

STATES OF JERSEY



BUDGET
2005



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Budget 2005

Finance and Economics Committee

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Foreword



FINANCE AND ECONOMICS COMMITTEE



This Budget is about consolidating the rigorous financial framework established under the Fiscal Strategy and detailed in the Resource Plan, both approved earlier this year. Our objective remains to achieve balanced budgets over the medium-term through a combination of tight controls on public spending, the phasing in of new tax measures and encouraging sustainable economic growth.

The States financial forecasts have remained fairly robust over the last twelve months. Tax revenues have held up and the spending targets have been maintained. If the new measures proposed in this Budget are approved then a steady improvement in the States finances is predicted in the lead up to changes to our corporate tax structure.

The tax measures in this year's budget concentrate on improving equity by phasing out income tax allowances for higher earners and closing any remaining loopholes in the tax system. This Budget also proposes the implementation of a form of Pay As You Earn, the Income Tax Instalment System (ITIS), from 2006.

The war on inflation remains high on my Committee's agenda. Driving down inflation will require sustained tough action including controlling public expenditure, eradicating deficits, removing barriers to enterprise and increasing competition. It will require a contribution from all sections of society to contain price increases and pay demands in order to meet our target of 2.5% for RPI(X). As a signal, my Committee is proposing a further cut in States spending, through a reduction in the capital programme, which will enable all Impôts duties, other than on tobacco, to be frozen in this year's budget.

During 2004 we have seen the adoption of a framework for a Strategic Plan, a Fiscal Strategy and a process of Visioning for the future, all of which are now taking shape and supporting a feeling of renewed optimism for the Island's economy.

Early in the new year my Committee will bring to the States a package of proposals to address the shortfall in States finances in the longer-term arising from the implementation of the '0/10' corporate tax structure. The Economic Development Committee will also be bringing forward a plan for sustainable economic growth which will help reduce the need for further tax increases.

My Committee believes that its strategy of an internationally competitive corporate tax regime, tight control of public spending, increased public sector efficiency and phased new tax measures will deliver full employment, continued prosperity, low inflation and sustainable public services for the people of Jersey.

In conclusion I should like to record my appreciation of the contributions made by Committee Presidents, States Members and Chief Officers in creating this document. Above all I should like to thank the members of my Committee and even more a small but dedicated team of staff working under the aegis of the States Treasurer, without whom this Budget and its comprehensive supporting documentation could not have been produced so swiftly and so effectively.

Senator Terry Le Sueur
President
Finance and Economics Committee

9th November 2004

Executive Summary



Key features of the 2005 Budget are as follows:

Updated Financial Forecasts 2004 to 2009

- The States has an objective to return to balanced budgets over the period in which the Fiscal Strategy is implemented.
- The proposals in this Budget restrict the deficit for 2005 to £6 million and establish the first phase of measures, approved in the Fiscal Strategy, which will return the States to balanced budgets.

Income Tax

The Committee's income tax proposals are to:

- Maintain current levels of tax allowances and exemptions.
- Introduce a simplified form of pay as you earn to be known as the Income Tax Instalment System (ITIS).
- Introduce a system for the phased withdrawal of tax allowances and reliefs from those on high incomes, commonly known as '20% means 20%'.
- Introduce specific provisions to ensure that all profits made from property development are brought within the charge to Jersey tax and to ensure that non-residents are not able to misuse the Double Taxation Arrangement protection.
- Introduce specific provisions relating to the taxation of the world-wide income of those who gain a 1(1)k licence through the Housing Regulations.
- Make a minor amendment to the current higher child allowance.

The Committee also announces its intention to progress:

- Enhanced anti-avoidance powers under Article 134A.
- New information and enforcement powers.
- The '0/10' corporate structure and related imputation provisions.
- The EU Savings Directive and OECD Tax Information Exchange Agreements.

Impôts Duty

The Committee's impôts duty proposals are to:

- Freeze the current duty rates for alcohol.
- Freeze the current duty rates for fuel.
- Freeze the current rates of Vehicle Registration Duty.
- Increase the duty on tobacco by 5.5%, broadly in line with the current Tobacco Strategy, which would represent an increase of 14 pence on the duty of a packet of 20 cigarettes.

Stamp Duty

The Committee's stamp duty proposals are to:

- Freeze the standard rates of stamp duty on house purchases.
- Signal its intention to introduce stamp duty on share transfer transactions which confer rights to Jersey property.
- Increase the stamp duty on leasehold transactions, in line with the standard rates applicable to other purchases.
- Introduce further competition in the local mortgage market.
- Close loopholes within the regulations.
- Introduce, with certain exemptions, stamp duty on Wills devising immovable property.
- Remove the cap on probate fees.

Net Revenue Expenditure 2005

- The net revenue expenditure for 2005 is £423 million, an increase of 2.6% over 2004. This is a significant reduction in real terms.
- The constraint on revenue expenditure has been achieved by:
 - ◊ Identifying £6 million of efficiency savings.
 - ◊ Allocating available growth to priority services.
 - ◊ Negotiating pay awards below the rate of inflation.
 - ◊ Making no allocation to the General Reserve for unforeseen contingencies.

Executive Summary



Capital Expenditure

- The Committee proposed reductions in the annual allocation to capital of £3 million to £45 million for the years 2005 to 2009 and these were approved by the States in the Resource Plan.
- The Committee is now proposing a further £2 million reduction in 2005. This would result in an allocation of £43 million in 2005.
- Despite the reduced allocation in 2005, a number of high priority projects will be delivered, including:
 - ◊ Phase one of the Police HQ Relocation project and further phases of the Prison Redevelopment.
 - ◊ Further allocations for the projects at Hautlieu School and St. Clement's School.
 - ◊ The acquisition of the Adult Mental Health Rehabilitation Unit and phase two of the Belle Vue Residential Home development.
 - ◊ Further essential investment in the Island's sewer and sea defence infrastructure.

Financial Forecast 2004 to 2009



Probable 2004 (restated) £' million		Estimates					2010 Indicative £' million
		2005	2006	2007	2008	2009	
		£' million	£' million	£' million	£' million	£' million	
Income							
360	Income Tax	370	383	396	409	423	353
53	Impôts	53	52	51	50	49	49
14	Stamp Duty	16	16	16	16	16	16
18	Other Income	21	23	24	24	24	24
445	Total Income	460	474	487	499	512	442
Expenditure and Transfers to Reserves							
Revenue Expenditure							
407	Committee cash limits	411					
5	Transfer to General Reserve - Pay and Pension Contingency	12					
-	- In-year unforeseen contingency	-					
412	Total States Net Revenue Expenditure	423	433	444	455	466	478
48	Capital Allocation	43	45	45	45	45	45
-	Transfer to Strategic Reserve	-	-	-	-	-	-
460	Total States Net Revenue and Capital Expenditure	466	478	489	500	511	523
(15)	Deficit for the year	(6)	(4)	(2)	(1)	1	(81)

Notes:Income

- The forecasts reflect the latest estimates revised in September 2004.
- The presentation has been revised to show elements of investment income within 'Other Income' as part of the General Revenues to the States; previously this appeared within the Finance and Economics Committee's income.
- The figures for 2010 are included to present an **indicative** figure of both the projected income tax revenues and resulting deficit after the change to '0/10'.

Expenditure

- The 2004 net revenue expenditure has been restated to reflect the transfer of investment income to 'Other Income' of the General Revenues.
- The allocation to the General Reserve unforeseen contingency has been removed in 2005 and 2006 to reflect the improved pay offer as part of the current negotiations.
- Further savings of £2 million have been identified in the Capital programme for 2005 which contribute to reducing the forecast deficit.

Capital Fund

- The unallocated balance on the States Capital Fund is estimated to be £8 million at 31st December 2005 as shown on page 75.
- The relevance of the Capital Fund is that the 'Finance Law' does not permit this figure to fall below zero. Were it to do so, capital expenditure would have to be reduced in future years to prevent the fund going into deficit.

