Committee's policy as while the short-term effect is an increase in the Retail Price Index, in the medium to long-term increases in indirect taxation reduce inflationary pressures.

11.4 Fuel

The Committee considered in some depth the issues regarding the duty for fuel and were influenced by a continuing need to address environmental issues and also the high margins which exist in the retail price of fuel in Jersey.

The Committee continues to pursue avenues with the Economic Development Committee to address the issue of high price margins in monopoly markets in Jersey. There still appears to be significant scope to encourage competition to reduce the retail price and offset the effects of the duty increases.

The relative margins within the retail price between Jersey and the UK can be seen in Table 11.3

11.5 Duty Increases for 2004

Table 11.1
Duty Increases Proposed for 2004

| | Current Duty £ | Proposed Duty £ | Increase pence |
|--------------------------|-------------------|--------------------|-------------------|
| Litre of Whisky | 7.69 | 8.09 | 40.0 |
| Bottle of Table Wine | 0.92 | 1.02 | 10.0 |
| Bottle of "alcopops" | 0.13 | 0.28 | 15.0 |
| Pint of beer <5% alcohol | 0.21 | 0.25 | 4.0 |
| Pint of beer >5% alcohol | 0.32 | 0.38 | 6.0 |
| 20 King Size cigarettes | 2.10 | 2.35 | 25.0 |
| Litre of unleaded petrol | 0.317 | 0.367 | 5.0 |





11.6 Comparisons with Other Jurisdictions

Table 11.2

A Comparison of Typical 2003 Tax and Duty Levels for a Range of Commodities

| | Jersey £ | UK £ | Guernsey £ | France £ | Highest EU state £ |
|---------------------------|-------------|---------|---------------|-------------|--------------------------|
| Litre of Whisky | 7.69 | 10.35 | 4.57 | 6.08 | 18.94 |
| Litre of Gin/Vodka | 7.21 | 9.77 | 4.57 | 5.50 | 17.83 |
| Bottle of table wine | 0.92 | 1.79 | 0.73 | 0.50 | 2.05 |
| Pint of beer < 5% alcohol | 0.21 | 0.61 | 0.18 | 0.39 | 0.86 |
| Pint of beer > 5% alcohol | 0.32 | 0.75 | 0.18 | 0.46 | 1.08 |
| 20 King Size cigarettes | 2.10 | 3.60 | 1.82 | 1.84 | 3.60 |
| Litre of unleaded petrol | 0.32 | 0.57 | 0.07 | 0.51 | 0.57 |
| Litre of Diesel | 0.32 | 0.57 | NIL | 0.37 | 0.57 |

The higher rates of duty in Jersey, compared to Guernsey, reflect our strategies against alcohol and tobacco and similarly those increases in road fuel in support of environmental initiatives.

Table 11.3
Retail Price Margins - Comparisons with the UK

| | Retail Price | Jersey Duty | as % of price | Retail price | UK Duty | UK VAT | VAT as % of price |
|---|-----------------|----------------|------------------|-----------------|---------|--------|----------------------|
| Litre of Whisky Pint of Beer <5% 20 King Size Cigarettes Litre of Unleaded Petrol | £14.99 | £7.69 | 51% | £17.00 | £7.82 | £2.53 | 61% |
| | £2.14 | £0.21 | 10% | £2.25 | £0.28 | £0.33 | 27% |
| | £3.72 | £2.10 | 56% | £4.50 | £2.93 | £0.67 | 80% |
| | £0.69 | £0.32 | 46% | £0.75 | £0.46 | £0.11 | 76% |

These figures are before the impact of the budget proposals.

Table 11.3 illustrates that in all the above examples of dutiable products the proportion of price made up by duty is significantly lower in Jersey than the UK. Even allowing for other cost factors in Jersey there would appear to be a much greater margin in the retail price of products in Jersey than exists in the UK. It is the level of these price margins which needs to be further investigated and addressed.

11.7 Vehicle Registration Duty (VRD)

Vehicle Registration Duty was introduced on 1st January 2003 and applies to all vehicles, when they are first registered in Jersey, except hire cars and certain other specific exemptions.

The decision to introduce the new duty was announced well in advance and thus there were opportunities for dealers, businesses and individuals to purchase and register vehicles before the duty was introduced. This, combined with a general downturn in sales, has resulted in an understandable slow down in registrations in 2003. It is expected that the situation will normalise over time and a steady increase is anticipated in 2004.

It is proposed to increase VRD rates by an average of 25% in 2004. However this would lead to only a modest increase in the cost of most vehicles of under 2%.

Last year it was decided to defer charging duty on hire cars due to commercial decisions already having been taken by hire car firms prior to VRD being announced. It is proposed that there will be VRD charged on hire vehicles in 2004 but that it will be at the substantially reduced rate of 15% of the full duty. This reduced rate is in recognition of the short time most hire vehicles actually stay on the Island and would prevent an unreasonable burden being placed on this important sector of the tourism industry.





11. IMPÔTS (continued)

Table 11.4
Proposed Vehicle Registration Duty Rates

| Vehicle Capacity | 2003 Rates £ | 2004 Proposed Rates £ | 2004 Hire Car Rates £ |
|-------------------|--------------------|-----------------------------|-----------------------------|
| - Up to 125 cc | 25 | 30 | 4.50 |
| - 126 to 500 cc | 50 | 60 | 9.00 |
| - 501 to 1000 cc | 100 | 125 | 18.75 |
| - 1001 to 1400 cc | 300 | 375 | 56.25* |
| - 1401 to 1800 cc | 500 | 625 | 93.75* |
| - 1801 to 2000 cc | 750 | 940 | 141.00 |
| - 2001 to 2500 cc | 1,000 | 1,250 | 187.50 |
| - 2501 to 3000 cc | 1,500 | 1,875 | 281.25 |
| - 3001 to 3500 cc | 2,000 | 2,500 | 375.00 |
| - Over 3500 cc | 2,500 | 3,125 | 468.75 |

^{*} Over 90% of all hire cars registered on the Island in 2002 fell into these bands

The opportunity has also been taken to address a minor anomaly on the charging of VRD on vehicles that only remain in the Island for very short periods. If a vehicle is exported within six months of registration, and is not the subject of any other relief, it will be entitled, upon export, to a relief of 50% of the VRD paid.

12 STAMP DUTY PROPOSALS

12.1 Background

The Finance and Economics Committee will be pursuing a comprehensive review of Stamp Duty collection and administration in 2004, which will also address the modernisation of the process and enacting law.

A detailed consultation document will be issued next year, with the objective of the review being completed in time to introduce any primary changes in the 2005 Budget. Such changes would form part of the measures available to the Committee to address the deficits in the forecast period.

12.2 Proposals for 2004

The proposals for 2004 primarily extend the principles consulted on just over a year ago, at which time the majority of the responses were in favour of the proposals. Indeed those responses included suggestions that the duty rates for higher value properties be increased further than those proposed in the 2003 Budget and this has been taken forward in the current proposals at Table 12.1.

The proposals for 2004 are part of the Committee's measures to raise the necessary additional funds to reduce the 2004 deficit of £19 million evident after the latest tax forecasts.

The proposals include:

- new incremental rates for Stamp Duty to be introduced from the 1st January 2004 as shown in Table 12.1;
- a new rate for properties valued over £700,000; and
- a target of £2 million to be raised from the proposals based on 2002 transactions.

It is not proposed to change the rate for first-time buyers





Table 12.1
Proposed Incremental Rates for Stamp Duty

| Property Value (£) | Proposed Rate % | Current Rate % |
|--------------------|--------------------|-------------------|
| 0 - 50,000 | 0.50 | 0.50 |
| 50,001 - 300,000 | 1.50 | 1.25 |
| 300,001 - 500,000 | 2.00 | 1.75 |
| 500,001 - 700,000 | 2.50 | 2.00 |
| > 700,001 | 3.00 | 2.00 |

Despite the increases in the last two years the rates in Jersey remain conservative when compared to those in the UK as shown in Table 12.2.

Table 12.2 Comparison of Stamp Duty Rates

| Property Value | Stamp Duty Proposed (£) | Current duty (£) | UK duty (£) |
|------------------------|-------------------------|------------------|-------------|
| (200,000 | | | |
| £200,000 | | | |
| first time buyer (FTB) | 438 | 438 | 2,000 |
| £250,000 (FTB) | 1,688 | 1,688 | 2,500 |
| £350,000 | 5,000 | 4,250 | 10,500 |
| £500,000 | 8,000 | 6,875 | 15,000 |
| £750,000 | 14,500 | 11,875 | 30,000 |
| £1,000,000 | 22,000 | 16,875 | 40,000 |

The Committee is likely to consider a strategy over the next few years to further increase stamp duty rates and to extend these changes to other areas once the review planned for 2004 has been completed.



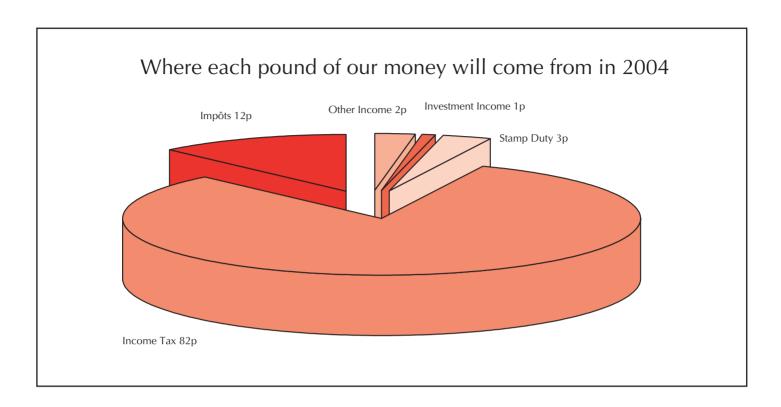


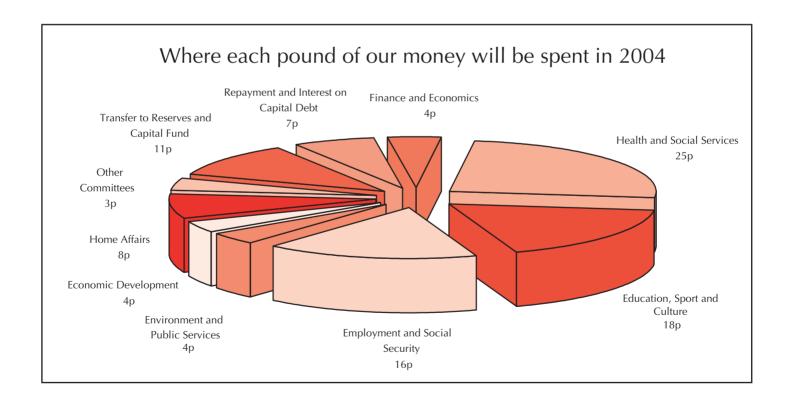
Summary of Revenue Estimates



Analysis of Income and Expenditure









1

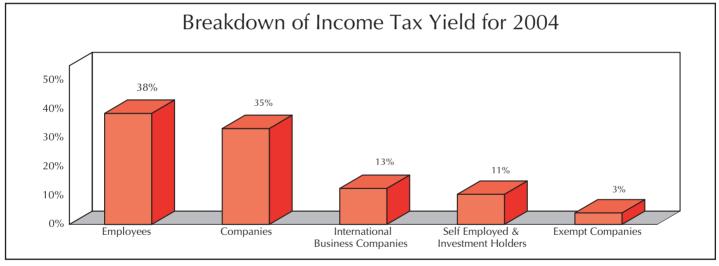
Taxation and Investment Income

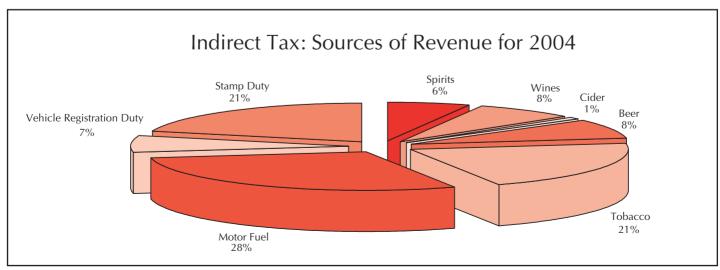


Income Analysis - Sources of Income

| 2002 Actual (Restated) | 2003 Estimate (Restated) | | 2004 Estimate |
|---|--|--|---|
| $\frac{f}{f}$ | $\frac{f}{f}$ | | £ |
| 16,500,000 | 15,400,000 | Other Income | 14,109,200 |
| 3,905,000 4,417,000 415,000 4,202,000 12,681,000 14,389,000 250,000 | 3,847,000 4,875,000 492,000 4,833,000 11,509,000 17,009,000 250,000 3,000,000 | Indirect Taxation Impôts on Spirits Impôts on Wines Impôts on Cider Impôts on Beer Impôts on Tobacco Impôts on Motor Fuel Impôts on Goods Imported Vehicle Registration Duty | 4,048,000 5,123,000 530,000 5,557,000 14,148,000 19,642,000 95,000 4,755,000 |
| 40,259,000 | 45,815,000 | Impôts | 53,898,000 |
| 9,845,000 | 11,950,000 | Stamp Duty | 13,950,000 |
| 359,000,000 | 375,000,000 | Income Tax | 370,000,000 |

£ 425,604,000 £ 448,165,000 £ 451,957,200







Consolidated Subjective Analysis 2004



Expenditure and Income Category

£

| Income Analysis: | | 2.170.100 |
|---|------------|-------------|
| Sale of Goods | | 2,179,100 |
| Sale of Services | | 4,499,600 |
| Hire and Rentals | | |
| General | 4,971,300 | |
| Housing Rents | 31,597,800 | |
| | | 36,569,100 |
| Fees and Fines | | 25,471,900 |
| Miscellaneous Income | | 4,338,000 |
| Charges | | 6,835,600 |
| Recharges and Recoverable Costs | | |
| General | 3,470,700 | |
| Recharges to States' Tenants | 2,030,700 | |
| DHLF and 99 Year Leases | 152,900 | |
| Biter and 33 real ecases | 132,300 | 5,654,300 |
| Investment Income and Interest | | 1,776,000 |
| | | |
| Interest Received on Capital Debt | | 457,400 |
| Total Income | | 87,781,000 |
| Expenditure Analysis: | | |
| Manpower - States Staff Costs | | 240 776 E00 |
| · | | 240,776,500 |
| Manpower - Non States Staff Costs | | 2,360,000 |
| Supplies and Services | | 52,725,700 |
| Administration Costs | | 14,538,450 |
| Premises and Maintenance | | |
| General | 30,025,650 | |
| Operation of Estates | 3,499,900 | |
| Maintenance of States Properties | 4,076,700 | |
| Maintenance of Cottage Homes | 97,400 | |
| | | 37,699,650 |
| Incidental Expenses and Charges | | 959,500 |
| Grants and Subsidies | | |
| General (Note 1) | 19,719,200 | |
| Overseas Aid | 5,266,000 | |
| Agricultural Subsidies | 4,012,200 | |
| Student Grants | 8,841,000 | |
| States Contribution to the Social Security and Health Funds | 53,873,000 | |
| Community Benefits | 22,561,800 | |
| Housing Rent Abatements | 15,000,000 | |
| Housing Rent Rebates | 7,031,700 | |
| Housing Kent Kepates | 7,031,700 | 136 204 000 |
| Non-Service Costs | | 136,304,900 |
| | | 76,000 |
| Court and Case Costs | | 4,516,900 |
| Repayment of Capital Debt | | 32,000,000 |
| Total Expenditure | | 521,957,600 |

Net Revenue Expenditure 434,176,600

Note 1: Includes Family Nursing Home Care, Jersey Heritage Trust, Jersey Arts Trust and Other Education Grants.



Cash Limits 2004



Net Revenue Income and Expenditure

| COMMITTEE | Authorised Revenue Expenditure | Income | (Income) / Expenditure |
|---|--------------------------------------|--------------|---------------------------|
| | £ | £ | £ |
| Policy and Resources | 7,616,400 | 1,123,900 | 6,492,500 |
| Privileges and Procedures | 4,078,000 | 111,000 | 3,967,000 |
| Finance and Economics | 60,409,100 | 9,670,200 | 50,738,900 |
| Environment and Public Services | | | |
| Planning and Environment | 6,009,600 | 2,874,800 | 3,134,800 |
| Public Services | 32,541,300 | 13,710,000 | 18,831,300 |
| Economic Development | 19,619,900 | 1,082,400 | 18,537,500 |
| Health and Social Services | 133,712,700 | 12,113,700 | 121,599,000 |
| Education, Sport and Culture | 98,512,700 | 10,610,200 | 87,902,500 |
| Home Affairs | 39,612,400 | 2,030,200 | 37,582,200 |
| Employment and Social Security | 80,406,400 | 5,000 | 80,401,400 |
| Housing | 33,924,800 | 34,163,600 | (238,800) |
| Legislation | 47,000 | - | 47,000 |
| Overseas Aid | 5,306,000 | - | 5,306,000 |
| Harbours and Airport - La Collette Reclamation Scheme | 161,300 | 286,000 | (124,700) |
| | £ 521,957,600 | £ 87,781,000 | £ 434,176,600 |
| Adjustments: | | | |
| Finance and Economics | | | |
| Interest and Repayments on Capital Debt * | (32,000,000) | (457,400) | (31,542,600) |
| Total Cash Limit | £ 489,957,600 | £ 87,323,600 | £ 402,634,000 |

^{*} The repayment in 2004 includes provisions estimated to be required to account for Fixed Assets in accordance with U.K. Generally Accepted Accounting Principles.



Summary Cash Limits 2003 - 2008





Summary Cash Limits 2003 - 2008

| Total Net Revenue Expenditure | £ 403,950 | £ 407,650 | £ 424,000 | £ 438,000 | £ 450,000 | £462,000 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| In year unforeseen contingency | 8,031 | | | | | |
| Pay award and pension contingency | 19,700 | 5,016 | | | | |
| General Reserve | | | | | | |
| | | | | | | |
| Total Committee Cash Limit | £ 376,219 | £ 402,634 | | | | |
| Recialitation scheme | (125) | (125) | | | | |
| Harbours and Airport - La Collette Reclamation Scheme | (125) | (125) | | | | |
| Overseas Aid | 4,603 | 5,306 | | | | |
| Legislation | 47 | 47 5.206 | | | | |
| Housing | 1,353 | (239) | | | | |
| Employment and Social Security | 81,561 | 80,401 | | | | |
| Home Affairs | 32,242 | 37,582 | | | | |
| Education, Sport and Culture | 79,452 | 87,903 | | | | |
| Health and Social Services | 107,737 | 121,599 | | | | |
| Economic Development | 17,734 | 18,538 | | | | |
| Public Services | 17,819 | 18,831 | | | | |
| Planning and Environment | 2,568 | 3,135 | | | | |
| Environment and Public Services | | | | | | |
| Finance and Economics | 24,256 | 19,196 | | | | |
| Privileges and Procedures | 424 | 3,967 | | | | |
| Policy and Resources | 6,548 | 6,493 | | | | |
| | (restated) | | | | | |
| | (restated) | 2 000 | 2 000 | 2 000 | 2 000 | 2 000 |
| COMMITTEE | £′000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| COMMITTEE | Cash Limits | Cash Limits | Cash Limits | Cash Limits | Cash Limits | Cash Limits |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |

In previous years the income from stamp duty has been shown as part of the Committee income for the Finance and Economics Committee. Along with other tax and duty this now appears under the General Revenues of the States of Jersey on page 2.





Non-Trading Committees' Revenue Expenditure Estimates







The 2004 budget analysis sees the next major step towards the full amalgamation of the Policy and Resources, Computer Services and Human Resources Departments and for the first time shows the ten major service function areas, for which the Committee is responsible. For each of these service areas, both staff and non-staff costs are now fully identified, which will enable the Committee to monitor and report on the activities it undertakes on behalf of the States.

| Cash Limits Set for 2004 | | | |
|--------------------------|-------|----------|--|
| | £′000 | Decrease | |
| Year 2004 | 6,493 | (0.9%) | |

Transfers of Functions

The revised base budget for 2004 includes provision for the machinery of government reform led transfers of the Environmental Adviser function to the Environment and Public Services Committee (£90,000), the Manpower Control function to the Finance and Economics Committee (£81,800) and the International Finance function from the Finance and Economics Committee (£75,000). It is intended that further transfers of functions may be undertaken in preparation for the move to the ministerial system and as a result of the reviews of corporate service functions and the drive towards better efficiency.

| Committee S Staff Costs | taff Estimate | es | |
|--------------------------------|---------------|--------|--|
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 4,946 | 5,045 | |
| Number of Full Time Equivalent | | | |
| | | 2003 | |
| | | 106.71 | |
| | | | |

2004 FSR Process

The Committee submitted 13 offers of savings amounting to £543,000 and submitted four growth bids amounting to £1,346,000. The net result of the 2004 FSR process was that no growth was approved and the Committee accepted a reduction to its 2004 base budget of £243,000 (3.6%), consisting of £75,000 from within the Human Resources budget and £168,000 from within the Computer Service budget.