Finance and Economics Committee – Budget Report



1. FINANCIAL FORECASTS 2004 TO 2009

1.1 2004 Budget

The 2004 Budget predicted a budget deficit in 2005 of £20 million, based on a revenue expenditure increase of 3% and capital expenditure of £48 million. This deficit was forecast to increase to £31 million in 2008 based on a predicted rise in States income of only 2% per annum.

Table 1.1

Financial Forecast – 2004 Budget (restated from November 2003)

	Budget 2004 £m	Estimate 2005 £m	Estimate 2006 £m	Estimate 2007 £m	Estimate 2008 £m
Total Income	449	452	461	470	479
Total Expenditure	456	472	486	498	510
Deficit	(7)	(20)	(25)	(28)	(31)

1.2 Resource Plan 2005 to 2009

The Finance and Economics Committee, faced with a significant deficit in 2005, proposed reductions in both the revenue and capital spending limits early in 2004. These proposals of a 2.5% annual increase in revenue expenditure and a reduced annual capital allocation of £45 million were considered and accepted by the group of Presidents at their initial resource allocation meetings in March 2004.

This reduced level of States spending was then endorsed by the States in July, as a key part of the Committee's expenditure framework proposals within the Fiscal Strategy (P106/2004), resulting in approval of a policy restricting expenditure increases to a maximum of 1% below the underlying increase in the retail price index. The resulting revenue and capital expenditure targets for the next five years were subsequently approved in the States Resource Plan 2005 to 2009 in September, achieving a reduction in the forecast deficits, as shown in Table 1.2.

Table 1.2

Financial Forecast – Resource Plan 2005 to 2009 (July 2004)

	Probable 2004 £m	Estimate 2005 £m	Estimate 2006 £m	Estimate 2007 £m	Estimate 2008 £m	Estimate 2009 £m
Total Income	441	450	459	468	477	486
Total Expenditure	456	464	474	484	495	506
Deficit	(15)	(14)	(15)	(16)	(18)	(20)

The Resource Plan also highlighted a fall in the projected income tax revenues for 2004, increasing the projected deficit in that year to £15 million. However, income tax forecasts for future years proved fairly robust.

1.3 2005 Budget

The 2005 Budget forecasts have been revised since the Resource Plan for the latest forecasts of income tax and impôts duty revenues. Revised forecasts have also been produced for stamp duty and States investment income.

The net effect is a small but helpful increase in projected States revenues of £3 million which has resulted in the forecast deficit (before the 2005 Budget proposals) for 2005 reducing from £14 million to £11 million, as shown in Table 1.3.

Finance and Economics Committee – Budget Report



1. FINANCIAL FORECASTS (continued)

The Committee's policy is to return to balanced budgets and it will continue to take a measured and sustainable approach to both tax and spending over the forecast period. This will include the introduction of those measures outlined and approved in the Fiscal Strategy in July.

In this transitional period, the Committee is determined to control States spending and minimise deficits in the short-term and **is proposing a Budget deficit of £6 million in 2005**, improving to a position of a balanced budget or very small surplus in the forecast years by 2009.

Table 1.3
Financial Forecast – 2005 Budget (November 2004)

	Probable 2004 £m	Estimate 2005 £m	Estimate 2006 £m	Estimate 2007 £m	Estimate 2008 £m	Estimate 2009 £m
Deficit as shown in 2004 Budget	(7)	(20)	(25)	(28)	(31)	-
Adjusted Deficit as per Resource Plan 2005 - 2009	(15)	(14)	(15)	(16)	(18)	(20)
Reduction in Impôts duty estimates (Sept 2004)	-	(1)	(1)	(1)	(1)	(1)
Variation in Other Income (Nov 2004)	-	4	4	4	4	4
Revised Deficit before Budget proposals	(15)	(11)	(12)	(13)	(15)	(17)
Proposed Measures 2005 Budget						
Existing measures						
- Increase in Impôts duties	-	1	1	1	1	1
- Increase in Stamp Duty	-	2	2	2	2	2
- Reduction in Capital Programme	-	2	-	-	-	-
Fiscal Strategy proposals						
- ITIS	-	-	5	5	5	5
- '20% means 20%'	-	-	-	3	6	10
Surplus/(Deficit) in 2005 Budget	(15)	(6)	(4)	(2)	(1)	1

The package of measures for 2005, outlined in Table 1.3, is to:

- freeze income tax allowances and exemptions (which is reflected in the income tax forecasts) as an extension of existing Committee policy;
- make proposals for Impôts duties representing:
 - ◊ no increases to Alcohol or Fuel duties;
 - ◊ no increase in VRD; and
 - ◊ an increase of 5.5%, broadly in line with the Tobacco Strategy, and equivalent to 14 pence on a packet of 20 cigarettes.
- introduce changes to Stamp Duty to remove loopholes and increase equity;
- remove the allocation to the General Reserve unforeseen contingency and increase the pay and pension contingency to fund the improved pay offer within the current negotiations for the June 2004 and June 2005 awards;
- reduce the Capital Programme for 2005 by removing central planning votes and a minor rephasing of the funding allocation for the Police relocation project in 2005; and
- introduce two measures from the Fiscal Strategy, an Income Tax Instalment Scheme (ITIS) and the phasing out of allowances for those on higher incomes, both of which need to be implemented in this year's Budget to generate additional revenue from 2006 onward.

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1.4 Balancing the budgets in the longer term

The indicative financial forecast for 2010, shown on page iv, clearly illustrates the importance of the States decision to approve the Fiscal Strategy proposals in July. Even after the introduction of the first phase of new tax measures, implemented in this Budget, the States is still faced with a forecast deficit in the order of £80 million in 2010. These projections also assume that States expenditure increases remain within the modest levels set in the recent Resource Plan debate of no more than 2.5% per annum.

The Committee will bring forward further proposals in February 2005, which if approved, will be phased in to generate additional revenues, so smoothing the transition to the new tax structure and further improving the long-term financial position of the States.

1.5 The 'Finance Law'

The new draft Public Finances (Administration) (Jersey) Law 200-, the 'Finance Law', has been prepared as part of the legislative framework required alongside the new draft States of Jersey Law to facilitate the move to ministerial government. A new 'Finance Law' would have been required in any event to bring the previous 1967 legislation up to date and modernise States financial management. In doing so the objective has also been to reduce unnecessary bureaucracy and to develop alongside the legislation a practical guide in the form of a new Accounting Manual for all staff involved in States finances.

The new draft 'Finance Law' will propose a Consolidated Fund, in place of the existing Capital Fund, providing a simplification of the current funding structure. In essence this will represent a single States bank account for its operational activities and the annual Budget will vote monies to and from this Fund. As with the current provisions, the new 'Finance Law' prevents the States from setting a budget which effectively means that States finances would be overdrawn, i.e. a Budget deficit would only be allowable if there were sufficient reserves in the new Consolidated Fund. On the basis of the current financial forecasts the States finances are indeed projected to become overdrawn in 2006 unless the tax measures in this year's Budget, including the freezing of tax allowances and exemptions, are approved.

The Committee will bring forward further proposals in February 2005 which, when approved, will be phased in to generate additional revenues in advance of '0/10'. The additional revenues may enable funds to be set aside within the Consolidated Fund to offset initial deficits following the move to a new tax structure.

2. FISCAL STRATEGY

2.1 Introduction

The purpose of the Fiscal Strategy is to identify a tax and spending framework which is affordable and sustainable and which safeguards the economy of the Island for future generations.

The Fiscal Strategy supports two of the Aims of the new States Strategic Plan:

- Aim One – To create a strong and competitive economy.
- Aim Nine – To balance the States income and expenditure and improve the delivery of public services.

2.2 Framework for Expenditure

The Resource Plan 2005 to 2009, approved by the States in September 2004, outlined the spending framework for the next five years in the form of limiting increases in total States net revenue expenditure at a target of 2.5% growth per annum and with capital allocations frozen at £45 million per annum. In addition a further **"one-off" reduction of £2 million in capital** has been identified for 2005.

These targets are consistent with the Strategic Plan and Fiscal Strategy objectives to constrain expenditure growth to a level below the underlying increase in the Retail Price Index.

These targets will be translated into three-year Committee cash limits to provide the financial framework within which Committees will prepare individual Business Plans for the period 2006 to 2008.

The first step is the production of Annual Business Plans for departments for 2005 which will form the template for the three-year plans that follow. These will be complete by January 2005.

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2. FISCAL STRATEGY (continued)

2.3 Framework for Taxation

The Fiscal strategy, approved by the States in July 2004, lays out the fiscal measures necessary to balance budgets in the short and medium term, together with a timescale to bring forward proposals to enable the smooth transition to a new corporate tax structure from 2009.

The first step is to introduce two of the proposals approved in July; these are being implemented in the 2005 Budget, and relate to:

- an Income Tax Instalment Scheme (ITIS); and
- the phasing out of tax allowances for taxpayers on higher incomes ('20% means 20%').

The Finance and Economics Committee will be bringing forward to the States in February 2005 further proposals relating to:

- taxation provisions requiring Jersey resident participators to pay personal taxation based upon the profits of the Jersey companies accruing to them as a result of their direct or indirect ownership of those companies;
- mechanisms for levying tax on non-resident shareholders of local trading companies;
- developing such anti-avoidance measures as may be necessary to enforce the above; and
- further research into a goods and services tax, a payroll tax, environmental taxes, development levies and further tax enforcement measures in order to investigate the feasibility of their introduction, and to bring forward details to the States with recommendations for approval.

The final components of the Strategy relate to:

- the development of policies to achieve a target for economic growth of 2% per annum over the period 2005 to 2009 which the Economic Development Committee will be bringing forward to the States before February 2005; and
- the mitigation of the effects of the new tax proposals on those with low incomes by the prior or simultaneous implementation of a new Income Support Scheme for which proposals will be brought to the States by the Employment and Social Security Committee.

2.4 Finance and Economics Committee Strategy

The Committee's Strategy, in relation to States finances, for the period 2005 to 2009 is to:

- develop a resource allocation process integrating the strategic priorities from the Strategic Plan with the expenditure framework from the Fiscal Strategy and States Resource Plan to enable Business Plans to be produced by Committees for 2006 to 2008, in order to:
 - ◊ restrict increases in total States net revenue expenditure to affordable levels, currently this is a maximum of 1% below the underlying retail price index, taken as 2.5% per annum as a target figure (based on RPI(X) at 3.5%);
 - ◊ deliver allocations to Committees within the overall spending targets and in accordance with States priorities;
 - ◊ demonstrate value for money from public services; and
 - ◊ ensure the delivery of a policy for balanced budgets leading up to the introduction of '0/10'.
- support the further development of the benchmarking of States services to enable targeted efficiency measures and the introduction of an annual performance report;
- maintain 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 to sustainable levels, broadly in line with the current forecasts of increases in States revenues;
- continue to increase financial discipline in the use of 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;
- to develop the options for revenue raising measures as a result of the approval of the Fiscal Strategy (P106/2004) and bring forward proposals to the States in February 2005;
- restrict the extent of external borrowing to a minimal level; and
- bring forward a clear policy for the Strategic Reserve, accepting that in the current economic circumstances no transfers are likely, but with an objective to replace these contributions when economic growth allows.

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2.5 Inflation

The Committee remains concerned about the persistently high rate of inflation in the Island. Though RPI(X), the rate used for the inflation target of 2.5%, **has fallen for the sixth consecutive time to 3.3%**, the headline rate has risen to 5.6% driven by the external factors of oil prices and interest rates.

There are no quick fixes for reducing the long term rate of inflation; it requires the vigorous and sustained pursuit of a package of policies including:

- not running deficits when the economy is already growing strongly;
- improving the efficiency of the public sector;
- keeping public expenditure under tight control;
- removing unnecessary States regulations and controls on business;
- incorporating utilities to make them more commercial and putting in a regulator to control their prices; and
- creating a strong competition regime backed by legislation to deal with abuse of market power and price fixing.

In order to assist in breaking the inflationary spiral, however, the Committee in this year's budget is proposing further reductions in public expenditure which will enable impôts duties to be frozen, with the exception of those on tobacco. This will only succeed however, if businesses and pay groups follow the States lead by also reducing price increases and pay demands.

3. REVENUE EXPENDITURE 2005

3.1 Net Revenue Expenditure 2005

Once again the major feature and **achievement of this year's budget is the constraint and control of revenue expenditure**. The Committee set tough targets in the Resource Plan in September 2003, aiming at a maximum of 3% revenue expenditure growth in the period 2004 to 2008. The targets for the next five years have been reduced in this year's Resource Plan to 2.5% per annum, over the period to 2009.

The constraint on expenditure, achieved by the identification of both service reductions and efficiency savings, has resulted in affordable levels of growth only being available to allocate to priority services. The control of States spending is a key part of the tax and spending strategy to deliver balanced budgets in advance of the move to '0/10' in 2009.

In this year's Fundamental Spending Review (FSR) process all States Members and Committees have had the opportunity to be involved in resource allocation and the Committee is grateful for those contributions and support throughout the year, particularly those of major Committee Presidents and Chief Officers who took part in the 2005 FSR process.

3.2 2005 Fundamental Spending Review

The 2005 process has been the most comprehensive to date, building on the lessons learnt from previous years. In particular the process was intended to focus the time and attention of Presidents on the issue of service priorities for the allocation of both service reductions and additional funding.

This year's process has also looked further ahead with the Presidents agreeing efficiency targets for the next five years and alongside these targets a Public Sector Reform process which should deliver *at least the same level of services, but for less cost*. In all, the target is £20 million in efficiency savings over the next five years.

With only a 2.5% increase in revenue expenditure, much of this increase needed to be allocated in the first instance to maintaining the cost of existing services, through pay and non-pay inflation and the up-rating of benefits. As a consequence, additional funding for priority services could only be allocated to the level that service reductions and efficiency savings were achieved. In total almost £14 million additional funding was available for service priorities as shown in Table 3.1, but overall the process allocated only an additional £1.6 million.

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3. REVENUE EXPENDITURE 2005 (continued)

Table 3.1
Outcomes of 2005 Fundamental Spending Review

Committee	Additional Funding £'000	Service Reductions £'000	Net Position on Services £'000	Efficiency Savings £'000	Net Position £'000
Public Services	4,464.0	600.0	3,864.0	129.9	3,734.1
Health and Social Services	2,017.0	655.0	1,362.0	2,133.4	(771.4)
Privileges and Procedures	1,369.0	156.0	1,213.0	65.1	1,147.9
Home Affairs	1,587.0	644.0	943.0	632.0	311.0
Housing	1,082.0	345.0	737.0	182.1	554.9
Planning and Environment	689.0	251.0	438.0	560.2	(122.2)
Education, Sport and Culture	1,166.0	970.0	196.0	1,430.7	(1,234.7)
Harbours – La Collette	-	8.0	(8.0)	-	(8.0)
Economic Development	993.0	1,051.0	(58.0)	238.0	(296.0)
Policy and Resources	288.0	404.0	(116.0)	121.5	(237.5)
Employment and Social Security	-	345.0	(345.0)	53.8	(398.8)
Finance and Economics	138.0	744.0	(606.0)	453.3	(1,059.3)
	13,793.0	6,173.0	7,620.0	6,000.0	1,620.0

The outcomes highlight significant additional funding to Public Services, but this funding relates to maintaining existing services rather than growth. Over £4 million was required to continue the Connex bus contract and replace the deferred Sewerage Charge.

The net position on services reflects the priorities of the Presidents, which were to the Health and Social Services, Privileges and Procedures, Housing and Home Affairs Committees. The incidence of efficiency savings is not intended to affect the level of service and is allocated in proportion to gross expenditure less benefits.