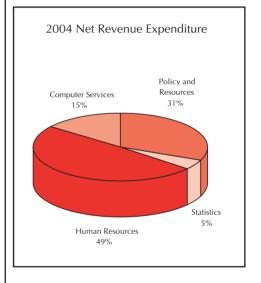
Performance Measures

Appropriate performance measures are being developed as part of the Performance Measures and Benchmarking project currently being undertaken across States departments. It is intended that such measures will be applied, as appropriate, to all of the Committee's service function areas.

Policy and Strategy Unit

(Chief Executive's Office, International, Economics, Government Reform and Statistics)

The Unit will continue its work on; strengthening Jersey's national and international relationships and developing Jersey's international personality, maintaining and developing the essential corporate services it provides to the States as a whole and, with others, continuing to prepare for the reforms to the machinery of government, planned to become effective in 2005. During 2004 the States' Strategic Plan will be further developed as a key corporate management process and will be strengthened with greater emphasis on prioritisation and use of resources.







Human Resources Department

(Employee Relations and Pensions, Employee Development and Human Resources Systems)

The current two year pay agreement will expire in May 2004 and, against the backdrop of increasing and significant financial pressures on States' revenues, negotiations will be taking place during the first half of the year.

Following agreement that the Human Resource function should be unified with other changes that are taking place to rationalise governmental structures, Human Resource Officers in departments and those in the corporate centre will be working closely together during 2004 to implement these changes and to provide an enhanced personnel service to all States' departments.

In addition to these changes, the department will also be supporting administering departments in managing the changes that are impacting upon their own employees and, to this end, a training and development programme, to assist and support employees in their changing roles and working environment, will be offered during 2004.

It will be necessary to prepare the States organisation for the introduction of the new Employment Law and Employment Relations Law, to ensure that all managers are aware of the consequences of, and can ensure compliance with their provisions.

The development of the new States' HR computer system will continue, with actions being taken to enhance and extend data capture and to ensure that decisions relating to staff employment can be informed and influenced by comprehensive and accurate information.

Computer Services

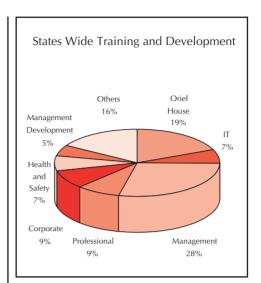
(Corporate Infrastructure and Projects)

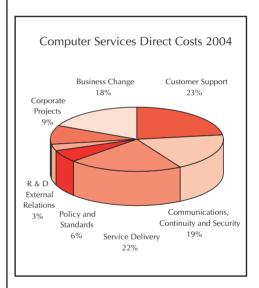
In relation to Corporate ICT the Committee intends in 2004 to continue with:

- the delivery of the corporate PC platform and Office systems upgrades, electronic document management and electronic workflow projects;
- the strategic development, implementation and management of IT led business change and e-government projects, and States-wide organisational development;
- corporate web site development and management;
- research and evaluation of emerging technology and potential ICT solutions;
- the provision of advice and guidance, and;
- the management of international initiatives which impact on Jersey e.g. BIC Knowledge Economy and domain name management.

In maintaining the corporate ICT Infrastructure, the Committee will continue with the maintenance and further development of:

- the secure States-wide network and communications infrastructure and corporate business continuity policy;
- Corporate ICT facilities (Internet, Office, e-mail, etc.);
- the customer support/helpdesk for corporate applications and infrastructure;
- Computer room operations, including application server management;
- ICT policy and standards and security policies;
- ICT strategy, architecture formulation and publication.









Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|---------------------------------|--------------------|
| | | Policy and Resources | |
| 1,403,657 | 1,084,700 | Chief Executive's Office | 754,000 |
| 300,902 | 256,100 | International | 435,200 |
| 308,294 | 35,000 | Economics | 180,900 |
| 673,722 | 594,000 | Government Reform | 647,500 |
| 16,053 | 292,300 | Statistics | 298,200 |
| | | Computer Services | |
| 711,010 | 256,900 | Corporate Projects | 245,900 |
| 1,183,585 | 802,600 | Infrastructure | 763,500 |
| | | Human Resources | |
| 1,286,295 | 993,100 | Employee Relations and Pensions | 1,006,600 |
| 1,419,185 | 1,723,600 | Employee Development | 1,698,800 |
| 563,270 | 510,100 | Human Resource Systems | 461,900 |
| £ 7,865,973 | £ 6,548,400 | Net Revenue Expenditure | £ 6,492,500 |

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|--|--|--|
| 1,014,800 3,500 | Income Recharges and Recoverable Costs Miscellaneous Income | 1,107,500 16,400 |
| 1,018,300 | | 1,123,900 |
| 4,945,600 1,716,200 452,300 452,600 | Expenditure Manpower Supplies and Services Administration Costs Premises and Maintenance | 5,044,700 1,401,100 724,200 446,400 |
| 7,566,700 | | 7,616,400 |
| £ 6,548,400 | Net Revenue Expenditure | £ 6,492,500 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.





Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 003 Net Revenue Expenditure | | 6,548,400 |
|--|----------------------|-----------|
| 004 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: | | |
| Policy and Resources Committee | (20,000) | |
| Cessation of central funding for Human Rights initiative | (30,000) | |
| Corporate Systems reduced external consultancy, furniture and equipment and training | (52,000) | |
| Increased income from Statesnet charges | (12,000) | |
| In-house payslip printing | (16,000) | |
| Office Cleaning | (8,000) | |
| Decommission DEC VAX hardware | (50,000) | |
| | | (168,000) |
| Human Resources Committee | | |
| Reduced funding for Industrial Placement Scheme | (41,000) | |
| Withdrawal of funding for Industrial Placement Scheme and reduced management training | (34,000) | |
| management danning | (54,000) | |
| | | (75,000) |
| dditional Expenditure: | | |
| Increased Pay Awards June 2002 | 90,600 | |
| lune 2003 | 193,300 | |
| Jane 2003 | 133,300 | |
| | | 283,900 |
| ransfers between Committees: Environment and Public Services Committee - Environmental Advisor | (00,000) | |
| Finance and Economics Committee - Manpower Policy | (90,000) (81,800) | |
| Finance and Economics Committee - Finance Industry Executive | 75,000 | |
| That is a second of the second | . 2,000 | (96,800) |

2004 Net Revenue Expenditure

£ 6,492,500



Privileges and Procedures



Mission Statement

"To keep under review the general practices and procedures of the States Assembly and its Committees so as to enable States members to carry out their duties in the most effective manner possible, to make recommendations to the States for improvements, where necessary, and to implement the decisions of the States in relation to government reform and the establishment of a ministerial form of government."

| Cash Limits Set for 2004 | | | |
|--------------------------|-------|--------|--|
| £'000 Increase | | | |
| Year 2004 | 3,967 | 836.26 | |

Committee Staff Estimates

Aims and Objectives

- to deal with all matters relating to the practical functioning of the States Assembly;
- to continue with its work relating to agreed reforms to the machinery of government, and to facilitate and implement the decisions of the States in this regard;
- to facilitate the formation, operation and resourcing of Scrutiny Panels, and shadow Scrutiny Panels, and provide appropriate training opportunities thereof;
- to manage States members' accommodation, services and facilities, remuneration and expense allowances, and the Code of Conduct;
- to review the Standing Orders of the States of Jersey and the States of Jersey Law 1966, as amended;

| Staff Costs | | | |
|--------------------------------|---------------|---------------|--|
| | 2003 £'000 | 2004 £'000 | |
| Civil Servants | 80 | 1,750 | |
| Number of Full Time Equivalent | | | |
| Total | | 2003 | |

- to ensure proper provision of information to the public on the work of the States Assembly, and manage the Code of Practice on Public Access to Official Information;
- · to review the implementation of Hansard and the arrangement of public business; and
- to provide and deliver a quality governmental administration to support the work of the States Assembly and its Committees, and to develop and provide a range of members' support services to meet the requirements of members of the States.

Challenges in 2004

The Committee will continue with its work relating to the implementation of government reform as the States of Jersey progresses towards ministerial government in 2005. Substantive parliamentary services in this regard, which are provided through the States Greffe, have continued to be developed and the opportunity was taken, in 2003, to combine the work of the Committee with the resources of the States Greffe so as to rationalise and consolidate efforts in this regard. This partnership will ensure the smooth delivery of improved services during the process of government reform and enable the Committee, through the States Greffe, to ensure that they are developed within resource limits to provide the States, its members and the public of the Island with an up to date range of parliamentary services. New initiatives arising from States decisions relating to government reform requiring implementation in 2004 include the development and operation of shadow Scrutiny Panels as a pre-cursor to permanent Scrutiny arrangements within the proposed future ministerial form of government, and the improved provision of information to States members and the public in general.

Restructuring

As the Privileges and Procedures Committee budget will, from 2004, include that of the States Greffe and all other costs associated with the operation of the legislature, it is hoped that this simpler arrangement will enable States members and the public to:

- recognise the importance of consolidating efforts and resources in progressing work relating to government reform and the provision of services in this regard;
- establish, as a background, the limit on allocated resources available for maintaining, improving and broadening services arising from
 decisions of the States relating to government reform;
- establish the importance of the Committee's work and the need to compete in the allocation of resources with other States Committees; and
- provide a means of comparison with other States Committee budgets and allocated resources against services provided.

The developing relationship that now exists between the Privileges and Procedures Committee and the States Greffe underlines the Committee's dependence and need for adequate resources to enable it to undertake and fulfil its work with the appropriate means.

2004 Fundamental Spending Review Process (FSR)

The Committee did not participate in the 2004 FSR process, although it accepts the inherited package of certain savings and growth measures from the Finance and Economics Committee, as former custodian of the budgets relating to the States Greffe and the provision of States members' expenses and income supplement. The Committee will be fully participating in 2005.

Monitoring Performance and Value for Money

The Committee's budget provides for a wide range of States Assembly, member and public services, which will become more customer focused as these services are adapted to match the needs of government reform. Initiatives to ensure that the development of services adhere to the principles of best practice as related to value for money include comparative research with other jurisdictions, cost analysis, detailed process management and planning, as well as quality assessment and response to customer needs and comments. The Committee will continue to invest appropriate resources within the constraints of its budget in developing initiatives relating to government reform.



Privileges and Procedures



Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|---|--------------------|
| | | Privileges and Procedures | |
| 32,983 | 163,900 | Committee secretariat and admin Support | 202,000 |
| - | 250,000 | Scrutiny | 250,000 |
| 621 | - | Special Committee – Admin Appeals | 12,500 |
| - | - | States Members' expenses | 538,600 |
| - | - | States Members' income supplement | 805,500 |
| | | States Greffe | |
| - | - | States Assembly secretariat and admin support | 268,000 |
| - | - | Statutory functions and inter-Parliamentary support | 14,200 |
| - | - | Members' support services | 51,600 |
| - | - | Publications Editor | 67,600 |
| - | - | Law Drafting | 898,000 |
| - | - | Committee Clerks' secretariat | 504,000 |
| - | - | Registry | 131,000 |
| - | - | States Messenger Service | 41,900 |
| - | - | Bookshop | 83,600 |
| - | - | Reprographics / Print | 50,000 |
| - | - | Commonwealth Parliamentary Association | 40,000 |
| - | - | Assemblee Parlementaire de la Francophonie | 8,500 |
| £ 33,604 | £ 413,900 | Net Revenue Expenditure | £ 3,967,000 |

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|---------------------------------|--|---|
| - - | Income Sale of Goods Sale of Services | 67,000 44,000 |
| - | | 111,000 |
| 80,000 330,000 3,900 - | Expenditure Manpower Supplies and Services Administrative Costs Premises and Maintenance Grants and Subsidies | 1,750,400 385,700 689,000 407,400 845,500 |
| 413,900 | | 4,078,000 |
| £ 413,900 | Net Revenue Expenditure | £ 3,967,000 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.



Privileges and Procedures



Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2003 Net Revenue Expenditure | | 413,900 |
|--|--------------------|-----------|
| Additional Expenditure: Increased Pay Awards June 2002 | 1,500 | |
| June 2003 | 4,100 | |
| Transfers between Committees: | | 5,600 |
| Finance and Economics Committee - States Greffe | 2,145,100 | |
| Finance and Economics Committee - Commonwealth Parliamentary Association Finance and Economics Committee - Assemblée Parlementaire de la | 40,000 | |
| Francophonie | 8,500 | |
| Finance and Economics Committee - States Members' Expenses Finance and Economics Committee - Members' Income Supplement | 538,600 805,500 | |
| Other Committees - Special Committee | 9,800 | 3,547,500 |

2004 Net Revenue Expenditure

3,967,000





The Finance and Economics Committee is responsible for regulating, controlling and supervising the public finances of the Island. Within this remit the Committee has responsibility for a number of distinct departments, such as Income Tax and States Treasury, as well as several departments, such as Bailiff's Chambers, Law Officers and Judicial Greffe over which it has financial responsibility but no political authority. The nature, complexity and sensitivity of many of the services provided and activities undertaken highlighted the significant financial management challenges faced by the Committee. Within this context, the Committee is pleased to present a budget which balances the need to continue to fund the diverse range of services for which it is responsible within a framework of achieving value for money and financial restraint.

The 2004 Budget again reflects the increased costs associated with a number of unavoidable issues over which the Committee can exercise little, if any, control. The Committee successfully bid for funds through the 2004 FSR process to meet these issues which include increases in insurance premiums and the increased costs associated with maintaining robust legal processes.

The Finance and Economics Committee net revenue expenditure budget for 2004, excluding capital servicing, is £19.2 million, a decrease of 21% on 2003. This is due primarily to Machinery of Government reforms including the transfer of the Impôts Department to the Home Affairs Committee, the transfer of relevant functions to the Privileges and Procedures Committee and the amalgamation of activities relating to culture within the remit of the Education, Sport and Culture Committee.

In 2004, the Treasury will continue its drive to create a framework within which balanced and sustainable budgets can be developed and expenditure directed towards priority areas. In addition, the diverse range of Departments for which the Committee has financial responsibility will be faced with a number of challenges:

- to achieve further integration of the Legal Departments as part of the initiative to develop a Jersey Court Service;
- to implement the recommendations of the Report on judicial fees and continue to exploit further revenue streams;
- to develop further controls to monitor and control expenditure on Court and Case Costs;
- to maintain present high levels of service given an increasing workload.

The Finance and Economics Committee is the sponsor of the Fundamental Spending Review and took a very positive approach to the process with its own Departments. Savings arising from the review process include:

- additional income generated from increased penalties for late submission of tax and employers returns;
- the establishment and use of the Criminal Offences Confiscation Fund by the Law Officers Department to fund measures which prevent, suppress or deal with criminal conduct;
- efficiency savings in finance functions facilitated by technological innovation, such as Intelligent Character Recognition software and the introduction of a modern financial system, JD Edwards, and an ongoing appraisal of best value service delivery.

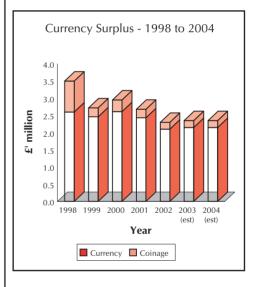
The Fundamental Spending Review has resulted in a number of material additions to the Committeeís budget including:

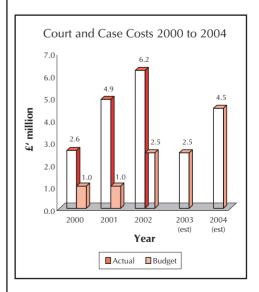
- an additional £1.75 million allocated to Insurance to maintain the current level of risk protection and prevent increases in excess limits for States Departments;
- a further £2 million allocated to Court and Case Costs to sustain and adequately fund current legislative processes and maintain the Island's reputation as a well regulated community;
- funding of £260,000 for the Fundamental Spending Review and the Fiscal Strategy;

In 2004 the Department will continue to develop its performance management framework as a means of improving the performance of its services and consulting with and informing the community about its current performance and strategy.

| Cash Limits Set for 2004 | | | |
|--------------------------|--------|----------|--|
| | £′000 | Decrease | |
| Year 2004 | 19,196 | (20.9%) | |

| Committee Staff Estimates | | | |
|--|------------------------|------------------------|--|
| Staff Costs | | | |
| | 2003 £′000 | 2004 £'000 | |
| Civil Servants Manual Workers States appointments and crown officers | 15,311 521 2,098 | 13,574 515 1,349 | |
| | 17,930 | 15,438 | |
| Number of Full Time Equivalent | | | |
| | | 2003 | |
| Civil Servants | | 428.25 | |









Net Expenditure - Service Analysis

| 2002 Actual | 2003 Estimate | | 2004 Estimate |
|-------------|---------------|---|---------------|
| £ | £ | | £ |
| | | States Treasury | |
| 1,015,237 | 959,600 | Corporate Financial Strategy | 1,407,000 |
| 86,299 | 76,300 | Investments | 68,000 |
| 1,210,507 | 1,095,200 | Financial Services | 1,058,000 |
| 1,709,743 | 1,432,700 | Corporate Systems | 1,325,900 |
| 485,459 | 643,300 | Audit | 682,600 |
| - | - | Pensions | - |
| 920,101 | 827,200 | Corporate Supplies | 706,300 |
| , , , | , | Income Tax Department | , |
| 974,564 | 1,836,300 | Personal Tax Assessing | 1,689,300 |
| 473,035 | 814,800 | Company Assessing | 694,600 |
| , | , | Tax Collection and Arrears | , |
| 128,143 | 232,800 | Policy Development | 199,000 |
| 116,441 | 187,800 | Investigations and Compliance | 155,200 |
| - / | , , , , , , | Bailiff's Chambers | , |
| 545,516 | 520,000 | Royal Court | 535,100 |
| 87,845 | 84,000 | States Assembly | 93,500 |
| 36,408 | , | Licencing | 20,300 |
| 93,643 | 96,300 | Civic Head | 103,500 |
| 40,142 | , | Commemorative Functions | , |
| - / | | Law Officers' Department | |
| 650,808 | 678,900 | Criminal Prosecutions | 717,400 |
| 883,048 | 920,200 | Legal Advice | 1,047,000 |
| 344,636 | 308,400 | Conveyancing | 337,700 |
| 172,748 | 162,500 | Civil Proceedings | 188,800 |
| 475,409 | 460,800 | Interjurisdictional Assistance | 97,800 |
| 24,268 | 23,400 | Duties of the Attorney General | 23,400 |
| 3,089,709 | 1,232,000 | Court and Case Costs | 2,307,500 |
| | | Judicial Greffe | |
| 999,019 | 916,100 | Samedi, Family, Appellate and Interlocutory | 877,500 |
| 623,239 | 619,500 | Magistrates Court | 663,800 |
| 539,828 | 505,500 | Maintenance of Registries | 485,300 |
| 1,787,872 | 1,199,400 | Court and Case Costs | 1,866,100 |
| | | Viscount's Department | |
| 103,805 | 89,700 | Coroner | 98,300 |
| 1,468,470 | 293,300 | Desastre | 306,700 |
| 482,719 | 406,100 | Enforcement | 448,500 |
| 73,183 | 70,800 | Assize Jury Functions | 74,500 |
| 98,677 | - | Judicial Greffe - JLIB functions | - |
| 53,451 | 45,200 | Curatorships | 48,300 |
| 17,718 | 10,000 | Court and Case Costs | 343,300 |
| | | Impôts Department | |
| 532,788 | 517,800 | Revenue Collection | - |
| 2,185,037 | 2,235,600 | Enforcement | - |
| 382,764 | 384,100 | International Obligations | - |
| 53,960 | 30,000 | Court and Case Costs | - |
| | | | |

£ 22,966,239 £ 19,915,600 Balance carried forward £ 18,670,200



£ 54,074,695

£ 51,621,300



Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|--------------------|--------------------|---|--------------------|
| - | | | 40.570.000 |
| 22,966,239 | 19,915,600 | Balance Brought forward | 18,670,200 |
| 405,183 | 469,100 | Official Analyst Forensic, Environmental Analysis | 495,300 |
| 403,103 | 469,100 | States Greffe | 493,300 |
| 1,309,566 | 1,289,700 | Secretariat, Publications/Information | |
| 834,278 | 825,000 | Law Drafting | |
| 031,270 | 023,000 | Emergency Planning Office | |
| 107,431 | 111,800 | Planning and Monitoring | 118,000 |
| 595,118 | 602,400 | H E the Lieutenant Governor | 641,000 |
| 154,067 | 116,900 | Data Protection | 125,300 |
| , , , , , | ., | Non-Departmental | ,,,,,, |
| (180,000) | (180,000) | Balance of Crown Revenues | (180,000) |
| 1,100,000 | 800,000 | Insurance | 2,550,000 |
| 492,748 | 470,600 | States Members' Expenses | - |
| 855,403 | 663,500 | States Members' Income Supplement | - |
| 1,476,900 | 1,411,400 | Jersey Heritage Trust Grant | - |
| 1,407,000 | 1,246,900 | Jersey Arts Trust Grant | - |
| 215,255 | 212,000 | Cost of Audit/Audit Commission | 212,000 |
| 638,100 | 111,100 | WEB Limited Grant | 463,100 |
| 45,470 | 40,000 | Jersey Transport Authority | - |
| 40,000 | 40,000 | Commonwealth Parliamentary Association | - |
| 79,982 | 30,000 | Distinguished Visitors and Conferences | 30,000 |
| 55,996 | 54,000 | Commission Amicale | 54,000 |
| 15,000 | 20,000 | Jurats' Expenses | 20,000 |
| 17,054 | 17,400 | Dean of Jersey | 17,400 |
| 5,213 3,010,409 | 8,500 481,100 | Assemblee Parlementaire de la Francophonie Other Expenditure | 481,100 |
| (2,286,928) | (2,350,000) | Currency Surplus | (2,350,000) |
| (1,212,773) | (1,171,000) | Dividends | (1,171,000) |
| (607,915) | (570,000) | Interest on Loans | (570,000) |
| (286,857) | (410,100) | Miscellaneous Fines | (410,100) |
| (4,194,439) | - | Other Income | - |
| | | | |
| 27,057,500 | 24,255,900 | Sub Total | 19,196,300 |
| | | Non-Cash Limit Items | |
| 27,017,195 | 27,365,400 | Repayment and Interest on Capital Debt | 31,542,600 |
| | | | |

Note: In previous years the income from stamp duty has been shown as part of the Committee Income for the Finance and Economics Committee. Along with other tax and duty this now appears under the General Revenues of the States of Jersey on page 2.

The Committee has agreed to the transfer of a number of functions to Other Committees in 2004 and these are detailed in the reconciliation.



£ 50,738,900



Income and Expenditure Category

2003 Estimate 2004 Estimate £ £

| | Income | |
|--------------|-----------------------------------|--------------|
| 134,000 | Sale of Goods | 118,000 |
| 216,000 | Sale of Services | 172,000 |
| 22,000 | Hire and Rentals | 22,000 |
| 1,013,500 | Fees and Fines | 1,204,100 |
| 4,600 | Commission | 4,600 |
| 1,103,000 | Recharges and Recoverable Costs | 1,788,700 |
| 2,558,900 | Miscellaneous Income | 2,569,700 |
| 1,171,000 | Investment Income | 1,171,000 |
| 605,000 | Interest | 605,000 |
| 599,100 | Surcharges and Penalties | 1,557,700 |
| 634,600 | Interest Received on Capital Debt | 457,400 |
| 8,061,700 | | 9,670,200 |
| | Expenditure | |
| 17,930,200 | Manpower - States Staff Costs | 15,437,700 |
| 47,200 | Manpower - Non States Staff Costs | 59,600 |
| 1,972,600 | Supplies and Services | 1,982,800 |
| 2,257,400 | Administration Costs | 1,378,500 |
| 3,174,700 | Premises and Maintenance | 4,266,600 |
| 3,780,300 | Grants and Subsidies | 730,500 |
| 17,500 | Incidental Expenses and Charges | 18,500 |
| 31,700 | Non-Service Costs | 18,000 |
| 2,471,400 | Court and Case Costs | 4,516,900 |
| 28,000,000 | Repayment of Capital Debt | 32,000,000 |
| 59,683,000 | | 60,409,100 |
| £ 51,621,300 | Net Revenue Expenditure | £ 50,738,900 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.





Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2003 Net Revenue Expenditure | | 24,255,900 |
|--|------------------------|-------------|
| 2004 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: | | |
| Income Tax late submission penalties and late payment surcharges | (371,000) | |
| Law Officers Department increased rechargeable work | (245,000) | |
| States Treasury income from recharges States Treasury staff efficiencies and savings | (203,000) (273,000) | |
| Waterfront Enterprise Board income from parking | (162,000) | |
| States Greffe reduction in secretarial support | (96,000) | |
| Growth Proposals Approved: | | |
| Departmental | | |
| Income Tax staff cost increases associated with changes to assessments | 200,000 | |
| Funding for Fundamental Spending Review and Fiscal Strategy | 260,000 | |
| Non-Departmental | | |
| Increased contribution to Court and Case costs | 2,000,000 | |
| Increase in insurance premiums | 1,750,000 | |
| Increased cost of States Members Expenses and Income Support Supplement Cost of Finance Industry Executive | 210,000 75,000 | |
| Cost of Finance industry Executive | 73,000 | |
| Aller le Pr | | 3,145,000 |
| Additional Expenditure: Increased Pay Awards | | |
| June 2002 | 435,600 | |
| June 2003 | 948,900 | |
| Reprioritisation of Resources: | | 1,384,500 |
| Additional Savings: | | |
| Income Tax late submission penalties and late payment surcharges | (364,000) | |
| Judicial Greffe additional charges | (150,000) | |
| Additional Expenditure: | | |
| Waterfront Enterprise Board - reinstatement of grant | 514,000 | |
| | | |
| Transfers between Committees: | | - |
| Home Affairs Committee - Impôts | (3,359,900) | |
| Education, Sport and Culture - Jersey Heritage Trust grant | (1,411,400) | |
| Education, Sport and Culture - Jersey Arts Trust grant | (1,246,900) | |
| Policy and Resources Committee - Manpower Policy | 81,800 | |
| Privileges and Procedures Committee - States Greffe | (2,145,100) | |
| Privileges and Procedures Committee - Commonwealth Parliamentary | (40,000) | |
| Association Privileges and Procedures Committee - Assemblee Parlementaire de la | (40,000) | |
| Francophonie | (8,500) | |
| Privileges and Procedures Committee - States Members' Expenses | (538,600) | |
| Privileges and Procedures Committee - States Members' Income Supplement | (805,500) | |
| Economic Development Committee - Jersey Transport Authority | (40,000) | |
| | | |
| Policy and Resources Committee - Finance Industry Executive | (75,000) | (9,589,100) |

2004 Net Revenue Expenditure

£ 19,196,300







Planning and Environment

The adoption by the States at the end of 2002 of the "beneficial user-pays" strategy for planning and building applications has seen a significant change in the way this part of the Committee's work is undertaken. A more commercial approach has been adopted. Increased charges were introduced in February 2003 and agreement obtained for additional staff resources (up to 10 short-term contract staff) to deliver significantly improved services.

In September 2003, the Committee adopted a Service Level Agreement, produced in consultation with the various professions in the construction industry, which contains performance standards, and identifies performance indicators which will be reported on annually.

Decline in the amount of applications and inspection work during the year has meant that only 6 of the 10 additional staff have needed to be employed while achieving significant improvements in service. However, it is imperative that these vacancies are held open should application numbers and work on site increase in future. Equally, it is essential that, as in any commercial organisation, the Committee has the ability to carry forward budget surpluses or deficits arising from those service areas into the next year to allow adjustments to be made between resources and workload.

In 2004 approximately 60% of the gross expenditure of Planning and Building services will be met from income from charges within the Committee's cash limit. However, the need to increase charges to applicants without a commensurate increase in service levels following the Fundamental Spending Review (FSR) gives the Committee cause for concern in the future.

The FSR process in 2004 required the department to make savings totalling £342,000 which impacted across Environment, Property Services and Planning and Building Services. In addition, the Committee has removed its reliance on carry forward funding, £175,000 in 2003. In total this represents around 10% saving on the Committee's gross expenditure, or 19% of the cash limit.

In Property Services, income from rentals is anticipated to be lower in 2004 as properties are disposed of for development or alternative use. This area of the Committee's work nevertheless will generate a small surplus which will continue to underwrite delivery of the Committee's other services.

Reflected in the Committee's 2004 budget for Environmental Services are the transfers of Water Resources from Public Services and the Environmental Adviser's post from Policy and Resources as part of the ongoing Machinery of Government changes. The net effect of these transfers, some £583,100, can be seen in the reconciliation statement for the Committee, and this increase in revenue budget conceals the effects on the cash limit of the savings described above.

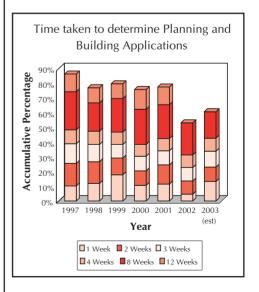
It is likely that 2004 will see budget adjustments as further rationalisation of Environmental Service delivery within the States takes place. In this area it remains essential that the transfer of services between Committees carries with it the transfer of all resources necessary to undertake those services.

Further committee transfers will be made as a result of the reorganisation of the Agriculture and Fisheries department and the allocation of these functions within the Environment and Public Services Committee will be in place by 1st January 2004.

| Cash Limits Set for 2004 | | | |
|--------------------------|-------|----------|--|
| | £′000 | Increase | |
| Year 2004 | 3,135 | 22% | |

| Committee Staff Estimates | | | |
|--|---------------|---------------|--|
| Staff Costs | | | |
| | 2003 £′000 | 2004 £'000 | |
| Civil Service | 3,562 | 4,181 | |
| Number of Full Time Equivalent (excluding short term staff) | | | |
| Total | | 2003 86.85 | |









Planning and Environment

Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|---|---|---|---|
| 1,417,774 418,619 543,993 825,810 148,530 | 1,505,100 156,700 581,700 730,700 (231,100) | Planning and Building Applications Design and Conservation Policy and Planning Environmental Services Property Services | 1,126,400 187,900 593,500 1,367,100 (140,100) |
| 3,354,726 | 2,743,100 | Total Budget | 3,134,800 |
| 340,200 | 175,000 | Carry Forward (Note 1) | - |
| £ 3,014,526 | £ 2,568,100 | Net Revenue Expenditure | £ 3,134,800 |

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|---|---|---|
| 1,500 25,000 1,123,300 1,475,000 | Income Sale of Services Commission Hire and Rentals Fees and Fines Miscellaneous | 1,500 25,000 1,123,300 1,722,000 3,000 |
| 2,624,800 | | 2,874,800 |
| 3,562,400 669,300 111,600 328,900 695,700 | Expenditure Manpower Supplies and Services Administration Costs Premises and Maintenance Incidental Expenses and Charges | 4,180,800 669,800 129,600 333,700 695,700 |
| 5,367,900 | | 6,009,600 |
| 2,743,100 | Total Net Revenue Expenditure | 3,134,800 |
| 175,000 | Less: Carry Forward | - |
| £ 2,568,100 | Net Revenue Expenditure | £ 3,134,800 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.







Planning and Environment

Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£ £

| 2003 Net Revenue Expenditure | | 2,568,100 |
|---|----------------------|-----------|
| 2004 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: | | |
| Environment: | (10,000) | |
| Transferring consultants to FTE's Income from organised walks | (19,000) (11,000) | |
| Savings on tree planting | (22,000) | |
| Property Services: | | |
| Reduction in consultancy services | (35,000) | |
| Planning and Ruilding Sorvices | | |
| Planning and Building Services: Increased fee income | (210,000) | |
| Increased planning exemptions | (15,000) | |
| Reduction in consultancy | (30,000) | |
| | | (342,000) |
| Additional Expenditure: | | |
| Increased Pay Awards | | |
| June 2002 | 89,500 | |
| June 2003 | 201,400 | |
| | | 290,900 |
| Transfers between Committees: | | |
| Public Services Department – Water Resources | 527,800 | |
| Policy and Resources Committee – Environmental Adviser | 90,000 | |
| | | 617,800 |

2004 Net Revenue Expenditure

£ 3,134,800

Note: Further committee transfers will be made as a result of the reorganisation of the Agriculture and Fisheries department and the allocation of these functions within the Environment and Public Services Committee will be in place by 1st January 2004.

A transfer has also been agreed with the Harbours and Airport Committee and Finance and Economics Committee for the transfer of the Meteorology service from 1st January 2004 to the Environment and Public Services Committee.







"Meeting the Technical and Municipal Service needs of the Island Community"

In order to meet States Objectives, the Committee aims to fulfil the following objectives:

- maintain the infrastructure of the Island to an acceptable standard;
- provide and develop a programme of sustainable waste management conforming with internationally accepted principles;
- provide and develop a sustainable programme for the management of transport systems, the maintenance of existing transport assets and the improvement of the traffic and transport network;
- provide efficient and effective municipal services in the areas of parks and gardens and open spaces, street cleaning, cleaning and maintenance of public buildings, beach cleaning, and provision and maintenance of sea defences; and
- provide architectural services for the public sector and other bodies with direct links with the States of Jersey.

The Committee has acknowledged that, with continuing financial pressures on the States as a whole, the maintenance of the Island's physical infrastructure will be its key priority. To this end, it was successful in achieving additional funds for 2004 through the Decision Conference process for the maintenance of both the solid and liquid waste system. However, the lack of any uplift on non-staff costs has inevitably meant that increased costs of providing services, whether it be for resurfacing roads or providing a School Bus service, have had to be absorbed within the Committee's budget.

Two 'user pays' proposals were put forward and accepted by the Presidents for implementation in 2004. The Sewerage Charge, following the States debate on the principle of such charges, has been deferred until 2005 but the introduction of a mechanism to cover the cost of the current subsidy on scrap metal disposal is incorporated in the budget.

The significant issues facing the Committee continue to be:

- the continuing growth in the amount of waste and the costs of waste processing;
- the increasing maintenance costs of the incinerator as it comes to the end of its useful life, which results in having to stockpile refuse for later treatment;
- the need for subsidies for the scheduled bus service; and
- the implementation costs of the transport strategy.

Following the significant increase in tipping charges in 2003, tonnages have dipped considerably which, from an environmental viewpoint, is pleasing to note as contractors find methods of recycling material on site. However, from a budgetary point of view, this has impacted adversely on the income received and this again has had to be absorbed within the base budget.

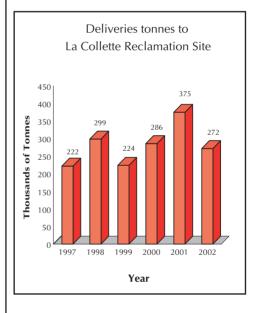
The Department continues to work towards the implementation of a Sewerage Charge in 2005 together with the development of a Waste Strategy to include a replacement to the ageing incinerator at Bellozanne. It is likely that a 'user pays' charge for the disposal of waste will be proposed to fund the new plant.

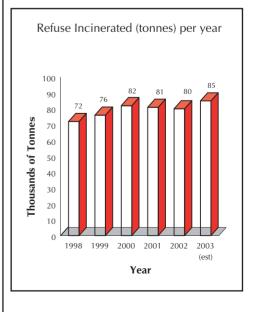
School buses also continue to cause a strain on the Department's budget and the service will have to be tailored to the funds available in 2004 and following years.

Committee transfers will need to be made as a result of the reorganisation of the Agriculture and Fisheries Department and the allocation of these functions within the Environment and Public Services Committee will be in place by 1st January 2004. The Committee has also agreed the transfer of functions of the public markets from the Economic Development Committee with effect from 1st January 2004.

| Cash Limits Set for 2004 | | |
|--------------------------|--------|----------|
| | £′000 | Increase |
| Year 2004 | 18,831 | 5.7% |

| Committee Staff Estimates | | | |
|--------------------------------|--------|--------|--|
| Staff Costs | | | |
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 6,093 | 6,269 | |
| Manual Workers | 9,711 | 10,472 | |
| | 15,804 | 16,741 | |
| Number of Full Time Equivalent | | | |
| | | 2003 | |
| Total | | 495.95 | |









Public Services

Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|--------------------------------------|--------------------|
| 3,470,937 | 3,165,500 | Liquid Waste | 4,018,500 |
| 2,111,464 | 1,921,200 | Energy from Waste | 2,371,000 |
| 1,333,049 | 953,100 | Solid Waste | 1,047,800 |
| 1,734,931 | 2,061,100 | Highways | 2,206,000 |
| 2,837,724 | 1,594,200 | Buses | 1,460,300 |
| 478,617 | 449,400 | Concrete Degradation | 341,200 |
| (1,122,764) | (1,105,000) | Buildings | (910,000) |
| 971,034 | 1,049,200 | Civils | 980,300 |
| 1,239,282 | 1,220,200 | Drainage | 1,271,300 |
| 2,864,922 | 2,940,800 | Cleaning | 2,767,000 |
| 2,783,633 | 2,813,300 | Parks and Gardens | 2,896,300 |
| 498,403 | 495,100 | Water Resources | - |
| 140,106 | 121,000 | Traffic and Transport Infrastructure | 143,400 |
| 200,153 | 139,500 | Architectural Services | 166,700 |
| - | - | Markets | 71,500 |
| £ 19,541,491 | £ 17,818,600 | Net Revenue Expenditure | £ 18,831,300 |

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|--|--|---|
| 453,400 - 1,760,700 2,024,600 5,597,100 1,787,700 - 202,800 | Income Sale of Goods Sale of Services Hire and Rentals Fees and Fines Charges Recharges Commission Miscellaneous | 972,100 691,500 1,519,000 4,100,300 5,239,500 1,130,900 8,800 47,900 |
| 11,826,300 | | 13,710,000 |
| 15,804,400 6,881,000 625,950 5,651,320 - 573,230 109,000 | Expenditure Manpower Supplies and Services Administrative Costs Premises and Maintenance Incidental Expenses and Charges Grants and Subsidies Non-Service Costs | 16,740,900 7,364,300 916,050 6,783,650 84,000 594,400 58,000 |
| £ 17,818,600 | Net Revenue Expenditure | £ 18,831,300 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.





Public Services

Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2003 Net Revenue Expenditure | | 17,818,600 |
|--|-----------------------|------------|
| 2004 Fundamental Spending Review Process: Savings Proposals Approved: Introduction of a mechanism to fund the cost of scrapping motor vehicles Increase in Architects Fees to cover overhead costs | (350,000) (50,000) | |
| Growth Proposals Approved: Additional maintenance provision for the Energy from Waste Plant Additional maintenance provision for the sewerage system | 350,000 300,000 | |
| Additional Expenditure: | | 250,000 |
| Increased Pay Awards June 2002 June 2003 | 385,200 833,800 | |
| Transfers between Committees: | | 1,219,000 |
| Planning and Environment Department – Water Resources Economic Development – Markets | (527,800) 71,500 | |
| 200.10.1110 201010politicistantolo | . 1,5 30 | (456,300) |

2004 Net Revenue Expenditure

£18,831,300

Note: Further committee transfers will be made as a result of the reorganisation of the Agriculture and Fisheries department and the allocation of these functions within the Environment and Public Services Committee will be in place by 1st January 2004.

The introduction of a £2.4 million sewerage charge savings proposal has been deferred.





The Economic Development Committee was newly formed in late 2002 and considerable effort has been expended during 2003 to date to bring together the component Committees and Departments inherited by the Economic Development Committee. In early 2003 it was agreed that the activities carried out by the Agriculture and Fisheries Department should be reviewed to ensure that only those activities, which are core to Economic Development are retained within the Economic Development Committee and those that are more akin to services provided by Environment and Public Services are transferred to that Committee.

Formal approval of the recommendations of that review was given by the Economic Development Committee on the 5th September 2003. Essentially the outcome is that the functions from Agriculture and Fisheries that will remain with the Economic Development Committee are those that relate to the core purposes of that Committee, namely the overall Strategic Policy for the Agriculture and Fisheries Industries, the marketing and promoting of the industries and their products and the provision and management of the various forms of financial aid to the industries provided by the States. It is proposed that all operational environmental and field activities will be transferred to Environment and Public Services by 1st January 2004. The details of how all these various activities are carried out will be reviewed within the new organisational arrangement to ensure that effort is concentrated on the highest priority activities and that efficiency and effectiveness is maximised.

To give an indication of the scale of the changes only 9 out of the 67 total staff in Agriculture and Fisheries will remain with the Economic Development Department. However, approximately £4 million, half of the annual budget of around £8 million, will remain with Economic Development, which reflects the significant amount of financial aid that is provided to the Industry by the States.

The required changes will be progressed over the coming months with the formal transfer of Committee responsibility, hopefully, taking place at the end of 2003. During this period both Committees have to identify significant savings as part of the States' Fundamental Spending Review Process, which is aimed at enabling the States to meet its demanding financial targets for future years. The two Committees will work together on those areas that are to be transferred from Economic Development to Environment and Public Services

These transfers will enable the Economic Development Committee to concentrate on its core activities and will enable the Economic Development Department to move towards an organisational structure based on its core processes of Strategic Policy Development, Marketing Jersey and its products, and Regulation and Consumer Protection. These organisational changes will be progressed during the remainder of 2003 and into 2004. Meanwhile, the budget information provided at this time reflects the current responsibilities of the Economic Development Committee.

Agriculture and Fisheries

In 2000/2001 the Agriculture and Fisheries Committee carried out a complete review of its policies which resulted in the Policy Report 2001. The States Assembly approved the proposed policies in July 2002. The Economic Development Committee assumed responsibility for these policies in December 2002.