The resulting change in committees' 2005 cash limits are summarised in Table 3.2.

3.3 Efficiency Savings

These savings are not intended to cause a reduction in service but are savings which **should be achieved across the States by adopting the vision better, simpler, cheaper.**

The principle is that these efficiency savings comprise targets for both corporate and departmental efficiencies. The Shadow Corporate Management Board was charged with identifying the corporate efficiency savings and the main streams of work are in relation to the support service functions of:

- Information and Communications Technology;
- Finance;
- Procurement services;
- Human Resources; and
- Property management.

As a first step the full £6 million has been removed on a pro-rata basis from the 2005 Committees' cash limits across the States but as the corporate efficiencies are identified by the groups managing each target area, these will be adjusted against Committee budgets.

The detailed allocation of these corporate efficiencies will emerge through "proof of concept" studies leading to the restructuring of functions and resources to achieve a more efficient and effective delivery of these support services.

The first targets for corporate efficiencies are support services (ICT, Finance, Procurement, Human Resources and Property). However, the budgets for these functions are included within Committee cash limits and the total target for efficiencies has been allocated across all cash limits. The allocation will be adjusted to reflect the actual realisation of efficiency savings in support services. The scale of the support services budgets within each Committee is now detailed in the 2005 Budget Annex in the form of new "Statements of Support Service Costs".

In subsequent years, savings will continue to be achieved in these areas but they will also be delivered by the new Change Network targeting; changes in working practices, use of technology and a corporate approach, as services work together to remove duplication and support each other.

Finance and Economics Committee – Budget Report



Table 3.2
Increases in Committee Net Revenue Expenditure from 2004 to 2005

Committee	2004 Budget (restated) £'000	Committee Transfers £'000	Budget Adjustments £'000	2004 Budget (adjusted) £'000	FSR Process £'000	Pay Awards £'000	Non-staff Inflation £'000	Efficiency Savings £'000	2005 Cash Limits £'000	Indicative June 2004 Pay Awards £'000	Indicative 2005 Cash Limits £'000	Indicative 2004/2005 Change %
Policy and Resources	6,492.5	(15.3)	-	6,477.2	(116.0)	-	40.9	(121.5)	6,280.6	123.0	6,403.6	(1.1%)
Privileges and Procedures	3,967.0	-	-	3,967.0	1,213.0	33.7	84.8	(65.1)	5,233.4	47.8	5,281.2	33.1%
Finance and Economics	23,947.4	(296.2)	-	23,651.2	(606.0)	140.3	201.5	(453.3)	22,933.7	384.4	23,318.1	(1.4%)
Environment and Public Services												
Planning and Environment	3,134.8	1,841.5 ¹	-	4,976.3	270.0	-	3.6	(129.9)	5,120.0	129.7	5,249.7	5.5%
Public Services	18,831.3	1,580.9 ¹	(2,400.0) ⁴	18,012.2	3,678.0	-	115.9	(560.2)	21,245.9	416.6	21,662.5	20.3%
Economic Development	18,537.5	(3,227.4) ¹	-	15,310.1	296.0	-	297.1	(238.0)	15,665.2	113.1	15,778.3	3.1%
Health and Social Services	121,599.0	116.5	(560.0) ³	121,155.5	1,362.0	233.0	698.3	(2,133.4)	121,315.4	2,337.5	123,652.9	2.1%
Education, Sport and Culture	87,902.5	-	-	87,902.5	196.0	-	586.4	(1,430.7)	87,254.2	1,610.1	88,864.3	1.1%
Home Affairs	37,582.2	-	(446.6) ³	37,135.6	943.0	-	250.3	(632.0)	37,696.9	793.5	38,490.4	3.6%
Employment and Social Security	80,401.4	-	-	80,401.4	(345.0)	-	2,724.5	(53.8)	82,727.1	45.8	82,772.9	2.9%
Housing	(238.8)	-	-	(238.8)	737.0	-	181.0	(182.1)	497.1	78.6	575.7	341.1% ²
Overseas Aid	5,306.0	-	218.0 ⁵	5,524.0	-	-	-	-	5,524.0	-	5,524.0	0.0%
Legislation	47.0	-	-	47.0	-	-	1.2	-	48.2	-	48.2	2.6%
Harbours - La Collette	(124.7)	-	-	(124.7)	(8.0)	-	(3.3)	-	(136.0)	-	(136.0)	(9.1%)
Total Cash Limited Expenditure	407,385.1	-	(3,188.6)	404,196.5	7,620.0	407.0	5,182.2	(6,000.0)	411,405.7	6,080.1	417,485.8	3.3%
General Reserve	-								-		-	
Pay and Pension Contingency	5,016.3								11,794.3		5,714.2	
Total Net Revenue Expenditure	412,401.4								423,200.0		423,200.0	2.6%

Notes to Table 3.2

1. The relevant functions of the previous Agriculture and Fisheries department have been transferred from the Economic Development Committee to the Environment and Public Services Committee.
2. The extraordinary variation for the Housing Committee reflects a significant change in the net budget; however this represents only a small variation on the Committee's gross expenditure of £35 million.
3. The budget adjustments for the Health and Social Services and Home Affairs Committees reflect the removal of funding for the expiring Substance Misuse and Crime and Community Safety strategies respectively.
4. The budget adjustment for Public Services represents the removal of the one-year funding for the deferral of the sewerage charge.
5. The Overseas Aid Committee budget adjustment is in accordance with the agreed funding formula.

General Notes:

- No provision is being made for the unforeseen contingency within the 2004 General Reserve allocation.
- The indicative allocation of the June 2004 pay award is based on the 2.5% award agreed with the Civil Service employee group and currently being negotiated with other groups. The final two columns in Table 3.2 reflect the indicative pay allocation.
- The remaining Pay and Pension Contingency is mainly in respect of the improved pay offer for the June 2005 awards within the current negotiations.
- Further details of the reasons for changes in Committees' cash limits are provided in the detailed Committees' budget pages.

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4. NET REVENUE EXPENDITURE 2006 TO 2009

4.1 Resource Plan

The States approved the Resource Plan 2005 to 2009 which proposed specific revenue expenditure targets for 2006 to 2009 equating to a 2.5% increase per annum over that period. These targets are consistent with the Strategic Plan and Fiscal Strategy objectives to constrain expenditure to affordable levels of less than real terms growth and targets will be subject to ongoing review as part of the Business Planning process.

4.2 Financial Forecast assumptions

The expenditure targets are structured around certain underlying assumptions in respect of the up-rating of pay and non-pay budgets. These are assumed to be at a similar level to the overall expenditure targets, i.e. less than real terms growth, but for the up-rating of benefits this is taken as an average of the forecast increase in average earnings and cost of living.

The targets also assume that the levels of efficiency savings identified in the Visioning exercise, amounting to £4 million per annum through the forecast period, will be delivered.

Within these limits very little scope remains for additional funding, which means that **any service growth is dependent on the identification of equivalent savings from other lower priority areas**. This will be the challenge for the business planning process.

4.3 Business Planning

The new business planning process has begun and the first Business Plans for 2005 will emerge early in the New Year. These have been prepared at an individual committee level and will provide the templates for the first three-year business plans covering 2006 to 2008.

These Committee or Departmental Business Plans will be summarised at a high level to provide an input to the **first States Business Plan for 2006 to 2010**, which is scheduled to be lodged in July 2005 for debate in September 2005.

Once the new 'Finance Law' and its supporting legislation is enacted, scheduled for December 2005, the States Business Plan rather than the Budget will be the vehicle through which the States consider and approve the allocations to Ministries for revenue expenditure. However, in 2005 transitional arrangements will be in place which facilitate the development of the new style business plans but still allow the expenditure allocations to be approved under the existing 'Finance Law'.

The States Business Plan is intended to bring together the strategic objectives, required resources and associated performance measures into one document, which then cascades into departmental business plans and detailed action plans for individual service areas.