The Policy Report identifies six policy areas; these have been further divided into the eight areas shown in the Service Analysis:

Environmental Policies - Safeguarding and enhancing the environment

With regard to the Agri-Environment Scheme, until the necessary funds are made available, 2004 will be a year of preparation. Farmers and growers will be encouraged to undertake a review of opportunities for environmental enhancement and to prepare an individual Farm Environmental Plan, with a view to implementation in 2005, subject to funding.

Environmental Policies - Dealing with waste materials

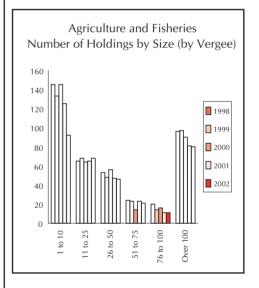
This includes the safe disposal of items such as chemicals, chemical drums and the treatment and disposal of green waste.

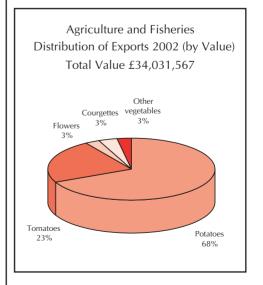
Support for Marketing

The Marketing Support Scheme was introduced in 2003, with funding of projects limited to the existing budget. Further applications will be invited for 2004. These will be considered by an independent panel, which will then make recommendations to the Committee.

| Cash Limits Set for 2003 | | | |
|--------------------------|--------|----------|--|
| | £′000 | Increase | |
| Year 2004 | 18,538 | 4.5% | |

| Committee Staff Estimates | | | |
|--------------------------------|-------|--------|--|
| Staff Costs | | | |
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 4,106 | 4,262 | |
| Manual Workers | 755 | 630 | |
| Contracts | 512 | 451 | |
| | 5,373 | 5,343 | |
| Number of Full Time Equivalent | | | |
| | | 2003 | |
| Total | | 124.16 | |
| | | | |









Applications for support can include proposals such as advertising campaigns, market research and the hire of skilled marketing expertise.

Direct Financial Support (DFS)

In 2003 DFS for farmers and growers took the form of headage and area payments. DFS payments are no longer linked to levels of production and do not encourage or reward increased production.

DFS - Interest Subsidy Schemes

The Committee administers the Agricultural Loans Scheme and also provides a Glasshouse Replacement Interest Subsidy Scheme.

Provision of Support Services and Essential Infrastructure

Further changes will be introduced during 2004. This means, for example, that the intention will be to transfer responsibility for certain services to the dairy industry. Other measures to achieve the savings identified in the Fundamental Spending Review will mean some services will be scaled down, or discontinued and some charges will be increased.

Provision of Statutory and Regulatory Services

The Committee will continue to maintain a legal framework by providing inspection services, the States Veterinary Service, B.S.E. slaughter policy, destruction of diseased plant material, surveillance for Colorado Beetle, testing for pesticide residues and the Pet Travel Scheme.

Support for Sea Fisheries

Although the policies envisage an increase in activities to encourage improved commercial performance from the industry, the extra funding needed for this work will not be available in 2004.

Economic and Commercial Development

The Economic Development Committee (EDC) has absorbed the functions of the Industries Committee (Strategic Development, Regulation of Undertakings, and Trading Standards), along with those of the Jersey Transport Authority and Gambling Control Committee, and is also now directly responsible for the Training and Employment Partnership.

The integration of Jersey Tourism and Agriculture and Fisheries, together with the acquisition of responsibility for the domestic finance industry, has presented an opportunity to co-ordinate strategic development for all the Island's industries. This will be further aided by the close liaison that will be necessary with the Harbours and Airport Committee during the transitional period prior to the implementation of the Ministerial form of government.

The Committee will produce new strategies for air and sea transport and will modernise Jersey's outdated gambling legislation.

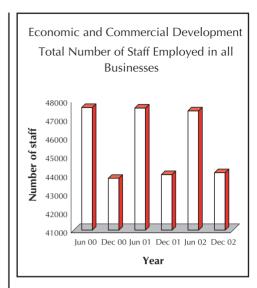
The Technology, Media and Telecommunications Advisory Group will co-ordinate strategy in these important fields, and the Construction Industry Board and Emerging Industries Board will continue to develop their strategies.

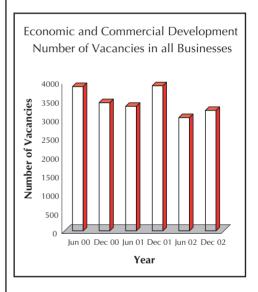
The Economic Development Committee, whilst pressing forward with laws relating to unregistered intellectual property rights, also intends to produce new Laws for Patents and Registered Designs, thus completing the modernisation of our intellectual property legislation leading to compliance with the WTO Trade Related Intellectual Property Rights Agreement.

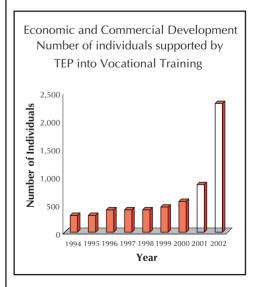
The Committee intends to proceed with consumer protection legislation, including the sale of goods and services, general product safety and distance selling.

The draft Competition Law will have been presented to the States during 2003, as will the draft Postal Services Law, and the Jersey Competition Regulatory Authority will be actively involved in these areas.

Work will continue on reviewing the Housing Law and Regulation of Undertakings and Development Law with a view to establishing a single body to administer appropriate controls subject to States' approval of the Migration Policy.











There is an urgent need to address the serious skills shortage in the Island within the context of the changing economy. The Committee will work closely with Education, Sport and Culture and Employment and Social Security to produce a strategy for training for industry that will complement the lifelong learning and social inclusion strategies. The department has also agreed the transfer of market functions to the Environment and Public Services Committee.

Tourism

Jersey Tourism is currently consulting with the new Jersey Tourism Board to update its strategy, agree priorities and develop a three-year action plan for implementation commencing in 2004. The Tourism Department will be working in partnership with members of the Tourism Industry. Services currently provided by the Tourism Department aim to:

Corporate Strategy and Policy

Develop and execute strategies and policies that capitalise on the opportunities and counter the threats facing tourism in Jersey in order to achieve optimum returns for Island businesses and the community at large

Market Development

Develop effective working relationships with Jersey's trade partners (tour operators, carriers, overseas agents and other marketing bodies such as the BTA), ensure that Jersey's tourism products and services will match the demands of tomorrow's visitors, and ensure that all visitors who contact Jersey Tourism for assistance are treated with exemplary levels of service.

Market Development will achieve these aims through Trade Relations, Product Development, Visitor Services and by supporting the Jersey Conference Bureau.

Communications

Develop, sustain and protect an attractive brand image in the mind of potential visitors and partners and to communicate the Island's unique values and attributes through a growing range of media (brochures, print media, broadcast media, and the Internet). An important activity is the development and implementation of a communication plan that involves advertising and promotional campaigns designed to drive new business into the Island all year round. Communications includes a Public Relations Team whose aim is to encourage other media (travel writers, general press and journalists) to write positively about Jersey as a travel destination.

Communications will achieve these aims through Research and Planning, Advertising and Media, Consumer and Media Relations, Public Relations, Marketing Services and Distribution.

The Tourism Department operates in the following markets:

UK with $588,\!000$ visitors spending £196,900,000 representing 82.9% of Tourism generated income.

France with 168,000 visitors spending £12,600,000 representing 5.3% of Tourism generated income.

Germany with 22,000 visitors spending £5,700,000 representing 2.4% of Tourism

generated income.

Other Channel Islands with 35,000 visitors spending £6,700,000 representing 2.8% of

Tourism generated income. All other markets with 59,000 visitors spending £15,800,000 representing 6.7% of

Tourism generated income.

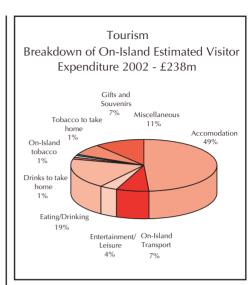
Each market requires an integrated mix of the above marketing tools, which need to be

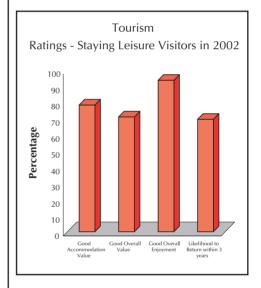
Each market requires an integrated mix of the above marketing tools, which need to be responsive to the competitive environment.

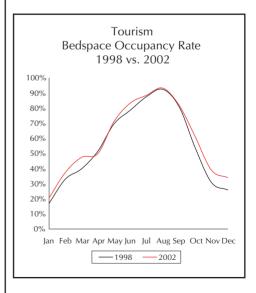
Quality Development

Administer all aspects of the Tourism Law, which requires that all Hotels and Guest Houses are inspected, graded and registered. Other legislation requires similar registration for cafés, pubs and restaurants and regulating trading and other activities on the Island's beaches. It is intended to continue the process of reviewing current Tourism Legislation and Regulation to ensure that it is still relevant and decide what will be the most effective, efficient and economic way of administering the Law.

In addition to ensuring that the legal obligations of the Tourism Department are safeguarded, this section also is involved with general quality development issues and for handling complaints, and ensures that a Lifeguard Service appropriately supports Jersey's beaches by financing the service currently provided by the Harbours Department under a Memorandum of Understanding.











Net Expenditure - Service Analysis

| _ | £ 17,977,946 | £ 17,746,900 | Net Revenue Expenditure | £ 18,537,500 |
|---|--------------------|--------------------|--|--------------------|
| | 28,716 | (26,400) | Quality Development | 95,300 |
| | 200,000 | 263,300 | Jersey Conference Bureau | 249,400 |
| | 540,940 | 532,500 | Visitor Services | 498,400 |
| | 717,696 | 725,500 | Product Development | 846,000 |
| | 2,231,196 | 1,731,700 | Trade Relations | 1,709,300 |
| | 294,056 434,551 | 277,500 461,400 | Marketing Services Distribution | 330,200 432,000 |
| | 444,916 | 593,900 | Public Relations | 626,600 |
| | 382,567 | 770,100 | Consumer and Media Relations | 477,600 |
| | 1,930,896 | 1,819,100 | Advertising and Media Relations | 1,764,400 |
| | 448,962 | 488,100 | Research and Planning | 400,300 |
| | 532,211 | 457,600 | Corporate Strategy | 454,500 |
| | 33,836 | 13,300 | Miscellaneous Industries Functions | 454 500 |
| | 27,263 | 62,100 | Jersey Markets | - |
| | 27.262 | - | Training and Employment Partnership | 1,231,000 |
| | - | - | Gambling Control | (71,600) |
| | 500,000 | 300,000 | Jersey Competition Regulatory Authority | 200,000 |
| | 201,293 | 205,000 | Trading Standards | 333,500 |
| | 297,842 | 313,700 | Regulation of Undertakings and Development | 341,700 |
| | 602,748 | 544,300 | Strategic Development | 579,700 |
| | 738,851 | - | Dairy Industry Restructuring Scheme | - |
| | 19,190 | - | Foot and Mouth Disease Precautions | - |
| | 389,322 | 375,700 | Support for Sea Fisheries | 426,100 |
| | 1,163,007 | 1,259,500 | Provision of Statutory and Regulatory Services | 1,207,400 |
| | 1,523,710 | 1,487,800 | Provision of Support Services and Essential Infrastructure | 1,339,700 |
| | 1,730 | 355,300 | Interest Subsidy Schemes | 279,800 |
| | 1,858,694 | 2,246,100 | Direct Financial Support | 2,245,100 |
| | 1,307,546 | 1,348,300 | Support for Marketing | 1,358,600 |
| | 936,956 | 933,100 | Dealing with Waste Materials | 970,600 |
| | 189,251 | 208,400 | Safeguarding and Enhancing the Environment | 211,900 |
| | | | | |
| | £ | £ | | £ |
| | 2002 Actual | 2003 Estimate | | 2004 Estimate |



£ 17,746,900



£ 18,537,500

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|---|---|---|
| 65,000 102,500 422,300 527,000 - 259,200 | Income Sale of Goods Sale of Services Hire and Rentals Fees and Fines Recharges and Recoverable Costs Miscellaneous | 62,000 125,000 41,000 630,000 36,700 187,700 |
| 1,376,000 | | 1,082,400 |
| 5,372,700 176,500 854,100 7,068,100 416,000 4,158,900 1,076,600 | Expenditure Manpower – States Staff Costs Manpower – Non States Staff Costs Premises and Maintenance Supplies and Services Administrative Costs Grants and Subsidies Agricultural Subsidies Other Grants and Subsidies | 5,343,300 188,000 694,000 7,857,400 422,400 4,012,200 1,102,600 |
| 19,122,900 | | 19,619,900 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.

Net Revenue Expenditure





Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 03 Net Revenue Expenditure | | 17,746,900 |
|---|-----------|------------|
| 94 Fundamental Spending Review Process | | |
| Savings Proposals Approved: | | |
| Environmental Policies - discontinue subsidy on a hire service | (8,000) | |
| Support Services - Cost savings and introduction/increase in charges | (100,000) | |
| Support Services - Transfer responsibility for certain services to the industry | (90,000) | |
| Statutory/Regulatory Services - Cost savings and increased charges | (170,000) | |
| Reduction of the EDC grant to the JCRA | (118,000) | |
| Additional income for Gambling Control (Gaming Machines) | (80,000) | |
| Reduce building, IT and equipment maintenance programme | (90,000) | |
| Reduce Manpower by 1.5 posts | (40,500) | |
| Reduce investment in Strategic IT | (30,000) | |
| Reduce website projects | (100,000) | |
| Reduce brochure and print materials | (18,000) | |
| Reduce research | (30,000) | |
| Reduce advertising in Germany | (42,000) | |
| Increase income from website | (7,500) | |
| lditional Expenditure: | | (924,000 |
| iditional expenditure: | | |
| Increased Pay Awards | | |
| June 2002 | 134,600 | |
| June 2003 | 293,700 | |
| | | 428,300 |
| ansfers between Committees | | , |
| Environment and Public Services Committee - Jersey Markets | (71,500) | |
| Employment and Social Security Committee - Training and Employment | (/1,300) | |
| Partnership | 1,331,000 | |
| Finance and Economics Committee - Jersey Transport Authority | 40,000 | |
| Gambling Control | (13,200) | |
| Gambinib Control | (13,200) | 1,286,300 |
| | | 1,200,300 |

2004 Net Revenue Expenditure

£ 18,537,500





The Committee's strategic aims for 2001 - 2005 were published in a consultation document 'Improving health and social care' as follows;

"The Committee will aim to meet the health and social care needs of the people of Jersey, through:

- promoting the health and social well-being of individuals, families and the community;
- providing prompt, high quality services based on assessed need and agreed entitlement; and
- protecting the interests of the frail, vulnerable and those whose needs are greatest."

The aims are supported by seven key strategic objectives:

- collaboration for healthy public policy;
- development of Social Services;
- equity and access;
- · integrated and client-centred care;
- quality standards and clinical effectiveness;
- · efficiency and long-term sustainability; and
- infrastructure requirements.

In recent years Health and Social Services has been experiencing unprecedented financial pressures, as have most health and social care systems throughout the world, due to an ageing population, advances in medical science and technology, increasing public expectations and rising standards in clinical practice.

To meet these challenges the Committee requested £6,358,000 but secured through the decision conferencing process £3,405,000 in growth above pay awards.

This funding will be deployed by the Committee to respond to pressing service demands and enable it to go some way to achieve its strategic objectives.

Some of the initiatives to be funded in 2004 are described below.

Respite Centre for children with learning difficulties – The provision of regular respite care to vulnerable children with special needs improves client and carer health and welfare, and supports and extends the family's ability to care for the child within their own home. It reduces the need for more intrusive services including reception into care or hospital admission.

Care packages for profoundly disabled patients - To provide care for some patients with long term physical and/or mental health problems in the community.

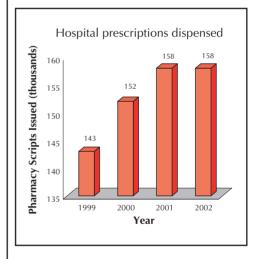
Purchase of residential and nursing care for elderly patients in the private sector - It is essential that Health and Social Services continue to purchase beds within the private sector so that older people, who cannot return home, can be discharged from the hospital when their acute episode of care is over. Inappropriate use of hospital beds for patients who require continuing care, but not medical intervention, can seriously reduce the hospital's prime function of providing acute care and result in increased waiting times for non urgent operations.

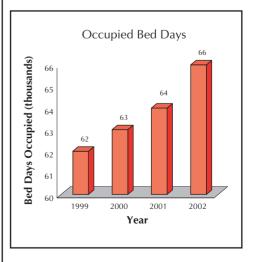
New generation drug therapies – It is necessary to fund new products which supersede previous therapies because of greater effectiveness, and/or extend the range of conditions which can be treated. This enables clinicians to provide the most appropriate drugs to patients in line with national guidance. The annual requirement for drugs has historically increased by an average of around 10% both in Jersey and across the UK.

Funding has also been set aside to introduce locally based nurse training, meet national standards in the care of children in care and adults with mental health problems, increase home support for the frail and elderly and improve clinical services within the General Hospital.

| Cash Limits Set for 2004 | | | |
|--------------------------|---------|-------|--|
| £'000 Increase | | | |
| Year 2004 | 121,599 | 12.9% | |

| Committee Staff Estimates | | | |
|--------------------------------|--------|----------|--|
| Staff Costs | | | |
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 23,314 | 26,806 | |
| Manual Workers | 11,542 | 12,658 | |
| Ambulance Staff | 1,818 | 2,993 | |
| Medical Staff | 9,752 | 11,097 | |
| Nurses and Midwives | 31,758 | 37,284 | |
| Residential Officers | 2,085 | 2,380 | |
| Family Support Staff | 219 | 248 | |
| | 80,488 | 93,466 | |
| Number of Full Time Equivalent | | | |
| | | 2003 | |
| Total | | 2,097.87 | |









Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|--|---|---|---|
| 746,366 567,494 697,318 445,206 | 838,500 592,800 773,600 480,500 | Public Health Services Public Health Medicine Clinical Environment Health Promotion | 812,200 590,700 812,300 557,500 |
| 1,728,854 228,070 1,148,468 1,983,273 11,009,379 1,817,343 1,910,466 6,137,085 10,134,296 3,576,412 7,239,934 2,161,005 2,668,273 641,139 | 1,595,100 (65,800) 1,135,800 2,072,100 11,610,600 1,825,500 2,047,200 6,400,000 10,105,400 3,612,800 7,582,200 2,352,200 2,352,200 2,592,400 593,000 3,394,100 | General and Acute Services Outpatients Private Patients Pharmacy Paediatrics Division of Medicine Physiotherapy Radiology / Diagnostic Imaging Pathology Laboratory Surgery - Specialties Surgery - Theatres Surgery - Wards Surgery - Accident and Emergency Ambulance Patient Transport Obstetrics and Neo Natology | 1,768,900 248,700 1,292,600 2,389,000 13,112,200 2,326,400 2,222,400 6,873,600 11,977,000 4,599,400 8,872,500 2,766,700 3,467,300 580,400 3,858,700 |
| 3,266,552 958,206 6,867,593 5,730,649 9,431,170 6,040,128 2,629,724 14,069,329 £ 103,833,732 | 1,311,200 8,035,400 5,723,400 10,206,900 6,150,600 2,571,800 14,199,500 £ 107,736,800 | Community and Social Services Alcohol and Drugs Service Mental Health Services Rehabilitation and Services for Older People: Assessment and Rehabilitation Continuing Care Elderly Mentally III Therapy Services Social Services Net Revenue Expenditure | 1,211,500 8,253,200 5,693,100 10,618,100 7,282,200 3,075,800 16,336,600 £ 121,599,000 |

Note: The actual 2002 figures and the 2003 estimates are presented differently to the accounts book and budget book respectively and reflect the amended presentation of the service analysis in accordance with the Fundamental Spending Review.





Income and Expenditure Category

2003 Estimate $\underline{\mathfrak{t}}$ 2004 Estimate $\underline{\mathfrak{t}}$

| 476,900 434,100 1,396,450 8,696,520 | Income Sale of Goods Sale of Services Hire and Rentals Fees and Fines | 465,000 468,900 1,473,100 9,706,700 |
|---|--|---|
| 11,003,970 | | 12,113,700 |
| 80,405,500 82,440 21,322,400 4,119,810 6,230,010 6,580,610 | Expenditure Manpower - States Staff Costs Manpower - Non States Staff Costs Supplies and Services Administration Costs Premises and Maintenance Grants and Subsidies | 93,430,900 34,900 22,473,800 3,982,300 6,358,600 7,432,200 |
| 118,740,770 | | 133,712,700 |
| £ 107,736,800 | Net Revenue Expenditure | £ 121,599,000 |

Note: The 2003 comparatives are presented on a different basis to the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.





Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| Net Revenue Expenditure | | 107,736,80 |
|---|---|------------|
| Fundamental Spending Review Process: | | |
| Growth Proposals Approved: | | |
| Medicine – Medical Manpower Strategy | 115,000 | |
| Clinical Supplies - Increased costs and quality standards | 129,000 | |
| Audiological neonatal screening programme | 23,000 | |
| Recruitment and Retention Initiatives | 180,000 | |
| Pathology - Increased use of blood clotting factors | 43,000 | |
| Development of Adult Social Services | 88,000 | |
| Care packages for profoundly disabled patients | 75,000 | |
| Purchase of residential and nursing care for elderly patients in the private | 73,000 | |
| sector | 250,000 | |
| Increased demand - nursery placements for vulnerable and special needs | 230,000 | |
| children | 4F 000 | |
| *************************************** | 45,000 | |
| Additional Medical Equipment Service Contracts | 50,000 | |
| Increased levels of charter flights for premature and very sick babies | 26,000 | |
| Ambulance - Essential training and supplies for paramedical staff | 22,000 | |
| Aubin Ward and Development of Day Procedures | 110,000 | |
| UK placements to meet costs of adults with mental health problems | 100,000 | |
| To meet costs of a 3rd Respite Centre for children with learning difficulties | 130,000 | |
| To meet national standards in staffing levels in children's homes | 100,000 | |
| Violence, aggression and anger management training to reduce risks to | | |
| staff | 50,000 | |
| Increase boarding out payments to foster homes | 100,000 | |
| Building Maintenance and Plant Replacement | 245,000 | |
| Various - To meet increasing costs of new generation drug therapies | 400,000 | |
| Pathology - To meet increased workload | 65,000 | |
| Grants to voluntary organisations (Family Nursing and Home Care, | , | |
| Les Amis etc.) | 180,000 | |
| Health Promotion Programme for Young People | 44,700 | |
| Implementation of third phase of Medical Manpower Strategy | 350,000 | |
| Increased home support and rehabilitation | 200,000 | |
| | 50,000 | |
| Project manager for quality standards and clinical effectiveness | | |
| Corporate – Information Technology | 71,300 | |
| Surgery Theatres - To meet increased costs of prostheses and titanium | 40.000 | |
| plates | 40,000 | |
| Pre registration nurse training | 123,000 | |
| | | 3,405,00 |
| Additional Expenditure: | | |
| Increased Pay Awards | | |
| June 2002 | 2,073,900 | |
| June 2003 | 4,665,400 | |
| Specific Awards | 3,717,900 | |
| | , | |
| | | 10,457,20 |

2004 Net Revenue Expenditure

£ 121,599,000







Mission Statement

"To provide opportunities for learning and engagement to enhance the quality of life of individuals so that they may be fulfilled and encouraged to make a positive contribution to society and their community."

Aims

The Committee will work to meet the following aims:

- to develop and promote a vision of learning and continuous development based on access to opportunities for all members of the community;
- to advocate, enable and encourage education, sport and culture through active engagement in partnerships within the States and other organisations;
- to promote the development and provision of facilities, events, activities and publications to provide a range of engaging experiences;
- to provide appropriate information and support;
- to collect, conserve and provide access to the cultural evidence that defines the Island and provides a foundation for learning; and
- to secure and maintain the resources to support learning, sport and culture to the benefit of individuals and the Island community.

| Valı | ıes |
|------|-----|
|------|-----|

The Committee will deliver its Aims through the adoption of the following values:

Partnership: By working together, we are more effective than working in isolation.

Quality: We aim to bring excellence, energy, innovation and accessibility to all our

work Efficiency

and

effectiveness: We will endeavour to obtain the best value for money at all times.

Innovation: We are committed to a culture which encourages entrepreneurship,

experimentation and continuous improvement. This requires engagement with a process of ongoing evaluation, reflection, change and learning.

Community: We value the sense of community in the Island and the tolerance of

cultural and social diversity on which that idea depends.

People: We believe that the people who contribute to supporting the work of the

Committee, whether paid or in an honorary or voluntary capacity are its greatest asset. We are committed to developing them as individuals and in

the way they work together towards common goals.

Challenges in 2004

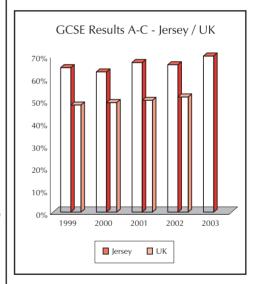
The establishment of the new Committee for Education, Sport and Culture has afforded the opportunity to secure major benefits through bringing together a range of organisations which have learning, engagement and development as central features of their missions.

The Committee is continually faced with challenges but, in addition to those relating to its wide remit, specific new challenges to be addressed during 2004 include:

- the development and implementation of the Committee's Strategic Plan;
- the process of ongoing monitoring, evaluation and review in order to inform decisions and resource allocation and the further development and adoption of performance indicators;
- the establishment of the "Children's Executive" which is intended to support and engage those who are presently disengaged from learning and often disaffected from the broader community;
- the implementation of the recommendations adopted following the publication of the Inter-Departmental Review of Provision for Children with Emotional and Behavioural Difficulties' (Dr K Bull report);

| Cash Limits Set for 2004 | | |
|--------------------------|--------|----------|
| | £′000 | Increase |
| Year 2004 | 87,903 | 10.6% |

| Committee Staff Estimates Staff Costs | | | |
|---------------------------------------|-----------|----------|--|
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 4,288 | 4,558 | |
| Manual Workers | 4,487 | 4,276 | |
| Teaching Staff | 36,018 | 39,165 | |
| Lecturers | 4,837 | 4,766 | |
| Support Staff | 7,002 | 8,769 | |
| Youth Workers | 377 | 538 | |
| | 57,009 | 62,072 | |
| Number of Full Time E | quivalent | | |
| | | 2003 | |
| Total | | 1,454.64 | |







- the implementation of the successor scheme for Validated School Self Evaluation;
- the establishment of an Island approach to Assessment for Learning which is the outcome of the Committee's partnership with King's College, University of London and giving effect to the outcomes of the 14-19 Review undertaken in 2003;
- the enhanced community use of education and sports facilities;
- the improvement of communications, not least by the utilisation of ICT. 2004 will be marked by the publication of a second-generation Information Systems Strategy (ISS) to build on the successes of "Putting Jersey's Future First";
- the development of an inclusive Cultural Strategy for the Island; and
- the celebration of the eight hundredth anniversary of the establishment of the Island's 'peculiar' constitutional position.

2004 Fundamental Spending Review Process

The Committee fully participated in the 2004 process and has accepted the package of savings and growth measures. The net effect on the Committee's budget is an increase of £1,078,000 in 2004, comprising growth of £1,492,000 and savings of £414,000.

Growth Packages

The Committee was successful in securing growth packages of £1,492,000 in 2004 but was disappointed that additional funding was not secured for:

- the increased cost of maintaining the Committee's growing estate, now valued at over £400 million; and
- the replacement and maintenance of the Committee's ISS following the initial investment of £9.1 million by the States.

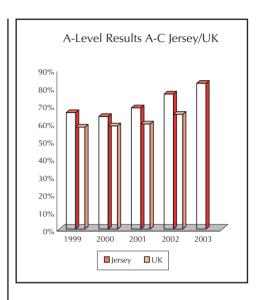
The growth packages secured through the FSR will fund:

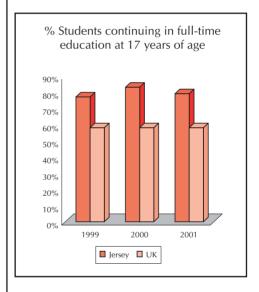
- demographic growth £702,000 the effect of an increase in pupil numbers as well as
 the impact of pupils moving through year groups as the age weighted pupil unit
 (awpu) used to calculate part of the schools' and colleges' budgets increases up to a
 maximum at year 13; and
- increased demands for special education provision £790,000 the impact of the first tranche of recommendations from the Dr K Bull report.

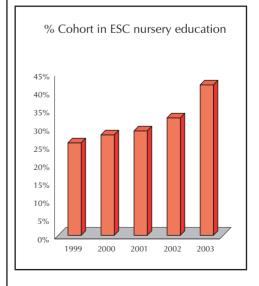
Savings Proposals

The former Education and Sport, Leisure and Recreation Committees prioritised their service expenditure and offered the following savings proposals totalling £414,000 as part of the FSR process without discussion:

- administrative savings £100,000 representing the first tranche of savings resulting from the merger of the Education and Sport, Leisure and Recreation Departments' administration;
- the closure of Fort Regent swimming pool £122,000 comprising staff cost savings of £52,000 and non staff savings of £70,000;
- the closure of Fort Regent signal station and reduction in grounds maintenance £54,000; and
- an increase in sport and leisure charges £138,000 average increase of 6%.











Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|---------------------------------------|--------------------|
| | | | |
| | | Non Fee-Paying Provided Schools | |
| 1,250,683 | 1,486,800 | Pre-School Education | 1,690,400 |
| 20,457,433 | 20,671,400 | Primary Education | 22,975,700 |
| 17,559,939 | 18,435,400 | Secondary Education | 20,404,300 |
| | | Fee-Paying Schools | |
| 5,540,877 | 5,615,100 | Provided Schools | 5,911,900 |
| 3,341,930 | 3,163,400 | Non-Provided Schools | 3,750,900 |
| 7,190,917 | 7,206,900 | Further Education (Highlands College) | 7,966,700 |
| 3,385,221 | 3,776,100 | Special Schools | 3,854,100 |
| 1,592,182 | 1,545,000 | Public Libraries | 1,651,100 |
| 1,039,791 | 1,085,000 | Youth Service | 1,167,000 |
| 9,588,176 | 9,795,200 | Higher Education | 9,207,800 |
| 630,095 | 612,300 | Instrumental Music Service | 658,700 |
| | | Child Care Support | |
| 213,697 | 197,200 | Day Care Services and Playschemes | 163,800 |
| 230,166 | 230,100 | Jersey Child Care Trust | 229,600 |
| 15,486 | 15,500 | Heritage (Grant to the JHT) | 1,619,000 |
| - | - | Arts (Grant to the JAT) | 1,338,000 |
| 3,344,033 | 3,299,200 | Sports Centres | 3,080,000 |
| 1,020,166 | 1,012,500 | Playing Fields and Schools Sports | 725,800 |
| 618,699 | 664,000 | Sport Development | 575,300 |
| 887,048 | 640,800 | Grants and Advisory Council | 621,500 |
| - | - | Playschemes and Outdoor Education | 310,900 |
| £ 77,906,539 | £ 79,451,900 | Net Revenue Expenditure | £ 87,902,500 |





£ 87,902,500



Income and Expenditure Category

2003 Estimate 2004 Estimate £ £

| 56,000 1,940,800 361,700 6,709,100 269,700 462,000 | Income Sale of Goods Sale of Services Hire and Rentals Fees and Fines Other Income Recharges and Recoverable Costs | 214,000 2,004,100 362,400 7,119,500 412,200 498,000 |
|--|---|--|
| 9,799,300 | | 10,610,200 |
| 57,008,900 1,780,600 6,413,900 3,017,100 7,318,100 9,436,700 4,275,900 | Expenditure Manpower - Staff Costs Manpower - Non-Staff Costs* Supplies and Services Administration Costs Premises and Maintenance Grants and Subsidies Student Grants Other Grants | 62,071,500 1,925,000 6,530,100 3,108,900 8,177,800 8,841,000 7,858,400 |
| 89,251,200 | | 98,512,700 |

^{*} Non-Staff Costs relate to Teachers' Pension Increases

Net Revenue Expenditure

£ 79,451,900

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.



Education, Sport and Culture



Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2003 Net Revenue Expenditure | | 79,451,900 |
|---|---|------------|
| 2004 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: Merger Process Closure of Fort Regent Pool Closure of Fort Regent Signal Station/Grounds Maintenance Increase in charges | (100,000) (122,000) (54,000) (138,000) | |
| Growth Proposals Approved: | | |
| Demographics Special Education Needs | 702,000 790,000 | |
| Additional Expenditure: | | 1,078,000 |
| Increased Pay Awards | | |
| June 2002 June 2003 | 1,493,600 3,220,700 | |
| | | 4,714,300 |
| Transfers between Committees: | | |
| Finance and Economics Committee - Jersey Heritage Trust Finance and Economics Committee - Jersey Arts Trust | 1,411,400 1,246,900 | |
| | | 2,658,300 |

2004 Net Revenue Expenditure

£ 87,902,500





The net revenue budget for the Committee is £37.6 million, of which £31.7 million, equivalent to 84% is staff costs.

Home Affairs Department

The net revenue budget of the department is £540,000, including staff costs of £135,000 and £285,000 in respect of the Criminal Injuries Compensation Scheme. The department is responsible for providing executive support to the Committee.

States of Jersey Police

The net revenue budget for the States of Jersey Police is £20.4 million, of which staff costs are £17 million, equivalent to 83% of expenditure.

In 2004, the Force will aim to balance the competing demands of -

- ensuring financial crime investigation work continues to meet internationally agreed standards. Whilst four previously unfunded posts have received Fundamental Spending Review (FSR) funding for 2004, the Force's capacity to meet demand over which it has no control is dependent upon the willingness of the States to resource these obligations;
- fulfilling international obligations on port security whilst the 2004 FSR provided three new posts for this purpose, demand is governed by an unpredictable and evolving international situation; and
- enhancing the community's quality of life and preserving Jersey's image as a peaceful island with low levels of crime by further reducing serious crime such as drugs supply, street violence and burglary and responding to the emerging issue of youth offending.

Whilst the 2004 FSR process has helped support the Force's growing international obligations and the resource implications of local Police Procedures and Criminal Evidence legislation, the implementation of several user pays initiatives adopted through the process remains subject to factors over which the Force has no control. If they do not come to fruition, service delivery in 2004 will be impaired by demanding financial constraints.

Her Majesty's Inspectorate of Constabulary (HMI) commented in 2003 on 'the emergence of a performance culture comprising robust accountability structures and a developing performance management framework' within the Force. The 'excellent progress' which impressed the HMI is based on –

- key performance results relating to crime, disorder and road safety benchmarked against previous performance and other jurisdictions;
- customer satisfaction and performance indicators relating to key police processes; and
- corporate measures reporting on financial and staff resources.

Fire and Rescue Service

The net revenue expenditure budget for the Fire and Rescue Service is £4.5 million, of which staff costs are £4.1 million, equivalent to 91% of expenditure.

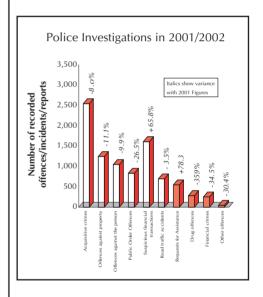
The Fire and Rescue Service continues to monitor its organisational performance against national Best Value Performance Indicators, including comparison of outcomes with a "family" group of similar brigades.

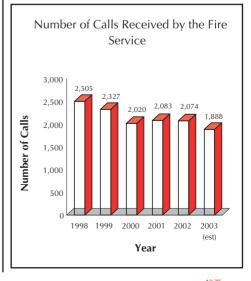
The FSR awarded additional funding of £42,000 to cover the increased costs in 2004 resulting from retained firefighters coming onto a local pay and terms agreement. At the same review, £35,000 of revenue savings were deducted from the budget.

Following the terrorist attacks of September 11th 2001, all fire and rescue services are preparing and training to deal with the outcomes of any similar, large scale terrorist attack. In the UK, significant central government funding has been provided to equip and train UK firefighters with specialist equipment and techniques to counter any terrorist activity. The Fire and Rescue Service has been deeply involved in the same type of planning but so far no funding source has been identified to provide the equipment and training that will be needed if the Island wishes to provide a limited, stand alone response capability to this type of incident until assistance from the UK can be deployed.

| Cash Limits Set for 2004 | | | | |
|--------------------------|--------|----------|--|--|
| | £′000 | Decrease | | |
| Year 2004 | 37,582 | 16.6% | | |

| Committee Staff Estimates | | | | |
|---|--|---|--|--|
| Staff Costs | Staff Costs | | | |
| | 2003 £'000 | 2004 £'000 | | |
| Police Officers Prison Officers Fire Fighters Civil Servants Manual Workers | 12,314 3,671 3,450 6,486 452 26,373 | 13,260 4,103 3,570 10,257 488 31,678 | | |
| Number of Full Time | ' ' | 2003 | | |









Impôts

The net revenue budget for Impôts is £3.4 million of which £2.8 million is staff costs, equivalent to 81% of expenditure.

The natural progression of officers through the incremental salary steps means that the majority of officers are now reaching the tops of their grades. This places an increasing burden on the departments finances and it will not be possible to make the necessary savings elsewhere in its budget without affecting the level of service provided.

These challenges come at a time when the Island faces an ever present threat from illegal drugs and money laundering, and the department is also called on to raise extra revenues from new and existing duties/taxes.

Immigration and Nationality Department

Budgeted gross revenue expenditure for the department is £1.5 million, of which staff costs are £1.1 million, equivalent to 73% of gross expenditure. Budgeted income is £451,000.

The department increased passport fees in October 2003 in line with the announcement made recently by the UK Passport Services. Additional income from this in 2004 will be offset by anticipated additional computer expenditure for the issue of revised passports with more sophisticated safeguards. It will also offset the loss of immigration income due to reduced work permit issue (mainly as a result of Poland joining the European Union in 2004). An unsuccessful bid for growth, which would have allowed for the funding of an immigration appeal system, will lead to delays in the implementation of the system.

H M Prison

The net revenue budget for HM Prison is £5.2 million, of which staff costs are £4.4 million, equivalent to 85% of expenditure. Budgeted income is £274,000.

During 2003 the increase in the daily population of the prison exceeded our expectations to the extent that additional funding was requested. Despite the introduction of Electronic Monitoring in April 2003 it has not been possible to return any prisoners from UK establishments. The new prison wing will be available for use at the end of 2003 and will provide an additional 37 places.

Current trends indicate that HM Prison will not be in a position to return prisoners from UK prisons in 2004. The aim will be to contain as many prisoners within the prison and seek to return prisoners from the UK as and when there are spaces available.

Driver and Vehicle Standards (DVS)

Budgeted gross expenditure for the department is £783,900, budgeted income is £917,700 giving a budgeted net surplus of £133,800.

As in previous years the department is expected to operate at a surplus.

59% of income is generated from vehicle registration, 25% from driving tests and 16% from vehicle inspection fees.

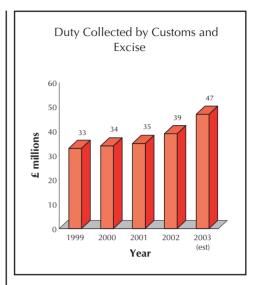
Vehicle registration fees are expected to fall by around £21,000 as a result of the implementation of the customs vehicle registration duty. Although this is a customs duty, it has been collected since its inception by DVS staff, with no further costs to the States.

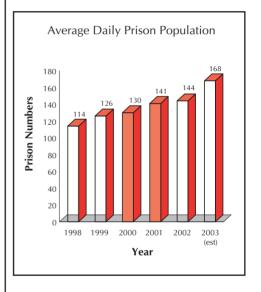
Probation and After Care Service

The net revenue budget for the service is £1.26 million, of which staff costs are £1.04 million, equivalent to 83% of expenditure.

An additional £15,000 has been added to the Probation Service's budget for 2004 to allow the continued occupation of badly needed office space. Requests for funding to allow for the implementation of post custodial supervision legislation was refused as was funding for an additional management post first identified in 1997.

It is unlikely that the Probation Service will be able to continue to provide HM Prison with a through care service for prisoners in 2004. The cash limit will allow the Probation Service to continue providing high standard information and supervision services to the Island's Courts and Parish Halls.









Crime and Community Safety Strategy (CCSS)

The net revenue budget for the CCSS is £441,100, of which staff costs are £256,500, equivalent to 58% of expenditure.

The CCSS is one of the few examples of a multi-agency strategy within the States.

In the FSR process, no account was taken of the report outlining 10-year resource requirements for CCSS. As a result of the process, savings of £26,000 or almost 6% of the budget will need to be made in 2004.

Despite endeavouring to protect frontline projects, there will have to be reductions in funding 2 such projects in 2004, as well as reductions in funding for strategy development and monitoring.

Jersey Field Squadron

The Squadron's net revenue budget is £817,800.

The Squadron's main aim is to continue to develop a varied and full training program that is supported by the appropriate resources and equipment, whilst creating the best conditions for recruiting and retention in order to meet UK military objectives.

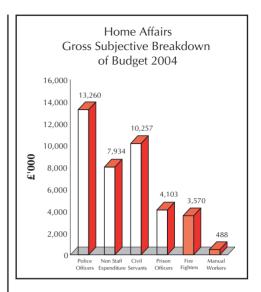
Superintendent Registrar

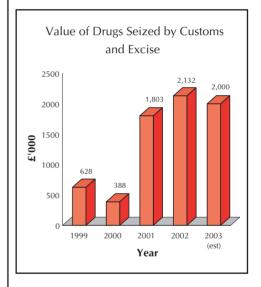
Budgeted gross revenue expenditure for the department is £183,100, of which staff costs are £120,800, equivalent to 66% of gross revenue expenditure. Budgeted income is £98,000.