A significant challenge within the new business planning process will be an improved mechanism for resource allocation which develops the current model to incorporate the strategic priorities and initiatives from the States Strategic Plan. This work has begun and further development will continue with officers and States members over the next few months to agree a model from which three-year cash limits for Committees can be determined for 2006 to 2008.

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5. GENERAL RESERVE

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

The new 'Finance Law', planned for implementation in December 2005, removes the requirement for a General Reserve. Instead the States will need to budget to provide any contingency funding, for emergencies only, within the new Consolidated Fund.

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

The proposal for 2005 is not to make an allocation to the Reserve for an unforeseen contingency. This recognises the need to increase the allocation to the pay and pension contingency in respect of the improved offer made to employee groups as part of the current pay negotiations. In this way the total States net revenue expenditure is not further increased.

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 the intention of the Committee that such a balance will be maintained in the existing Capital Fund and transferred over when the new 'Finance Law' comes into place.

6. CAPITAL

The States, in approving the Resource Plan 2005 to 2009, agreed the detailed programme and individual capital projects for 2005. Since the Resource Plan, the Committee has identified further reductions to contribute to reducing the deficit in 2005. These are to:

- remove the Central Planning and Land Acquisition votes totalling £1 million; and
 - achieve a small reduction in the funding allocation to the Police Relocation project, through rephasing, of a further £1.2 million.
- The proposed programme can be summarised as follows:

Table 6.1
Summary of Capital Programmes 2004 and 2005

2004 £m		2005 £m
18.2	Building and Civil Engineering Works	27.1
4.0	Equipment and Minor Capital	4.0
22.2		31.1
0.5	Central Planning Vote	-
8.0	Corporate IT Vote	4.5
0.5	Capital (Risk) Reserve Vote	-
0.5	Land Acquisition Vote	-
8.0	Loan Sanction Repayments	5.0
8.5	Housing Development Fund	2.0
48.2	Total	42.6

As part of the strategy to reduce forecast deficits in the Resource Plan the Finance and Economics Committee had reduced the annual allocation to capital to £45 million in 2005 and the further reductions now proposed would result in an allocation of only £43 million. It is currently proposed to maintain the funding of £45 million for each of the remaining years to 2009 as was agreed, in principle, in this year's Resource Plan. After taking account of inflation this will represent a real terms cut in capital expenditure in each of those years.

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6. CAPITAL (continued)

Despite the further reduction to the annual capital allocation in 2005, a number of high priority projects will be delivered, including:

- £9.0 million for phase one of the Police Relocation Project;
- £5.1 million for phases two to five of the Prison redevelopment;
- £1.9 million for phase two of the St. Clement's School redevelopment;
- £2.4 million for the Greenfields secure care unit at the former Les Chênes site;
- £1.4 million for the acquisition of the Adult Mental Health Rehabilitation Unit;
- £2.8 million for phase two of the Belle Vue Residential Home development;
- £5 million loan sanction repayment in respect of Hautlieu School;
- a further allocation of £2 million to the Housing Development Fund to continue the programme of facilitating the provision of social rented properties; and
- £4.5 million allocation to support the corporate ICT Strategy.

As has been the case in previous years, when faced with overwhelming demands for capital expenditure against a reducing overall allocation, compromises have had to be made. Once again the Finance and Economic Committee is appreciative of the constructive co-operation of bidding Committees that has enabled the formulation of the 2005 capital programme.

The Finance and Economics Committee recognises **the need to maintain allocations to capital expenditure at a level sufficient to maintain and develop the Island's infrastructure**. The proposed capital programme to 2009, agreed in principle in this year's Resource Plan, seeks to achieve that goal by a continued corporate approach to long-term planning and prioritisation of capital expenditure.

7. STRATEGIC RESERVE

The Strategic Reserve was established in 1986 and at 31st December 2003 had a balance of £397 million. The purpose of the Reserve is as a contingency for the Island against any unforeseen event which may cause a sustained and significant deterioration in the economy and States revenues. What constitutes such an unforeseen event or to what uses the Reserve should be applied has been the source of much debate.

The Committee has been reviewing the purpose and application of the Reserve and should be in a position to announce the outcomes of the review and indicate some guiding principles for the use of these funds in the Budget Speech in December.

8. TRADING COMMITTEES

The Postal and Harbours and Airport Committees are going through a **transitional period during which the best vehicle for their future business activities is being considered**. At the same time the States require these Committees to continue to make an appropriate financial return to States finances.

The States have approved the Incorporation of Jersey Post, and this now looks likely to take place in May 2005. Incorporation will necessitate the repayment to PECRS of the past service liability in respect of Jersey Post employees. In order to support Jersey Post in meeting this liability no ordinary dividend is expected to be forthcoming until the finances of the company are sufficiently robust.

Jersey Harbours are intending to bring a Business Plan to the States by the end of the year, outlining the options to move forward as a modern commercial port and outlining a forward financial strategy. Based on continuing as a trading committee of the States and certain assumptions in relation to the funding of one-off capital projects, Jersey Harbours is forecast to make a return of £0.4 million to the States in 2005.

The States approved P198/2002 which requires elements of Airport funding to be provided from General Revenues. The Finance and Economics and Harbours and Airport Committees are working together to identify an appropriate mechanism for this funding which, if from existing States revenues, would have to be prioritised accordingly. At this stage no funding is provided within the period of the latest Resource Plan 2005 to 2009, but the longer-term funding issues clearly need to be addressed in the near future. The Committee will continue to encourage the Airport to maximise the opportunities within its own trading operation.

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9. OTHER STATES INVESTMENTS

The 2005 Budget presents the return from States investments within General Revenues for the first time. Previously certain of these investments had been included under the Finance and Economics Committee's non-departmental income. Dividend income from Jersey Electricity Company (JEC) and Jersey New Waterworks Company (JNWWC), together with the surplus from Jersey Currency and Coinage, has been transferred and the figures from 2003 and 2004 restated. The total forecast income from States investments in 2005 is now £21 million.

Bringing all these investments together will provide a clearer focus on the returns made and the Committee will continue to ensure that **the contribution to States revenues is maximised consistent with agreed policies**. One example can be seen from Jersey Telecom where, since incorporation, negotiations have enabled the forecasts of the dividends receivable to be increased.

The Jersey Financial Services Commission has agreed a return, similar to current levels, to be maintained for 2005 in advance of new legislation to be introduced resulting in a change in the basis on which the return to the States is made. At this point, 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.

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 on 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 Island's tax structure.

10.2 Latest Estimates – September 2004 for the period 2004 to 2009

The Comptroller of Income Tax now produces three forecasts of tax revenues, one in January of each year, projected on the actual tax revenues of the previous financial year, an update in June to inform the States Resource Plan, and a further forecast in September for the Budget which by that time can be based on assessments for the current year's tax charged.

Table 10.1
Sources of Income Tax Revenues 2000 to 2005



Table 10.1 shows that the recent slight decline in corporate tax revenues is forecast to level out in 2005 and, although there may still be some repositioning by companies in advance of the proposed structural changes, the prospect is for a slight increase in fortunes in the next few years.

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The recent decline in corporate tax revenues has been partly offset by further growth in personal tax revenues which, in contrast, has exceeded forecasts. This is partly due to the Committee's policy of freezing exemptions and allowances, although this was subject to amendment in the 2004 Budget. This policy has brought more taxpayers into the tax net, and the increases are also influenced by the long-term shift in employment from the agriculture and tourism industries to better paid jobs in the financial sector.

Table 10.2 shows that there is a decrease forecast in the tax revenues between 2003 and 2004. Should this come to fruition it would be the first time in 40 years that tax revenues have fallen. Even in the period of recession in the early 1990s, small increases in tax were still maintained.

Table 10.2
Variations in the Income Tax Estimates from Budget 2004

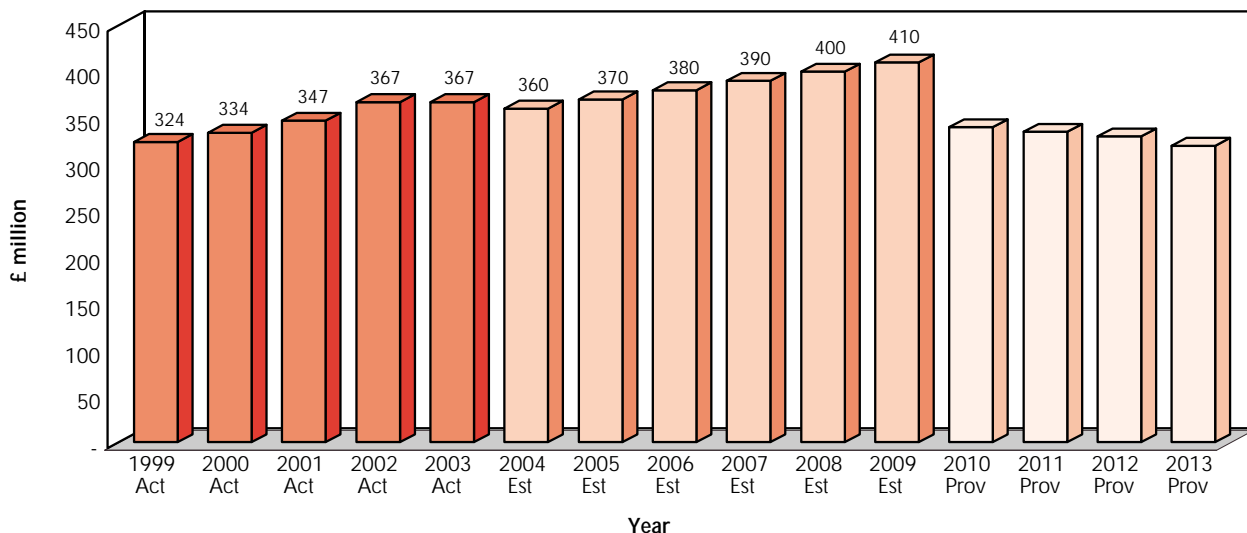
Income Tax Forecast	Actual 2003 £m	Probable 2004 £m	Estimate 2005 £m	Estimate 2006 £m	Estimate 2007 £m	Estimate 2008 £m	Estimate 2009 £m
Budget 2005	367	360	370	380	390	400	410
Budget 2004	370	367	372	382	392	402	412
Decrease in Forecast	(3)	(7)	(2)	(2)	(2)	(2)	(2)

The forecasts show a fall of £7 million on previous forecasts for 2004 but only small variations in subsequent years. **The forecasts beyond 2005 are less certain** and 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. Nevertheless, even at these levels they are still below the current forecast levels of expenditure growth.

10.3 Latest forecasts – September 2004 for the period 2010 to 2013

The income tax forecasts produced for this year's Resource Plan looked for the first time over a ten-year forecast period in order that the full impact of the move to a new '0/10' corporate structure could be illustrated. The projected fall-off in income tax revenues in 2010 is shown in Table 10.3. Based on all the assumptions made in the financial forecast on page iv, this would translate to an indicative deficit in States revenues in the order of £80 million in 2010.

Table 10.3
Income Tax Receivable 1999 to 2013



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10.4 Income Tax Proposals

In the 2005 Budget, the Finance and Economics Committee proposes:

- tax exemptions and allowances are frozen for 2004;
- the introduction of a simplified form of pay as you earn to be known as the Income Tax Instalment System (ITIS);
- the introduction of a system for the phased withdrawal of tax allowances and reliefs from those on high incomes commonly known as '20% means 20%';
- specific provisions to ensure that all profits made from property development are brought within the charge to Jersey tax and to ensure that non-residents are not able to misuse the Double Taxation Arrangement protection;
- specific provisions relating to the taxation of the world-wide income of those who gain a 1(1)k licence through the Housing Regulations; and
- a minor amendment to the current higher child allowance.

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 the following initiatives:

- enhanced anti-avoidance powers under Article 134A;
- new information and enforcement powers;
- the '0/10' corporate structure and related imputation provisions; and
- the EU Savings Directive and OECD Tax Information Exchange Agreements.

It is estimated that the freezing of allowances and exemptions in 2004 will increase tax receipts in 2005 by some £3 million. The other proposed changes in relation to ITIS and '20% means 20%', if approved, would increase tax receipts in 2006 and 2007 respectively.

10.5 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. However, the Committee's proposals in the 2004 Budget were amended to retrospectively increase the exemptions by 2.5% for 2003. In this year's Budget the Committee is proposing that the amended 2003 allowances and exemptions are maintained for the year of assessment 2004, affecting tax collectable in 2005. The result is that they would remain at current levels, which are:

Exemptions

– Single Person	£11,020
– Single Person (aged 63+)	£12,300
– Married Couple	£17,680
– Married Couple (aged 63+)	£20,250

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

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10. INCOME TAX (continued)

The effect of the Committee's policy of freezing exemption limits and allowances has been to increase the proportion of persons on the Comptroller's database who actually pay tax. Since the policy was introduced the number of these persons who actually pay tax **will have increased from 57% in 1993 to 73% in 2005**. This still means that the 27% of Island residents on lowest incomes are not liable to pay any income tax.

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 2004 until their income exceeds £37,180, calculated as follows:

Married Man's Exemption	£17,680
Wife's Earned Income (max)	£4,500
Child Allowance	£2,500
Child Allowance (higher)	£5,000
Mortgage Interest	£7,500
	£37,180

TAX FACT

The historically generous tax thresholds in Jersey mean that despite the freezing of most allowances and exemptions for several years, many Islanders still pay less tax than in most neighbouring territories. It should also be noted that 17.5% VAT is an additional tax burden in the Isle of Man and the UK.

The **income tax payable by a married couple** in 2004 with a joint income of £30,000 is as follows:

Isle of Man	£ 1,400
Jersey	£ 2,111
Guernsey	£ 2,910
United Kingdom	£ 4,359

The **income tax payable by a married pensioner** in 2004 (aged 63+) with an income of £20,000 is as follows:

Jersey	£ NIL
Guernsey	£ 350
Isle of Man	£ 400
United Kingdom	£ 2,154

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.

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10.6 Summary of other proposed changes for 2005:

Income Tax Instalment System (ITIS)

An Income Tax Instalment System (ITIS) was approved as part of the Fiscal Strategy agreed by the States earlier this year. It is proposed **that ITIS will apply to all employees**, whether full time, part time or contract, as well as to all directors who are paid a salary or fees, plus all labour-only subcontractors who do not have an exemption certificate from the Income Tax Office – which would only be issued if they have a good tax compliance record.

ITIS will not apply to sole traders, partnerships, those individuals living off investment income and pensioners - except those in employment. A mandatory system of early payment on account during the year will be introduced for those types of taxpayers, i.e. half the previous year's tax liability at the end of April and a final settling up when the Notice of Assessment goes out in September. Such a system would accelerate the flow of funds into the States Treasury in a manner broadly similar to ITIS for employees.

The deductions made on a monthly basis from the wage, salary or income of employees, directors and labour only subcontractors will act as a prepayment of the tax liability which will continue to be calculated and assessed in the normal manner.

Deductions will start in January 2006 in respect of the 2005 tax liability, the tax bill for which will be issued as now in September 2006. For new residents, tax deductions will start the first month of work, either based on an effective rate calculated by the Comptroller that takes all the taxpayer's circumstances into account or, alternatively, at a default rate of 15%. This default rate will rise to 20% in year of assessment 2008 to accommodate those taxpayers subject to the 20% means 20% policy. However, those new taxpayers who call in promptly to the Income Tax Office outlining their personal circumstances and expected income will have an effective rate issued immediately.

Short term residents will have their tax allowances and exemptions restricted to the period of time they are resident in Jersey rather than, as in the past, having a full year's allowances and exemptions.