The continuing decline in the number of marriages being celebrated in the Island has made it increasingly difficult to raise the income required in order to remain within cash limits set.

The Office of the Superintendent Registrar continues to work closely with the tourism industry and marriage related businesses to develop the Island as a venue for marriages.

The Office is encountering problems maintaining the high quality of service it provides to the community, whilst operating within its cash limits.









Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|---|--------------------|
| | | Home Affairs | |
| 61,910 | 62,500 | Explosives Officer / Explosives Licensing | 64,300 |
| 55,499 | 87,000 | Grants | 27,500 |
| 181,661 | 284,700 | Criminal Injuries Compensation Scheme | 285,000 |
| | | Police | |
| 9,812,621 | 9,743,900 | Front Line Uniform Policing | 10,227,900 |
| 3,351,591 | 3,326,400 | Specialist Crime Investigation | 3,642,600 |
| 1,027,507 | 1,020,700 | Custody of Prisoners | 1,079,900 |
| 1,467,360 | 1,460,700 | Supporting the Criminal Justice System | 1,509,600 |
| 951,199 | 946,600 | Managing Intelligence | 995,300 |
| 1,332,824 | 1,324,300 | Financial Crime Investigation | 1,535,600 |
| 1,256,517 | 1,249,600 | National Security / Anti Terrorism | 1,432,800 |
| | | Fire | |
| 3,650,441 | 3,639,400 | Emergency Incidents Response | 3,905,800 |
| 381,316 | 379,900 | Fire Safety | 404,500 |
| 205,098 | 216,700 | Maintenance of Plant and Machinery | 234,800 |
| | | Impôt | |
| - | _ | Revenue Collection | 589,000 |
| - | _ | Enforcement | 2,423,700 |
| - | _ | International Obligations | 422,500 |
| | | Immigration | |
| 1,024,533 | 1,025,300 | Controls | 1,163,200 |
| (1,303) | 5,500 | Passports | (52,200) |
| (55,234) | (52,500) | Legislation of documents | (54,000) |
| | | H.M. Prison | |
| 3,837,210 | 3,753,800 | Public Protection | 4,072,900 |
| 985,249 | 999,100 | Crime Reduction | 1,082,500 |
| 803,293 | 299,900 | UK Prisoners | 94,300 |
| | | Driver and Vehicle Standards | |
| (246,103) | (263,700) | Vehicle Registrations | (268,700) |
| 142,388 | (47,600) | Vehicle Inspections | 115,100 |
| 67,572 | 192,800 | Driving Tests | 15,300 |
| | | Probation | |
| 1,033,497 | 1,015,200 | Information and Supervision Service | 1,095,100 |
| 166,578 | 165,300 | Community Service | 176,400 |
| 566,460 | 453,600 | Crime and Community Safety Strategy | 446,600 |
| | | Jersey Field Squadron | |
| 63,687 | 63,700 | IMLO and Careers Office | 63,700 |
| 51,523 | 51,600 | Uniformed Youth Organisation | 30,400 |
| 858,233 | 761,300 | UK Defence | 733,200 |
| - | - | Superintendent Registrar | 87,600 |
| C 22 022 42 | C 22 4CE 70C | Not Decree From Plane | C 27 F02 202 |
| £ 33,033,127 | £ 32,165,700 | Net Revenue Expenditure | £ 37,582,200 |

Note: The service analysis for 2004 for the Home Affairs Committee now includes the Superintendent Registrar and the Impôts Department.





Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|---|--|--|
| 281,000 641,000 77,000 760,200 8,000 | Income Sale of Goods Sale of Services Hire and Rentals Fees and Fines Miscellaneous Income | 281,000 667,400 87,500 984,300 10,000 |
| 1,767,200 | | 2,030,200 |
| 26,373,000 210,400 3,216,400 2,247,400 1,782,500 103,200 | Expenditure Manpower Non States Staff Costs Supplies and Services Administrative Costs Premises and Maintenance Grants | 31,678,200 152,500 3,282,500 2,397,100 2,041,500 60,600 |
| £ 32,165,700 | Net Revenue Expenditure | £ 37,582,200 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.





Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2004 Fundamental Spending Review Process: Savings Proposals Approved: Police Reduction in Police Premises Expenditure HM Prison - Reduced Prisoner Numbers in the UK DVS - Increased Fees Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - Prec Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer Additional Expenditure: Increased Pay Awards June 2002 June 2003 | (228,000) (200,000) (70,000) (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 55,000 | |
|--|---|-----------|
| Savings Proposals Approved: Police Reduction in Police Premises Expenditure HM Prison - Reduced Prisoner Numbers in the UK DVS - Increased Fees Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (200,000) (70,000) (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Police Reduction in Police Premises Expenditure HM Prison - Reduced Prisoner Numbers in the UK DVS - Increased Fees Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (200,000) (70,000) (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| HM Prison - Reduced Prisoner Numbers in the UK DVS - Increased Fees Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer | (200,000) (70,000) (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| DVS - Increased Fees Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (70,000) (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Home Affairs - Reduction in Grant to Police Authority Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer | (30,000) (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Home Affairs - Removal of Grant to Animal Shelter Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (29,000) (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Fire and Rescue Service - General Savings Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (35,000) (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Crime and Community - Reduction of administrative costs and Audit of Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (26,000) (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Services budget Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Jersey Field Squadron - Remove Military post and replace with cheaper alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (24,000) (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| alternative Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Jersey Field Squadron - Reduction in administrative and overtime costs Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (20,000) (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Jersey Field Squadron - Reduction in grants Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | (17,000) 140,000 144,000 115,000 42,000 15,000 | |
| Growth Proposals Approved: Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | 140,000 144,000 115,000 42,000 15,000 | |
| Police - Funding for Four Posts for the Jersey Financial Crime Unit Police - Three Posts for the Special Branch Ports Unit Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | 144,000 115,000 42,000 15,000 | |
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| Police - PPCE Legislation - DNA Sampling and Profiling and 1.5 posts Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | 115,000 42,000 15,000 | |
| Fire and Rescue Service - Increase to Retained Salary Budget Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | 42,000 15,000 | |
| Probation and After Care Service - Retain Library Place Premises Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | 15,000 | |
| Impôts - Reinstatement of Joint Financial Crime Unit Senior Officer dditional Expenditure: Increased Pay Awards June 2002 | | |
| dditional Expenditure: Increased Pay Awards June 2002 | 55,000 | |
| Increased Pay Awards June 2002 | | |
| Increased Pay Awards June 2002 | | (168,000) |
| June 2002 | | |
| | 706 200 | |
| luno 2003 | 706,300 | |
| | 1,534,400 | |
| Specific Awards - H.M. Prison | 100,000 | |
| | | |
| | | 2,340,700 |
| ansfers between Committees: | | |
| Finance and Economics – Impôts | 3,167,500 | |
| Etat Civil – Superintendant Registrar | 76,300 | |
| | | |

2004 Net Revenue Expenditure

£ 37,582,200



Employment and Social Security



Mission Statement

"To guarantee people adequate social protection, and security in the workplace, to help enhance their quality of life."

Aims and Objectives

The Committee aims to:

- support people to achieve and maintain an acceptable standard of living;
- provide opportunities for higher skills and better employment;
- help Employers and Employees to work well together for their mutual benefit and the economy
 of the Island; and
- deliver high quality services now and in the future.

Challenges in 2004

Expenditure is dependent upon the general economic welfare of the Island. The economic climate in recent years has enabled people to climb out of benefits as their earnings rise above inflation. This has restricted growth in benefits. As inflation expectations lower, this trend is forecast to continue.

States Supplementation is the income of the Social Security Fund and is provided from general revenues. It is a subsidy to lower earners. It has increased significantly in recent years as contribution rates have risen to maintain adequate funding for the Social Security Scheme. 2004 sees no contribution rate rise, and therefore Supplementation growth is expected to be minimal.

The key funding challenges for 2004 and beyond are:

- continuing to secure Social Security and Health Insurance Exceptions funding. The States
 contribute to this funding for those below the ceiling or on low incomes, and this assists in
 maintaining basic provision for retirement and basic insurance against ill health;
- continuing to provide 'safety net' benefits to enable people to maintain a minimum standard of living. Longer term, a Low Income Support system will streamline existing benefits and reduce disincentives. The challenge will be to ensure this system is adequately funded and that current benefits maintain their value;
- continuing to administer benefits and services cost effectively and to a high standard, and benchmarking these benefits and services against other jurisdictions to demonstrate efficiency and to further improve services; and
- supporting employers and employees through both assistance and regulation, with new challenges arising around the new employment legislation.

Restructuring

The Training and Employment Partnership was transferred to The Economic Development Committee during 2003 and is not part of the Committee's budget for 2004.

2004 Fundamental Spending Review process

The Committee participated fully in the 2004 process. It has accepted the proposed cash limit subject to:

- · States approval of savings measures; and
- a relatively stable economic situation in which supplementation and benefit costs remain within budget assumptions.

The net effect of the Fundamental Spending Review is a cash limit increase of £65,000; comprising growth of £2,331,000, and savings of £2,266,000.

Growth Initiatives

Successful growth bids amounting to £2,331,000 will ensure funding for the Social Security and Health schemes remains sufficient for 2004 to secure pensions and provide insurance against ill health. Going forward, the Committee continues to closely monitor the funding requirements of both these schemes.

Savings Proposals

Significant savings were required under the Fundamental Spending Review. This is difficult for a Committee with a responsibility to support those in need, and with minimal control over the number of claimants receiving supplementation or benefits, or over Non-Native Welfare, which is administered by the Parishes. Savings to be brought forward include:

- Christmas Bonus to be restricted to exclude those on higher incomes;
- Disability Transport Allowance to be held at current levels, pending proposals to narrow future entitlement and direct resources more effectively; and
- planned expansion of the Health Insurance Exceptions Scheme to be deferred.

These savings will also ensure that the Committee continues to increase core benefits in line with earnings and inflation so that they maintain their value.

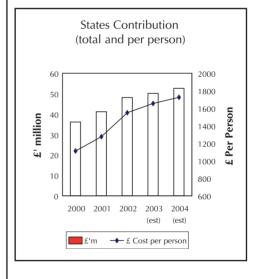
Monitoring Performance and Value for Money

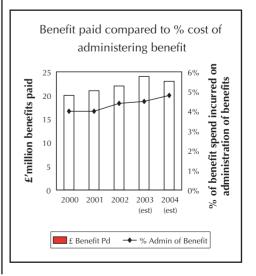
Value for money remains a key target. To this end, processes are being streamlined, with the intention of improving efficiency and service through increased automation. This will also enable greater benchmarking to assist in management, policy-making, and in demonstrating and improving efficiency.

| Cash Limits Set for 2004 | | | | |
|--------------------------|--------|----------|--|--|
| | £′000 | Decrease | | |
| Year 2004 | 80,401 | (1.4%) | | |

| Committee Staff Estimates | | | |
|--------------------------------|-------|-------|--|
| Direct Staff Costs | | | |
| | 2003 | 2004 | |
| | £′000 | £′000 | |
| Civil Servants | 1,887 | | |
| Number of Full Time Equivalent | | | |
| 2 | | | |
| Total Direct Staff (Not | 41.51 | | |
| , , , , , | | | |

Note 1: This represents staff directly employed on States funded services. Additional staff are employed and funded by the Social Security and Health Insurance Funds. Total FTE's in the department equal 113.96







Employment and Social Security



Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|--|--------------------|
| 48,136,253 | 50,132,000 | States Contribution to the Social Security Fund | 52,633,000 |
| 1,130,336 | 2,292,300 | States Contribution to the Health Insurance Fund | 1,323,100 |
| 3,192,234 | 3,393,000 | Non-Native Welfare | 3,480,000 |
| 5,104,414 | 5,185,300 | Family Allowances | 5,125,100 |
| 3,215,858 | 3,466,100 | Attendance Allowances | 3,486,500 |
| 2,364,879 | 2,502,200 | Invalid Care and Disability Allowances | 2,410,000 |
| 772,684 | 864,500 | Childcare Allowances | 734,700 |
| 389,634 | 453,000 | Health and Safety at Work | 415,000 |
| 1,172,300 | 1,243,000 | Employment Services | 1,172,400 |
| 429,588 | 529,000 | Employment Relations | 495,000 |
| 512,242 | 847,000 | Jersey Employment Trust | 520,000 |
| 907,316 | 1,331,000 | Training and Employment Partnership | - |
| 141,375 | 140,000 | Dental Benefit Scheme | 148,000 |
| 6,015,222 | 6,577,800 | Disability Transport Allowance | 6,179,700 |
| 245,079 | 285,000 | Social Fund (Housing Adaptations and Family Nursing) | 287,000 |
| 179,500 | 515,200 | Jersey 65+ Health Plan | 479,700 |
| 24,504 | 16,800 | Death Grants | 13,200 |
| 1,229,682 | 1,341,100 | Christmas Bonus | 1,132,000 |
| 423,386 | 447,000 | Milk at Reduced Rate | 367,000 |
| £ 75,586,486 | £ 81,561,300 | Net Revenue Expenditure | £ 80,401,400 |

Note: The 2002 actual figures are presented differently to those included in the accounts book to reflect the allocation of administration for community benefits.

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|---|--|---|
| 8,000 | Income Agency Fees | 5,000 |
| 8,000 | | 5,000 |
| 1,876,700 516,300 623,700 194,500 52,330,000 23,567,000 1,032,000 1,051,000 378,100 | Expenditure Manpower States Staff Costs Supplies and Services Administration Costs Premises and Maintenance Grants and Subsidies States Contribution to the Social Security and Health Funds Community Benefits Special Needs Schemes Training and Business Development Payments made to third parties for benefit administration | 1,886,600 468,000 367,500 199,500 53,873,000 22,561,800 714,000 |
| 81,569,300 | | 80,406,400 |
| £ 81,561,300 | Net Revenue Expenditure | £ 80,401,400 |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.



Employment and Social Security



Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 2003 Net Revenue Expenditure | | 81,561,300 |
|--|-------------|-------------|
| 2004 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: | | |
| Targeting Christmas Bonus | (209,000) | |
| Deferment of expansion of Health Insurance Exceptions | (1,041,000) | |
| Exceptional savings in Employment Services pending completion of | | |
| Supported Employment Trading Unit | (470,000) | |
| Decreases in benefit demand due to economic climate | (546,000) | |
| | | |
| Growth Proposals Approved: | | |
| Supplementation - growth under current parameters | 2,262,000 | |
| Health Insurance Exceptions - growth under current parameters | 69,000 | |
| | | 65,000 |
| Additional Expenditure: | | 65,000 |
| Additional Expenditure. | | |
| Increased Pay Awards | | |
| June 2002 | 32,200 | |
| June 2003 | 73,900 | |
| | 7 3 7 3 0 0 | |
| | | 106,100 |
| Transfers between Committees: | | , |
| Economic Development Committee - Training and Employment Partnership | | (1,331,000) |
| | | |

2004 Net Revenue Expenditure

£ 80,401,400





The Housing Committee's main strategic aims, approved by the States in 2002, for the period 2002 to 2006 can be summarised as:

- to ensure affordable, sustainable housing is provided to meet the reasonable demands of all residents;
- to provide assistance for those in need through rental subsidy;
- to maintain and improve the Committee's stock of rental housing;
- to support the principle of home ownership;
- · to support measures to control housing demand; and
- to sponsor legal reforms in accordance with Human Rights principles.

Challenges in 2004

The main challenges facing the Committee in 2004 are:

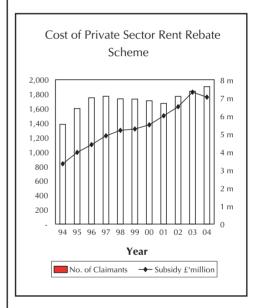
- to develop, in conjunction with other Committees, the Migration Policy as proposed by the Policy and Resources Committee in order to create a 'one stop shop' covering both housing and employment and to introduce a new licence system to replace the Housing and Regulation of Undertakings and Development Laws;
- to bring all the Committee's properties up to the defined acceptable housing standard;
- to continue to make £100,000 available to assist disabled and elderly tenants with adaptations to their homes;
- to focus as much of the available resources on planned maintenance as possible with over £1.8 million budgeted. Large scale projects include:
 - a large external redecoration programme;
 - a second phase of major refurbishment works at La Collette Flats;
 - concrete repairs on at least one further high rise building as part of an ongoing programme of work undertaken with the assistance of Environment and Public Services; and
 - the continuation of work to replace obsolete central heating systems with the long term aim of standardising systems across the Committee's stock.

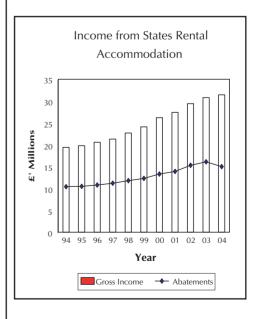
Financial challenges facing the Committee in 2004 are:

- the effective net £623,500 budget reduction in 2003 and its impact on the maintenance budget in 2004;
- initiatives to sell some old housing stock in poor condition in order to finance capital
 improvements or by transferring such property to Trusts for refurbishment and
 management has significantly reduced the Committee's rental income and will
 continue to do so;
- the movement of Committee Tenants who are less dependent on rent abatement into new Housing Trust properties, is resulting in a concentration of lower income tenants into the Committees' properties, and thus reducing the net income available to fund the expenditure;
- the reduction of rental arrears to 3.5% of the net rent roll by year end with no additional funding and in the face of a growing level of personal debt among the population; and
- the improved management of rental subsidies and the implementation of performance measures with no additional funding received.

| Cash Limits Set for 2004 | | | | |
|--------------------------|-------|----------|--|--|
| | £′000 | Decrease | | |
| Year 2004 | (239) | (117.6) | | |

| Committee Staff Estimates | | | |
|--------------------------------|-------|-------|--|
| Staff Costs | | | |
| | 2003 | 2004 | |
| | £'000 | £′000 | |
| Civil Servants | 2,248 | 2,501 | |
| Manual Workers | 656 | 711 | |
| | 2,904 | 3,212 | |
| Number of Full Time Equivalent | | | |
| 2003 | | | |
| Total | | 89.3 | |









Restructuring

There have been major changes to two sections, which commenced in 2003 but will continue into 2004 and begin to deliver benefits, these are:

- restructuring of the Estates Section in order to begin to deliver the Gold Tenancy Scheme. This scheme, which rewards good tenants and penalises poor tenants is being introduced in order to provide a better service to the Community, a reduction in vandalism on estates, and an incentive to tenants to pay their rent on time and reduce rental arrears; and
- restructuring of the Finance Section to create separate Rent Subsidies and Rent Sections. This is being done in order to better manage the assessment of rental subsidies, particularly rent abatement which has until 2003 been carried out by the Rent's Section and concentrated in a four month window early in the year, at the cost of the management and control of rent arrears, and the enforcement of evidence of income and other circumstances.

No new funding has been made available for these initiatives, but the Committee believes that they are vital to the future good management of Social Housing in the Island.

The 2004 Fundamental Spending Review Process

Following the 2004 Fundamental Spending Review the Committee budget was reduced by £1.815 million. The main components of this were:

Savings Initiatives

- reduction in expenditure required to refurbish void properties to be achieved by offering redecoration grants to able bodied tenants moving into properties, £200,000;
- reduction in the generosity of the rental subsidy schemes resulting in reduced subsidy payable to all States Tenants and recipients of Private Sector rent Rebate;
- an increase in States rentals of 3.5% the benefit of which is being returned to the States; and
- the reduction in the recharge to the Dwelling Houses Loan Fund to reflect the reducing demand on the Fund.

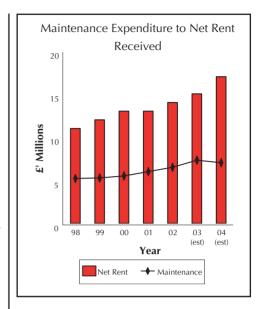
Growth Initiatives

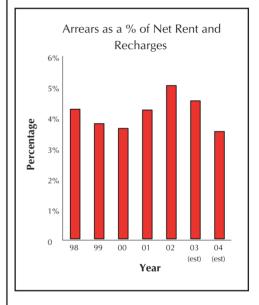
- growth in Rent Rebates paid to tenants of additional Housing Trust Units, £200,000;
- growth in Parish Housing Rates, £33,000; and
- introduction of a charge for Housing Consents.

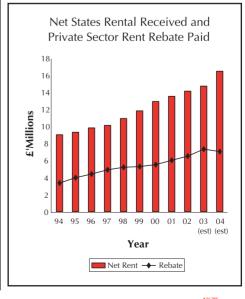
Monitoring Performance and Value for Money

Performance Measures will be introduced for the first time and reported upon. These will include such measures as:

- percentage spent on maintenance to planned repairs;
- average cost of response repairs;
- · average period for void property re-letting in order to maximise revenue income;
- percentage of properties meeting UK Government Decent Homes Standard;
- percentage of rent charges collected; and
- percentage of fully completed Rent Rebate applications processed within five days.











Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ |
|------------------|--------------------|---------------------------------------|--------------------|
| 303,392 | 238,900 | Administration of Housing Legislation | 277,100 |
| | | Social Housing Provision | |
| - | 179,600 | Policy and Development | 183,200 |
| (21,169,973) | (23,188,300) | Administration and Maintenance | (23,377,200) |
| 195,489 | 183,200 | Cottage Homes | 167,300 |
| 15,436,303 | 16,277,100 | Public Sector Housing subsidies | 15,226,300 |
| 6,867,598 | 7,662,900 | Private Sector Housing Subsidies | 7,284,500 |
| | | | |
| £ 1,632,809 | £ 1,353,400 | Net Revenue Expenditure | (£ 238,800) |

Income and Expenditure Category

| 2003 Estimate £ | | 2004 Estimate £ |
|--|--|---|
| 198,000 31,622,300 66,800 1,923,800 296,300 | Income Sale of Services Hire and Rentals Housing Rents Commercial Rentals Recharges and Recoverable Costs Recharges to States' Tenants DHLF and 99 Year Leases | 325,200 31,597,800 57,000 2,030,700 152,900 |
| 34,107,200 | | 34,163,600 |
| 2,903,900 329,400 392,500 322,400 3,335,600 4,495,000 102,700 16,204,800 7,374,300 35,460,600 | Expenditure Manpower - States Staff Costs Supplies and Services Administration Costs Premises and Maintenance Own Premises Operation of Estates Maintenance of States Properties Maintenance of Cottage Homes Grants and Subsidies Housing Rent Abatements Housing Rent Rebates | 3,211,500 308,200 382,900 316,500 3,499,900 4,076,700 97,400 15,000,000 7,031,700 33,924,800 |
| £ 1,353,400 | Net Revenue Expenditure | (£ 238,800) |

Note: The 2003 comparatives are presented on a different basis to that included in the 2003 Budget Book to reflect the new chart of accounts in J.D. Edwards.







Reconciliation of 2004 Net Revenue Expenditure to 2003 Net Revenue Expenditure

£

| 03 Net Revenue Expenditure | | 1,353,400 |
|--|-------------|------------|
| 04 Fundamental Spending Review Process: | | |
| Savings Proposals Approved: | | |
| Reduced rental subsidy and increase in rents charged | (1,875,000) | |
| Reduce void property costs by giving grants to tenants to do work themselve | | |
| Charge for consents for house purchases | (100,000) | |
| Cut back on DHLF recharge to actual | 127,000 | |
| | | (2,048,000 |
| Growth Proposals Approved: | 200.000 | |
| Increase in rent rebates for full year effect 2003 Housing Trust completions | 200,000 | |
| Increase in rates | 33,000 | |
| 10. L= 10. | | 233,000 |
| ditional Expenditure: | | |
| Increased Pay Awards | | |
| June 2002 | 69,700 | |
| June 2003 | 153,100 | |
| | | 222,800 |
| prioritisation of Resources: | | |
| Additional Savings: | | |
| Additional housing maintenance after void property adjustment | (218,300) | |
| Reduction in maintenance of Cottage Homes | (5,300) | |
| Reduction in Cottage Homes materials | (9,300) | |
| Reduction in information technology | (10,000) | |
| Secretariat | (4,000) | |
| Administration costs net | (9,600) | |
| Other miscellaneous | (25,200) | |
| | | (281,700 |
| Additional Expenditure: | | |
| Reduction on net rental income savings on forecast due to | 124.000 | |
| stock reductions and change in tenants' economic profiles | 134,900 | |
| Recharge for 99 year leases not applied | 10,500 | |
| Increased staff costs over 2003 budget (Estates) Premises | 84,800 | |
| Increase in premises costs recovered | (106,900) | |
| Increase in premises costs recovered Increase in premises costs paid | 158,400 | |
| merease in premises costs paid | 130,100 | |
| | | 281,700 |

2004 Net Revenue Expenditure

(£ 238,800)



Other Committees



Harbours and Airport - La Collette Reclamation Scheme

On behalf of the States, Jersey Harbours administers land at La Collette, which is used mainly for activities relating to the landing, storage and distribution of the Island's energy needs as well as bulk cement. Its responsibilities include maintaining the access road to the fuel farm, paying professional fees associated with the properties and providing for the overall safety of the site with particular respect to fire safety, evacuation and emergency pollution response. The cost of fulfilling these responsibilities in 2003 is estimated at £204,400 although actual costs are likely to exceed this considerably.

In return, Jersey Harbours is allocated a proportion of this cost (78%) from the La Collette Reclamation Scheme Budget (shown in these accounts as expenditure) whilst it also retains 10% of the total rental income to cover administration costs. Total rental income from Fuel Farm properties in 2003 (before the 10% is deducted) is anticipated to be £315,700 (2002 actual £313,110) excluding any back rents relating to the delayed fuel consortium lease dating back to 1998. The 2004 income budget similarly excludes this back rent as it is not yet known if and when the lease will be agreed.

In 2003 a report was produced which evaluated the compliance of the Fire Fighting equipment at the Fuel Farm with European standards. The report recommended implementing modifications which will have significant cost implications for the Reclamation Scheme budget in 2005. The recommended modifications need to be put in place as soon as possible to avoid risk to all tenants and the island as a whole should there be a severe incident at the Fuel Farm.

Legislation Committee

The prime aims of the Legislation Committee for 2004 are:

- to continue to review and revise customary and statutory law in consultation with other relevant States Committees, agencies and bodies;
- to review the Law of Criminal Procedure:
- to progress matters relating to the Law Revision project and the Succession Rights of Children born out of Wedlock;
- to progress and promote, by way of consultation where appropriate, major legislation relating to the Prevention of Corruption, Electoral reform, the Law Society of Jersey and April Discrimination Laws:
- to continue to review and promote items of minor legislation in consultation with various groups including the Jersey Law Commission, the Jersey Law Society, representatives of the Judicial System, Comité des Connétables, official Parish bodies, other States' Committees, and various social sections of the community; and
- to support the work of the Jersey Law Commission.

Overseas Aid Committee

The Committee's sole source of income is a grant from the States of Jersey.

It does not seek to raise funds itself as it would be competing against agencies that it seeks to assist. The Committee encourages local charitable organisations working overseas and makes small grants on a \pounds for \pounds basis for those who meet the Committee's strict criteria.

The States' grant was reviewed on 23rd October 2002 and is based on a percentage of tax revenues increasing by 0.05% each year from 2004 - 1.25% to 2008 - 1.45%, when it will again be reviewed. The grant for 2004 amounts to £5,306,000 and compares with £4,603,000 for 2003, an increase of £703,000.

The Committee's policy is directed towards the eradication of poverty. All awards of grant are based on the individual merits of the project and not the size of the agency, the projects supported being in the main in the areas of clean water, health, sanitation, education, agriculture and livestock, and revolving loan schemes for small businesses.

£377,000 is committed to be spent in 2004 in respect of second and third year funding of long term grant aid projects already approved, and £144,000 in 2005.

We employ one part time member of staff (0.8 FTE.) and rely on the honorary services of our executive officer and our work project organisers and helpers. In this way considerable sums are saved which is to the benefit of the third world countries through increased spending on grant aid. If these services were not available it is estimated that we would require at least two further posts, one at officer level. Administration costs therefore remain exceptionally low at £40,000 and equates to 0.75% of the grant, (less than 1p in the £1).

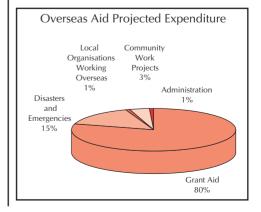
Harbours and Airport La Collette Reclamation Scheme Cash Limits Set for 2004 | £'000 | Increase | Year 2004 | (125) | -

| Harbours and Airport | | | |
|---------------------------------|-----------------------|-----------------------|--|
| Expenditure and Income Category | | | |
| | 2003 Estimate £ | 2004 Estimate £ | |
| Expenditure | | | |
| Harbours' Service charge | 158,400 | 161,300 | |
| Income | | | |
| Property Rentals | (283,100) | (286,000) | |
| Net Revenue Expenditure | (£124,700) | (£124,700) | |

| Legislation Committee | | | |
|--------------------------|----|---|--|
| Cash Limits Set for 2004 | | | |
| £'000 Increase | | | |
| Year 2004 | 47 | - | |

| Overseas Aid | | | |
|--------------------------|-------|-------|--|
| Cash Limits Set for 2004 | | | |
| £'000 Increase | | | |
| Year 2004 | 5,306 | 15.3% | |

| Overseas Aid Expenditure Category | | | |
|--------------------------------------|---------------------------|---------------------------|--|
| | 2003 Estimate £'000 | 2004 Estimate £'000 | |
| Grant Aid | 3,658 | 4,255 | |
| Disasters and | 690 | 796 | |
| Emergencies Local Overseas | 690 | /90 | |
| Projects | 35 | 35 | |
| Work Projects | 180 | 180 | |
| Administration | 40 | 40 | |
| | 4,603 | 5,306 | |





Other Committees



Net Expenditure - Service Analysis

| 2002 Actual £ | 2003 Estimate £ | | 2004 Estimate £ £ |
|----------------------|----------------------|---|----------------------|
| 199,006 (74,390) | 177,200 (100,900) | Etat Civil Expenditure (Note 1) Income | <u>.</u> |
| £ 124,616 | £ 76,300 | | £ - |
| £ 4,783,437 | £ 4,602,900 | Overseas Aid | £ 5,306,000 |
| | 36,300 (49,500) | Gambling Control Expenditure (Note 2) Income | <u>.</u> |
| £ - | (£13,200) | | £ - |
| 170,509 (281,369) | 158,400 (283,100) | Harbours and Airport - La Collette Reclamation Scheme Expenditure (Note 3) Income | 161,300 (286,000) |
| (£ 110,860) | (£ 124,700) | | (£ 124,700) |
| £ 621 | £ 9,800 | Special Committee to Consider the Relationship between Committees and the States (Note 4) | £- |

Note 1: Etat Civil has since been transferred to the Home Affairs Committee under the Machinery of Government reforms.

Note 2 : Gambling Control has since been transferred to the Economic Development Committee under the Machinery of Government reforms.

Note 3: Jersey Harbours maintains the reclamation site on behalf of the States.

Note 4: The Special Committee has since been transferred to the Privileges and Procedures Committee under the Machinery of Government reforms.





Trading Committees' Revenue Expenditure and Income





Harbours

2004 promises to be a challenging year for Jersey Harbours. As well as rationalising service delivery to address restrictions on spending to fund its capital programme, fluctuations in the main income stream will require even greater focus on cost efficiency.

Aims and Objectives

The organisation continues to focus on the safe, secure, successful and sustainable future of the port with these key objectives:

- enable and monitor the safe, secure and efficient movement and berthing of ships, passengers and freight;
- provide the infrastructure and administration to meet the standards of a modern port;
- meet all maritime related conservancy duties;
- provide legislation to regulate maritime activity, including protection of the marine environment;
- develop and maintain Jersey's marine leisure industry as a significant part of the Island's economy;
- create investment opportunities for port-related business growth;
- ensure adequate funding is available through prudent stewardship of all port assets;
- recruit, reward, develop and retain motivated, high calibre people dedicated and special to the Jersey port industry;
- provide, maintain and operate on a 24 hour basis the Vessel Navigational Information Service and Sea Rescue Centre; and
- maintain those parts of the Island's heritage that are historically our responsibility.

Key Issues for 2004 and beyond

Whilst 2003 has seen a rise in the number of passengers and private vehicles through the port it has also seen a 6.3% fall in the volume of freight transported compared with 2002 (4% fall on 5-year mean)¹. The downturn in bulk/containerised freight, due to a slowdown in the economy and construction work in particular, has a significant impact on the budget since it makes up 25% of Jersey Harbours Income.

A 20 year forecast was prepared in 2003 which outlined the strategic Capital requirements of the Harbour incorporating fixed asset replacement, major works and new investments. The capital programme includes a requirement for funding in 2004 of £1.6 million although £0.9 million of this was originally included in the 2003 Trading Fund budget for special maintenance projects which have since been deferred. The estimated total expenditure on remedial works to combat concrete degradation has been revised downwards slightly in light of further investigative work undertaken during 2003 and it is estimated that only half the original sum earmarked for 2003 will be spent in 2004.

In the next 5 years the key issues facing Jersey Harbours are:

- the future governance of Jersey Harbours;
- the state of the economy and particularly demand for imported goods;
- impact of Safety of Life at Sea (SOLAS) convention being ratified, with the associated International Ship and Port Security (ISPS) code;
- the strength and growth of demand on the ferry routes;
- wear and tear on strategic assets and port infrastructure; and
- funding arrangements and ability to raise finance.

2004 Fundamental Spending Review

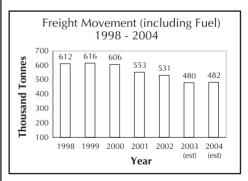
Jersey Harbours was not included in the 2004 process, however it has undertaken its own internal service analysis and prioritisation and is now involved in the 2005 process. The organisation is committed to making efficiencies and finding savings where possible to safeguard the Trading Fund and improve its return on net assets.

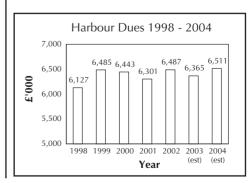
Key Performance indicators

- Gross/Net margin (Target: 30%/10%);
- Return on Net Assets (Target: 3%);
- Freight tonnage handled (Target: 481,800); and
- Passenger movements (Target: 937,800).

| Expenditure Analysis | | | |
|---|--------------------------|--------------------------|--|
| | Revised 2003 £'000 | Estimate 2004 £'000 | |
| Corporate/Support Services | 3,402 | 3,500 | |
| Piers and Quays Estate Management Marine Services Other | 553 525 584 697 | 600 500 572 700 | |
| Commercial Operations | 2,359 | 2,372 | |
| Elizabeth Marina St Helier Marina La Collette Marina Other | 199 220 157 44 | 200 200 200 - | |
| Marinas and Moorings | 620 | 600 | |
| Property Management Regulatory Heritage Non-Recurring Items | 401 654 128 | 400 700 100 90 | |
| Total Operating Expenditure | 7,564 | 7,762 | |









¹ Figures extracted from July 2003 statistics.



Harbours

Operating Account

| 2002 Actual £ | 2003 Revised Estimate £ | | 2004 Estimate £ |
|---|---|---|--|
| 6,487,452 1,746,503 179,939 102,620 1,380,734 531,830 64,401 92,483 110,630 | 6,364,500 1,851,100 188,400 94,600 1,406,200 619,100 63,200 99,100 45,600 | Income Harbour Dues Marina Fees Mooring Fees Other Fees Property Rentals Services Recharges Ships Registry Sundry Income | 6,511,000 1,917,400 196,300 93,200 1,461,200 613,900 64,800 103,200 41,500 |
| 10,696,592 | 10,731,800 | Total Income | 11,002,500 |
| 4,196,868 2,052,264 51,395 475,139 524,342 16,000 (254,226) | 4,603,600 1,723,300 44,200 679,300 496,200 17,000 | Expenditure Staff Premises Transport Supplies and Services Administration Grants Non-Recurring (Note 1) | 4,637,900 1,766,400 45,300 696,300 508,600 17,000 90,000 |
| 7,061,782 | 7,563,600 | Total Expenditure | 7,761,500 |
| 3,634,810 | 3,168,200 | Gross Operating Surplus Less: | 3,241,000 |
| 420,531 360,836 567,815 339,791 729,666 | 782,400 274,100 551,800 247,400 500,000 | Minor Capital Assets Payments made to the States: Interest on Outstanding Capital Loans Repayment of Outstanding Capital Loans Interest on Elizabeth Marina Development Repayments of Capital Elizabeth Marina | 802,000 237,500 551,800 219,900 500,000 |
| 2,418,639 | 2,355,700 | Capital Servicing | 2,311,200 |
| 1,216,171 | 812,500 | Net Surplus | 929,800 |
| 112,700 £ 1,103,471 | £ 812,500 | Less: Financial Return Paid to the States Transfer to Trading Fund | £ 929,800 |
| £ 1,103,4/1 | £ 012,300 | Hallster to Hauling Fullu | £ 749,000 |

Note 1: This amount is set aside for the reorganisation of Marine Operations Services (spread over 3 years).







Harbours

Trading Fund

| | 2002 Actual | 2003 Revised | | 2004 Estimate |
|---|----------------------------------|--------------------------------|--|-------------------------|
| | £ | Estimate £ | | £ |
| | 2,799,370 | 2,880,918 | Balance brought forward 1st January | 3,132,264 |
| | 132,275 1,103,471 (18,240) | 144,046 812,500 (19,000) | Add: Interest Transfer from Profits Other Income | 156,613 929,800 - |
| • | 1,217,506 | 937,546 | Total Additions | 1,086,413 |
| | 1,135,958 | 686,200 | Less: Capital Expenditure | 1,647,000 |
| | 1,135,958 | 686,200 | Total Expenditure | 1,647,000 |
| | £ 2,880,918 | £ 3,132,264 | Balance carried forward 31st December | £ 2,571,677 |

Payments to the States of Jersey

| 2002 Actu | | 03 Revised Estimate | | 2004 Estimate |
|-----------|----|------------------------|------------------|---------------|
| £ | | £ | | £ |
| 112,70 | 00 | - | Financial Return | - |



Airport

The Airport faces another challenging year continuing the positive steps taken during 2002 and 2003 to halt the decline in passenger numbers and to encourage growth. Critical to this is the ability to keep Airport charges as low as possible to encourage the provision of air services at the lowest possible cost to the users of those services. The Harbours and Airport Committee is committed to this aim.

The States have recognised the importance of the Airport to the economic and social fabric of the Island by defining it as **a strategic asset**. By adopting a report and proposition of the Harbours and Airport Committee relating to the future funding of the Airport (P198/2002), the States set a powerful framework for the Airport 2004 Budget:-

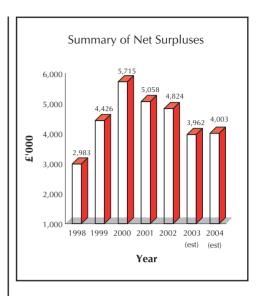
- the capital investment expenditure comprising the replacement or resurfacing of the runway, taxiways, concrete apron and the fireground, principally the below groundworks, will all be met from General Revenues. Although the appropriate funding mechanism has yet to be determined, this has meant that Airport charges will not increase in 2004;
- the cost of providing non-aeronautical meteorological services is to be met from General Revenues from 1st January 2004. These costs have been removed from the Airport budget for 2004 and as a result, Airport charges have been reduced by £1.50 per passenger for 2004; and
- the possibility of the cost of Aviation Security presently borne by airlines being met in future from General Revenues is also under consideration. This is not reflected in the 2004 Budget.

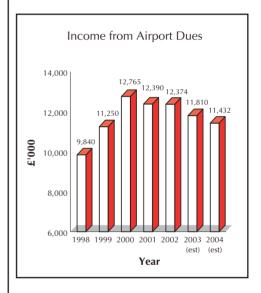
The Harbours and Airport Committee recognises the major commitment made by the Task Force in seeking to increase the number of passengers arriving by air at what is a critical time for both the tourism market in Jersey and the airline industry in general. It also recognises that it must do all it can to support the States' commitment. Accordingly, it has made clear its intention to drive down costs through increasing efficiency and by reviewing all services provided. In the first instance, the aim is to absorb increased annual costs, such as pay awards, without having to increase Airport charges. Given the nature of its business and its reliance on people to deliver services these annual cost increases are mainly related to pay. The clear overall aim is to ensure that costs to the Airport reduce and that reductions can be passed on to airlines and passengers through lower charges.

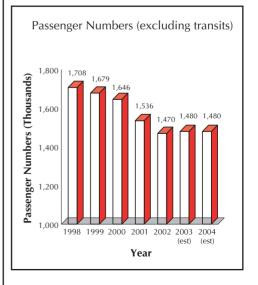
The Airport has carried out a Fundamental Spending Review for 2004. This has resulted in cost reductions and additional income streams totalling nearly £780,000 being identified and built into the 2004 Budget. These initiatives will not compromise safety or security. This process will continue in 2005.

Following discussions with airlines the structure of Airport charges will also change from 1st January 2004; approximately 40% of current Airport charges will be moved from being aircraft related (which is a fixed cost to the airlines) to being passenger-related (which is a variable cost to the airlines). The aim is that this will be cost neutral for the Airport but it does mean that the Airport shares more risk with the airline i.e. no passenger no fee! It also provides encouragement for the airlines to fly to Jersey as their fixed costs are significantly reduced. Subsidies provided to inter-island operators have now been removed.

The Harbours and Airport Committee and Airport management will continue to work more closely with the airlines during these challenging times.