Non-resident employers employing people locally will be included in ITIS.

Where both a husband and wife are employed both parties will be subject to ITIS, but there are provisions to allow them to request an adjustment or change in how the deductions are split across their salaries.

Penalty provisions are incorporated in the law to require employers to make timely returns of their employees' monthly schedules and tax deducted.

Income Tax currently receive 75% of employers' returns of employees' earnings electronically and the intention is to work with Social Security to develop a system which will allow the employer to declare both Income Tax and Social Security deductions on the same system, although neither Income Tax nor Social Security will be able to see or download the confidential details relating to the other.

The relevant amendments to the Income Tax Law will be lodged in advance of the Budget and a detailed technical brief will be available on the Income Tax website.

'20% means 20%'

After listening to the comments and feedback from various people on the original proposals for '20% means 20%', a principle also agreed in the Fiscal Strategy, it became clear that the 'one size fits all' approach of phasing out tax allowances over an income range of £80,000 to £150,000 for all married couples and income of £40,000 to £75,000 for all single people would not work satisfactorily in all cases.

This is because different taxpayers with the same income have very different personal and family circumstances which would result in a very different entitlement to tax allowances and reliefs.

What is now proposed will simplify the current personal tax system whilst ensuring that individual personal circumstances which entitle people to certain tax allowances and reliefs will be taken into account, except for those with high incomes.

So the principle of '20% means 20%' is maintained for those with high incomes.

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10. INCOME TAX (continued)

These revised and improved proposals will allow taxpayers to pay the lower tax bill as calculated under the following two methods:

1. Income - less allowable pension contributions and allowable work-related expenses - taxed at 20%, (This remains the standard rate of income tax) or,
2. Income - less allowable pension contributions and allowable work-related expenses and the exemption threshold to which a taxpayer is currently entitled and the additions, if applicable, to that exemption threshold, such as child allowance and additional personal allowance and other deductions such as mortgage interest tax relief up to a cap of £300,000, child care tax relief and maintenance relief - taxed at 27%. (This is the marginal rate applied to those with low to middle incomes who benefit from the high exemption limits).

It is also proposed to **phase in the withdrawal of tax allowances** for those on high incomes over a period of three years so that there is no sudden and dramatic increase in any individual's tax bill.

This will be achieved by withdrawing one-third of the tax allowances from those on high incomes in the year of assessment 2006, affecting tax paid in the year 2007, two-thirds of their tax allowances in the year of assessment 2007, affecting tax paid in the year 2008, with all their entitlement to tax allowances gone in the year of assessment 2008, affecting tax paid in the year 2009.

All those taxpayers who currently benefit from the existing exemption thresholds will not pay any more tax under these proposals. This covers some 36,500 taxpayers, single and married, with relatively low incomes.

Only those taxpayers, some 14,300, who currently pay tax at the standard tax rate of 20% will pay more tax - these are the taxpayers that are relatively better off.

How much tax these taxpayers pay will depend on two factors – their income and their current entitlement to tax allowances and tax relief such as mortgage interest relief. Those with higher incomes will see all their entitlement removed, so will pay an additional amount of tax equal to the full value of their current tax allowances and reliefs at 20%.

Examples of how these revised proposals will work, for different household types, are given below.

- **Single, no children, no mortgage and no other income tax allowances or reliefs** - maximum amount of additional tax to be paid is £1,200. This maximum additional amount will become payable at incomes above £42,500.
- **Single, one child (school age), mortgage of £120,000 @ 5.3% and no other income tax allowances or reliefs** - maximum amount of additional tax to be paid is £3,870. This maximum additional amount will become payable at incomes above £94,000.
- **Married couple, no children, no mortgage, wife working and no other income tax allowances or reliefs** - maximum amount of additional tax to be paid is £2,620. This maximum additional amount will become payable at incomes above £85,550.
- **Married couple, two children (school age), mortgage of £120,000 @ 5.3%, wife working and no other income tax allowances or reliefs** - maximum amount of additional tax to be paid is £4,890. This maximum additional amount will become payable at incomes above £129,370.
- **Married couple, two children (school age), mortgage of £200,000 @ 5.3%, wife working and no other income tax allowances or reliefs** - maximum amount of additional tax to be paid is £5,740. This maximum additional amount will become payable at incomes above £145,720.

As with ITIS the relevant amendments to the Income Tax Law will be lodged in advance of the Budget and a detailed technical brief will be available on the Income Tax website.

Specific provisions for property developers

The Comptroller of Income Tax became aware earlier this year of an attempt to misuse the provisions of Jersey's Double Taxation Arrangement with Guernsey and this specific measure will ensure that the profits made by non-residents from property development, both by the sale of realty and by shares, are brought within the charge to Jersey tax. It will also ensure that non-residents are not able to claim inequitable Double Taxation Arrangement protection. This new anti-avoidance measure will also ensure, through a consequential amendment, that all Jersey residents engaged in any sort of property development through the sale of shares, rather than realty, are also within the charge to Jersey tax.

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Specific provisions to tax 1(1)k's

Following the specific objective at paragraph 1.1.4. in the Strategic Plan that "Jersey should attract more high-wealth individuals who contribute economically and socially to the future of the Island", it is proposed that future arrangements as regards the tax contribution of 1(1)k's should be enshrined in legislation within the Income Tax (Jersey) Law, so that all future 1(1)k's are under a legal obligation, like every other taxpayer, to abide by the provisions of the said Law as it applies to them, and to pay their tax liabilities accordingly.

Higher child allowance

This is a minor amendment to ensure that only those in higher education are entitled to the higher child allowance.

10.7 Other initiatives proposed for further consideration

Enhanced anti-avoidance powers under Article 134A

Prior to the introduction of the '0/10' corporate reforms, it is proposed that Article 134A be strengthened to ensure automatic reporting of transactions where they result in the avoidance, reduction or deferral of Jersey tax. There will be no requirement to make protective disclosures for common life events, such as taking out a mortgage, investing in an approved pension plan, etc, but all transactions such as turning income into capital, the granting of share options, the transfer of company control outside Jersey, and similar transactions, will need to be reported for a ruling. If the transaction is connected to an employment, the employer will be required to report the transaction.

New information and enforcement powers

Prior to the introduction of the '0/10' corporate reforms, it is also proposed that all Jersey taxpayers be required to make an annual and full disclosure of all corporates and trusts in which they have an interest or participation, whether in Jersey or overseas, to ensure that a full and complete disclosure of a Jersey resident's total world-wide income and profits is made. New penalty provisions will apply to any Jersey resident taxpayer who makes false or incorrect declarations in relation to the proposed '0/10' corporate provisions and there will also be penalties for concealing, altering, destroying or disposing of any document relevant to a Jersey tax liability.

The '0/10' corporate structure and related imputation provisions

The States Assembly has already given approval to the '0/10' corporate tax reforms and consultation is already taking place on the imputation provisions. Further extensive consultation will be required prior to and during the formulation of the legislation required to introduce these reforms. It is anticipated that the necessary legislation will be presented to the States within the next two years.

EU Savings Directive / OECD Tax Information Exchange Agreements

Legislation has now been presented to the States in the form of the Taxation (Implementation) (Jersey) Law 200- and it is anticipated that the Regulations required to be enacted in accordance with the provisions of the said Law will be finalised within the next few months, separate from the normal Budget cycle. It is anticipated that the powers required by the Comptroller of Income Tax, who will act as the Competent Authority in the Island for the purpose of executing these agreements, will be contained within the Regulations.

11. IMPÔTS

11.1 Announcement and Effective Date of Increases

The Committee is continuing its policy of including the proposed duty increases in the Budget Report ahead of Budget Day, and the proposals for 2005 are indicated at Section 11.5 and in Table 11.1.

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.

As is now customary it is proposed that this year's increases in duty will not take effect until midnight on 31st December 2004.