Airport

Operating Account

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|---|--|---|--|
| £ | Estimate £ | | £ |
| 6,999,467 5,374,358 3,580,629 1,561,350 2,778,875 2,499,430 | 6,645,000 5,165,000 4,000,000 1,967,000 2,953,000 2,031,000 | Income Aircraft Charges Passenger Charges CI Control Zone Services Security Services Concessions, Rentals etc Sales and Services | 4,677,000 6,755,000 3,640,000 1,697,000 2,956,000 2,109,000 |
| 22,794,109 | 22,761,000 | Total Income | 21,834,000 |
| 6,899,421 2,286,841 1,475,521 1,561,349 1,061,213 2,017,483 139,985 74,976 | 7,242,600 2,439,300 1,466,400 1,806,600 1,232,500 1,665,700 79,000 | Expenditure Aeronautical Services Engineering Services Customer Services Security Services Support Services Non Aeronautical Services Organisational Development Minor Capital Assets Reserve for Contingencies | 6,978,100 2,444,400 1,400,100 1,697,000 1,175,300 1,234,300 35,200 |
| 15,516,789 | 16,132,100 | Total Expenditure | 15,164,400 |
| 7,277,320 | 6,628,900 | Gross Operating Surplus | 6,669,600 |
| 2,453,227 | 2,666,000 | Less: Loan Repayments Net Surplus | 2,666,000 |
| £4,824,093 | £3,962,900 | Transfer to Trading Fund | £4,003,600 |

The Committee has reallocated 40% of the fixed charges in "Aircraft Charges" to the "Passenger Charges" after consultation with the airlines.





Airport

Trading Fund

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|---------------------------|--|--|---|
| £ | Estimate £ | | £ |
| 15,781,866 | 19,266,282 | Balance brought forward 1st January | 12,511,172 |
| 737,722 4,824,093 - | 500,000 3,962,900 104,990 480,000 | Add: Interest Transfer from Profits Proceeds from Sale of Assets Cost Recovery HBS and OOG X-Ray | 400,000 4,003,600 50,000 320,000 |
| 5,561,815 | 5,047,890 | Total Additions | 4,773,600 |
| 2,077,399 | 6,903,000 4,900,000 | Less: Capital Expenditure - above ground works Capital Expenditure - below ground works (Note 1) | 1,638,000 1,456,000 |
| 2,077,399 | 11,803,000 | Total Expenditure | 3,094,000 |
| £19,266,282 | £12,511,172 | Balance carried forward 31st December | £14,190,772 |

Note: 1: P198/2002 agreed that below ground capital works should be met from General Revenues. Theses works are currently shown as funded by the Airport Trading Fund until such time as an appropriate funding mechanism is determined.



Postal Administration



The Postal Committee is pleased to present their 2003 and 2004 estimates, which show the 2004 surplus increasing to just under £3.6 million.

In accordance with the Reports and Propositions, which were agreed by the States in 1996 and 2000, it is planned that Jersey Post will incorporate in 2005. As the exact incorporation date is not certain, the 2004 Budget has been prepared as if Jersey Post remains a States Department for the whole of 2004. Incorporation as a limited liability company will reduce Jersey Post's current letter monopoly and open up a greater volume of mail to competition. At the same time it will separate the operational and regulatory functions and give Jersey Post the commercial freedom it needs to compete and operate successfully into the future.

During 2003 the Postal Committee, along with the Finance and Economics Committee, reviewed the future treatment of pension liabilities in connection with the Public Employees Contribution Retirement Scheme. The funding of this liability will require significant cash resources and consequently no surplus is available to make a financial return to the States of Jersey in 2003 and 2004.

The 2003 and 2004 estimated surplus is lower than in earlier years as a result of significant competition and significantly increased costs of delivering mail outside Jersey. These costs have led to a reduction in the considerable subsidies previously provided to locally delivered mail and further cost reductions elsewhere, as part of a new pricing strategy. In 2003 Jersey Post reorganised itself to maximise the potential from its markets, targeting investment in new business areas (e.g. fulfilment business). The reorganisation and investments are proving successful creating new efficiences and securing new revenue for the core postal business.

There has been a decline in letter mail volumes, which is a consistent trend over a number of years in all developed economies and the growth of electronic substitution for physical mail has had a marked impact on the profitability of postal administrations, particularly in Western Europe.

The Postal Committee continues to invest in its people and commercial focus through training, change programmes, and marketing. The 2004 Budget continues our ambitious plans for reorganising how mail is handled, which will yield significant cost savings over the next few years.

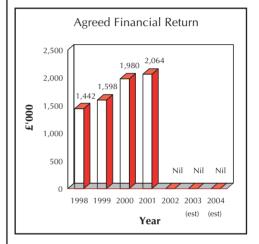
In 2004, expenditure from the Trading Fund is estimated at just over £3 million, of which £825,000 is for further development of business systems, £1.8 million for business development, including further automation of the Sorting Office (e.g. address interpretation software to increase delivery standards to the UK), and £360,000 to complete the property development strategy. Based on the estimates the carry forward balance in the Trading Fund at 31 December 2004 will be £4 million. The need to change, invest, and diversify has been the subject of detailed research, which has concluded that planned capital investment is critical if Jersey Post is going to be in a position to provide the services its customers demand in the rapidly changing international postal environment.

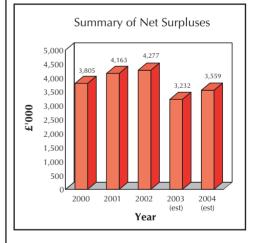
Separate to the States of Jersey accounts, Jersey Post also prepare accounts using Generally Accepted Accounting Principles (GAAP) which differ from certain of the accounting policies used by the States of Jersey. A GAAP summary of profits and forecast profit is shown opposite.

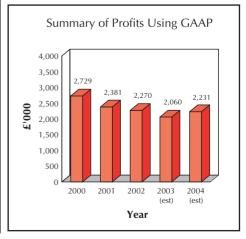
There are however a number of underlying trends and business risks which will continue to cause some uncertainty for the future. Jersey Post is already facing significant competition from other post offices. The 'traditional' postal and counter services are forecast to decline as other means of communication and payment e.g. e-mail, the internet, and direct debits, continue to grow. International terminal dues (the system by which one postal administration pays another for delivering its mail) have been implemented, significantly increasing the cost of mail posted out of Jersey. On the domestic front the current phasing of the commercial agreement with Royal Mail will lead to significantly increased costs.

Finally, Jersey Post's continued success depends to a considerable extent on the health of the Island's economy.

| Subjective Analysis of Expenditure | | | | |
|--|--------------------------------------|-------------------------------------|--|--|
| | 2003 Revised Estimate £'000 | 2004 Estimate £'000 | | |
| Staff Premises Supplies and Services Operating Expenditure | 12,925 360 10,422 £ 23,707 | 13,418 395 13,355 £ 27,168 | | |









Postal Administration



Operating Account

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|---|---|---|---|
| £ | Estimate £ | | £ |
| 21,188,311 363,997 1,542,621 1,462,556 1,481,665 133,712 | 21,532,000 618,000 1,638,000 1,478,000 1,488,000 185,000 | Income Postal Services Offshore Solutions Ltd Agency and Counter Services Philatelic Services ProMail Miscellaneous | 24,085,000 1,016,000 1,735,000 1,480,000 2,101,000 310,000 |
| 26,172,862 12,991,683 330,396 1,496,951 931,917 1,137,210 5,007,926 | 26,939,000 14,057,000 599,000 1,559,000 991,000 1,120,000 5,381,000 | Total Income Expenditure Postal Services Offshore Solutions Limited Agency and Counter Services Philatelic Services ProMail Support Services | 30,727,000 16,631,000 808,000 1,606,000 1,052,000 1,577,000 5,494,000 |
| 21,896,083 | 23,707,000 | Total Expenditure | 27,168,000 |
| 4,276,779 | 3,232,000 | Net Surplus Less Financial Return Paid to the States | 3,559,000 |
| £ 4,276,779 | £ 3,232,000 | Transfer to Trading Fund | £ 3,559,000 |

Postal Administration



Trading Fund

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|-------------|------------------------|--|---------------|
| £ | Estimate £ | | £ |
| 3,776,931 | 5,911,675 | Balance brought forward 1st January | 3,478,675 |
| 4,276,779 | 3,231,000 | Add: Transfer from Surplus | 3,559,000 |
| 4,276,779 | 3,231,000 | Total Additions | 3,559,000 |
| 2,142,035 | 1,164,000 4,500,000 | Less: Trading Fund Expenditure (Note) Repayment of Jersey Post Office Pension Fund Liability | 3,015,000 |
| 2,142,035 | 5,664,000 | Total Expenditure | 3,015,000 |
| £5,911,675 | £3,478,675 | Balance carried forward 31st December | £4,022,675 |

Note: £1.5 million of Capital Investment in mail sortation and address interpretation equipment was deferred from 2003 to 2004.



Public Services Car Parks Trading Account



A comprehensive financial audit of the Car Park Trading Account was undertaken in 2003. The prospective major projects included in this review for future funding from the trading fund are:

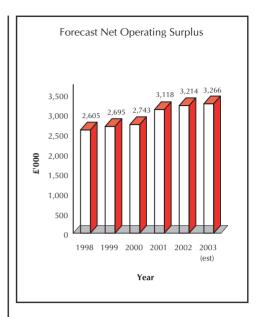
- Rebuilds of Green Street and Minden Place in 2023 and 2027 at a cost of £24.2 million and £11 million respectively.
- Replacement of parapets at a cost of £725,000 per year in 2004 and 2005
- Extension of Green Street car park in 2005 at a cost of £6 million
- Construction of 'meccano style' car parks in Snow Hill and Midvale Road at a total cost of about £6.5 million
- £4 million contribution towards the redevelopment of the Esplanade car park
- Contribution of up to £15 million towards the development of the car park within the Town Park Development

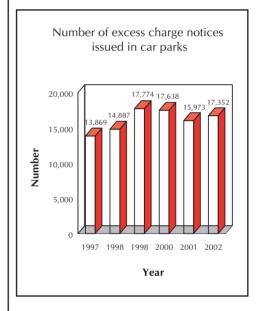
Furthermore, the review considered the financial effect of funding the bus service at £1.5 million per annum.

The review showed that, if all these planned projects and initiatives went ahead, car parking charges would have to be increased substantially or the fund would go into deficit with the next 25 years. Excluding any bus funding, the net surpluses from the Trading Fund is sufficient to fund all the projects including any external financing required for projects with large capital outlays eg the rebuilds, the Town Park and Green Street car park developments.

The Environment and Public Services Committee is considering a comprehensive Parking Strategy for the future of the Island which will incorporate the use of the trading fund and the current charging system, as well as reviewing the residents parking pilot scheme which has been running during 2003. The Committee hopes to finalise this strategy towards the end of 2003.

The 2004 budget now includes a charge for all services which the Public Services Department provides for the Car Parks including cleaning and central support functions.







Public Services Car Parks Trading Account



Operating Account

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|--|--|---|---|
| £ | Estimate £ | | £ |
| 4,744,238 | 4,968,800 | Total Income | 5,678,500 |
| 628,824 489,635 42,429 368,958 866 | 690,300 298,300 42,000 670,900 1,000 | Expenditure Manpower Supplies and Services Administrative Costs Premises and Maintenance Non-Service Costs | 886,300 242,800 177,100 1,039,700 1,500 |
| 1,530,712 | 1,702,500 | Total Expenditure | 2,347,400 |
| 3,213,526 | 3,266,300 | Net Operating Surplus | 3,331,100 |
| 1,500,000 | 1,500,000 | Appropriation Account Payment of Rent Total Appropriation | 1,500,000 |
| £ 1,713,526 | £ 1,766,300 | Transfer to Trading Fund | £ 1,831,100 |

Trading Fund

| 2002 Actual | 2003 Revised | | 2004 Estimate |
|-------------|---------------|--|--------------------|
| £ | Estimate £ | | £ |
| 3,965,089 | 5,557,627 | Balance brought forward 1st January | 7,323,927 |
| 1,713,526 | 1,766,300 | Add: Transfer from Profits | 1,831,100 |
| 1,713,526 | 1,766,300 | Total Additions | 1,831,100 |
| 120,988 | - - - | Less: Green Street Multi Storey Car Park - Concrete Degradation Pier Road Multi Storey Car Park - Concrete Degradation Reinforcement of Parapets - all Multi Storeys | 905,000 725,000 |
| 120,988 | - | Total Expenditure | 1,630,000 |
| £5,557,627 | £7,323,927 | Balance carried forward 31st December | £7,525,027 |



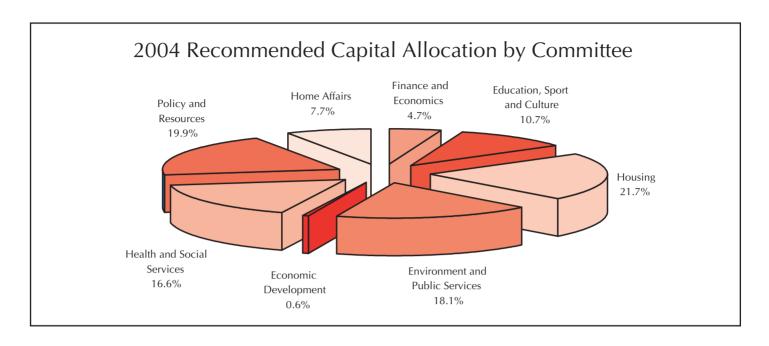


Committees' Capital Expenditure Estimates



Capital Expenditure





Capital Allocation Recommended by the Finance and Economics Committee for 2004

| Out-turn Cost £'000 | | Amount Voted £'000 | Amount Voted £'000 |
|-------------------------------------|---|-------------------------------------|--------------------------|
| 500 500 | Finance and Economics Central Planning Vote Capital Reserve Vote (Fluctuation and Risk) | 500 1,379 | |
| 8,500 250 | Housing Housing Development Fund Minor Capital Pre-determined Allocation | 8,500 250 | 1,879 |
| 8,000 | Policy and Resources Corporate IT Vote | 8,000 | 8,750 |
| 3,000 2,465 500 500 800 | Environment and Public Services Foul Sewer Reconstruction and Extensions Sea Defence Strategy Acquisition of Land - Major Reserve Urban Renewal Programme Minor Capital Pre-determined Allocation | 3,000 2,465 500 500 800 | 8,000 |
| 3,819 1,271 1,900 | Health and Social Services Belle Vue Residential Home (Phase 1) Accident and Emergency / Radiology Extension Minor Capital Pre-determined Allocation | 3,583 1,204 1,900 | 7,265 |
| | | | 6,687 |

32,005 Carried Forward 32,581



Capital Expenditure





| Out-turn Cost £'000 | | Amount Voted £'000 | Amount Voted £'000 |
|----------------------------|---|----------------------------|--------------------------|
| 32,005 | Brought Forward | | 32,581 |
| 225 | Economic Development Minor Capital Allocation - Public Markets | 225 | |
| 4,158 250 125 150 | Education, Sport and Culture St Clement's School (Phase 1) Minor Capital Pre-determined Allocation Minor Capital Allocation - Art and Heritage Trust Properties Minor Capital Allocation - Highlands Art and Technology Block | 3,768 250 125 150 | 225 |
| 3,000 300 | Home Affairs Prison Cell Block Reconstruction (Phase 2) Minor Capital Pre-determined Allocation | 2,814 300 | 4,293 |
| | | | 3,114 |

The Capital Programme can be analysed as follows:

£ 40,213

Total Capital Expenditure

£′000

£ 40,213

| Amount included within the Financial Forecast | 48,213 |
|--|--------------------|
| Less: Loan Sanction Repayments: Magistrates' Court and Royal Court Refurbishment Hautlieu School | (3,000) (5,000) |

£ 40,213

The outturn cost represents the final cost of a project and comprises the base project estimate including fees and the estimated inflation (fluctuation) on the project. Funds for this increase have been included in the Capital Reserve Vote.

Capital Expenditure to be Financed from Trading Funds





| | £′000 | £′000 |
|---|------------|-------|
| Harbours | 440 | |
| Professional Fees relating to Concrete Degradation works Deposit for replacement States vessel | 118 200 | |
| | | 318 |
| Airport | | |
| Above groud works: | | |
| Air Circuit Breakers (Phase 2) | 58 | |
| Approach Lighting | 410 | |
| Minor Capital Assets | 100 | |
| Below ground works: | | |
| Bravo Taxiway Re-sealing | 213 | |
| South Apron & Freight Area Re-sealing | 378 | |
| | | 1,159 |
| Committee for Postal Administration | | |
| Technology Expenditure (IT) | 825 | |
| Property Strategy | 360 | |
| Business Development (including Automation) | 1,830 | |
| | | 3,015 |

Total Capital Expenditure to be financed from Trading Funds

£ 4,492

The above amounts are the full capital costs budgeted in respect of capital expenditure projects commencing in 2004



Capital Fund Forecast 2004



| | £ | 2003 Probable £ | £ | 2004 Estimate £ |
|--|-------------|-----------------------|-------------|-----------------------|
| Capital Fund balance at 1 January, 2003 | 27,167,772 | _ | _ | |
| Add; Unallocated Balance on General Funds | | | | |
| 1st January 2003 | 20,782,086 | | | |
| Balance of Funds | | 47,949,858 | | 37,704,158 |
| Income | | | | |
| Income Tax | 370,000,000 | | 370,000,000 | |
| Impôts Duties | 47,043,000 | | 53,898,000 | |
| Stamp Duty | 11,950,000 | | 13,950,000 | |
| Other Income | 13,400,000 | | 12,600,000 | |
| Harbours Capital Repayments and Interest | 1,573,300 | | 1,509,200 | |
| Total Income to the States | | 443,966,300 | | 451,957,200 |
| Non-Trading Committees | | | | |
| Revenue Expenditure | 456,795,530 | | 489,957,600 | |
| Revenue Income | 80,576,530 | | 87,323,600 | |
| Total Non Trading Committee Cash Limits | 376,219,000 | | 402,634,000 | |
| Appropriation to the General Reserve | 27,731,000 | | 5,016,000 | |
| Total Net Revenue Expenditure of Non-Trading | | | | |
| Committees | | 403,950,000 | | 407,650,000 |
| Capital Expenditure of Non-Trading Committees | | 50,262,000 | | 48,213,000 |
| Transfer to Strategic Reserve | | - | | - |
| Total Expenditure and Transfer of the States | | 454,212,000 | | 455,863,000 |
| Forecast Deficit in Total States Expenditure for the year | | (10,245,700) | | (3,905,800 |
| | | | | |
| | | | | |
| Total Balance on Capital and General Funds brought forward 1st January | | 47,949,858 | | 37,704,158 |
| Forecast deficit for the year | | (10,245,700) | | (3,905,800 |
| Estimated Balance in hand at 31st December | | 37,704,158 | | 33,796,358 |
| Outstanding Loan Sanction Liabilities | | 17,000,000 | | 9,000,000 |
| Unallocated Balance in Hand at 31st December | | 20,704,158 | | 24,798,358 |



Summary of Estimates



Estimated Income and Revenue Expenditure for 2004

| | £ | 2004 Budget £ | £ |
|--|---|------------------|---|
| Income Income Tax Impôts Duties Stamp Duty Other Income | | | 370,000,000 53,898,000 13,950,000 12,600,000 |
| Trading Committees Expenditure Income | 55,071,100 63,563,500 | 8,492,400 | |
| Estimated Transfer to Trading Funds Net return from Trading Committees | | 8,492,400 | |
| Less: Non-Trading Committees Revenue Expenditure Revenue Income Total Non Trading Committee Cash Limits Appropriation to the General Reserve | 489,957,600 87,323,600 402,634,000 5,016,000 | | 450,448,000 |
| Total Net Revenue Expenditure of Non-Trading Committees before Capital Servicing Capital Servicing Repayment of Capital Debt Interest Received on Capital Debt | 32,000,000 457,400 | 407,650,000 | |
| Net Capital Repayments | | 31,542,600 | |
| Total Net Revenue Expenditure of Non-Trading Committees after Capital Servicing | | | 439,192,600 |
| Estimated surplus on General Funds for the year Add: | | | 11,255,400 |
| Estimated Surplus/(Deficit) in General Funds brought forward at 1st January 2004 | | | 1,136,896 |

Estimate of the Transactions of the Capital Fund for 2004

| | £ | 2004 Estimate £ | £ |
|---|-------------------------|--------------------|---|
| Revised estimate of balance at 1st January 2004 Transfer to Strategic Reserve Capital repayments and receipts Estimated balance on revenue account (as above) | | | 36,567,262 - 33,051,800 12,392,296 |
| Capital Expenditure as recommended by the Finance and Economics Committee (see pages 69 and 70) Plus: Loan sanction repayments | 40,213,000 8,000,000 | | 82,011,358 48,213,000 |

Estimated balance at 31st December 2004

Surplus to be transferred to the Capital Fund

£ 33,798,358

£ 12,392,296