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11. IMPÔTS (continued)

11.2 Alcohol

The Committee's proposals for 2005 are detailed at Section 11.5. The Committee will continue to review the position over the next 12 months, particularly in light of its stated policy for sustainable increases in duties to contribute towards balanced budgets and as an indirect measure to reduce inflationary pressures on the Island.

11.3 Tobacco

The policy of increasing duty on tobacco is being continued. The proposed new duty rates are 5.5% higher than the current rates, and whilst these are broadly in line with the latest RPI they are the only Impôts duty rates to be increased in this year's budget.

The Committee is of the view that, mindful of the recent increases in the RPI, this is the most appropriate action and is broadly in line with the Tobacco Strategy for Jersey 2003 to 2007.

11.4 Fuel

The Committee continues to consider all issues regarding the duty for fuel. In particular the need to address environmental issues and also the high margins which appear to exist in the retail price of fuel in Jersey.

The Committee remains keen to pursue, together with the Economic Development Committee, the issue of high price margins in monopoly markets. 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

The Committee has been **particularly concerned about the increasingly high and volatile price of crude oil** and has decided to propose no increase to Fuel duties for 2005 in this Budget.

11.5 Duty Proposals for 2005

Table 11.1
Duty Proposals for 2005

	Current Duty	Proposed Duty	Increase
Litre of Whisky	£7.96	£7.96	No increase
Bottle of Table Wine	£0.95	£0.95	No increase
Pint of Beer <5% alcohol	£0.22	£0.22	No increase
Pint of Beer >5% alcohol	£0.33	£0.33	No increase
20 King Size Cigarettes	£2.55	£2.69	£0.14
Litre of Unleaded Petrol	£0.367	£0.367	No increase

Finance and Economics Committee – Budget Report



11.6 Comparisons with neighbouring jurisdictions

Table 11.2

A Comparison of Typical 2004 Tax and Duty Levels for a Range of Commodities

	Jersey £	Guernsey £	UK £	France £
Litre of Whisky @ 40%	£7.96	£4.57	£10.28	£6.04
Litre of Gin/Vodka @ 37.5%	£7.46	£4.57	£9.41	£5.23
Bottle of Table Wine	£0.95	£0.73	£1.90	£0.28
Pint of Beer < 5% alcohol	£0.22	£0.18	£0.64	£0.54
Pint of Beer > 5% alcohol	£0.33	£0.18	£0.75	£0.80
20 King Size Cigarettes	£2.55	£1.94	£3.73	£1.99
Litre of Unleaded Petrol	£0.37	£0.07	£0.59	£0.52
Litre of Diesel	£0.37	£0	£0.59	£0.37
2000 cc Family Car	£940	£0	£2,275	£2,548

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

	Jersey Retail Price	Jersey Duty	Price net of Duty	Duty as % of price	UK Retail price	UK Duty	UK VAT	Price net of Duty and VAT	Duty and VAT as % of price
Litre of Whisky	£15.99	£7.96	£8.03	50%	£16.49	£7.82	£2.46	£6.21	62%
Pint of Beer <5%	£2.09	£0.22	£1.87	11%	£2.35	£0.29	£0.35	£1.71	27%
20 King Size Cigarettes	£4.24	£2.55	£1.69	60%	£4.70	£3.03	£0.70	£0.97	79%
Litre of Unleaded Petrol	£0.82	£0.37	£0.45	45%	£0.82	£0.47	£0.12	£0.23	72%

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 for certain specific exemptions. Hire cars have a reduced rate of 15% of the full rate.

Following its introduction in 2003 and the 25% increase in duty rates for 2004 **the Committee is proposing no change in the levels of VRD for 2005.**

In 2004 the States' Economic Adviser conducted a review of VRD, which will be published shortly. The main findings of the review were that:

- VRD is successful as a means of raising revenue;
- it has had a negative effect on registrations but is by no means the major factor in the downturn of vehicle sales;
- it has had little effect on the hire car market; and
- it is a very blunt instrument for achieving environmental goals.

Finance and Economics Committee – Budget Report



11. IMPÔTS (continued)

After careful consideration of the review the Committee decided not to make any changes in the short term to the structure of VRD. The Committee will address the whole question of taxation on vehicles should the States decide to proceed with the introduction of a goods and services tax (GST). In those circumstances it is unlikely that VRD would remain and care will have to be taken to ensure that the transition from VRD to GST on vehicles is as smooth as possible and causes minimal distortion to the market.

The issue of environmental taxes is being dealt with in a separate piece of work considering options for a wide range of indirect taxes leading to proposals to the States in February 2005 as part of the Fiscal Strategy.

12 STAMP DUTY

12.1 Background

In the last two years' budgets the Committee has focussed on the standard rates of Stamp Duty and it was the Committee's intention to undertake a comprehensive review of Stamp Duty collection and also address the modernisation of the process and enacting law during 2004. The first steps towards modernisation have been made this year and in addition, the Committee has targeted available resources at **improving equity in the system and closing loopholes**. Further review will be undertaken during the coming year on other aspects of Stamp Duty and Probate Law.

12.2 Proposals for 2005

The Committee is making **no proposals this year to increase the standard rates of Stamp Duty paid on house purchases**, but instead is concentrating on closing loopholes, addressing equity in Stamp Duty rates and promoting further competition in the local mortgage market.

In summary the proposals for 2005 are to:

- freeze the standard rates of Stamp Duty on house purchases;
- signal its intention to introduce Stamp Duty on share transfer transactions which confer rights to Jersey property;
- increase the Stamp Duty on leasehold transactions, in line with the standard rates applicable to other purchases;
- introduce further competition in the local mortgage market;
- close loopholes within the regulations;
- introduce standard rates of Stamp Duty, with certain exemptions, for Wills devising immovable property; and
- remove the cap on probate fees.

12.3 Current Incremental Rates for Stamp Duty

The standard rates of Stamp Duty paid on house purchases remain at 2004 levels as shown in Table 12.1. Despite increases in previous years the rates in Jersey remain significantly lower than those applicable in the UK.

Table 12.1
Current Incremental Rates for Stamp Duty

Property Value £	Current Rate %
0 - 50,000	0.50
50,001 - 300,000	1.50
300,001 - 500,000	2.00
500,001 - 700,000	2.50
> 700,001	3.00

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12.4 Share Transfer

The Committee regards it as inequitable that share transfer property transactions avoid Stamp Duty, whereas equivalent priced property secured by conventional means suffers Stamp Duty. However, it is not a straight forward matter to rectify and the Committee is announcing its intention at this stage to address this inequitable situation and to bring forward proposals for levying Stamp Duty on share transfers which carry rights to Jersey property in next year's budget.

The Committee firmly believes that homeowners should only be entitled to a first-time buyer discount on their first property regardless of the form of tenure.

The current regulations are drafted to reflect this, however, attempts have been made recently to claim the discount by purchasers who have previously owned share transfer property. The Committee is proposing therefore to tighten the regulations further to remove any ambiguity, no matter how slight.

12.5 Leasehold Transactions

As with share transfer transactions, Committee is aware that, by not increasing Stamp Duty payable on lease transactions in accordance with those increases made in respect of other property purchases over the previous two years, an inequitable gap has arisen.

The Committee is also aware that long lease transactions are very similar to conventional property purchases in that they confer very similar rights to the property concerned and as such should attract the standard rate of Stamp Duty. However the Committee does not want to impose the standard rates for all lease transactions and so is proposing in this Budget to distinguish between very long leases on which, typically, a premium is paid and the shorter leases on which more typically only an annual rent is paid.

Accordingly the Committee is proposing to charge premiums for leasehold transactions at the standard rates of Stamp Duty, but for annual rentals to be charged Stamp Duty at the existing basis, with only a 0.25% increase to the rates applicable. First-time buyer discounts will apply at the standard rates applied to other transactions for lease premiums and at existing rates for annual rentals.

Table 12.2
Leasehold Transactions Proposed Rates

Premiums £	Proposed Rate %
0 - 50,000	0.50
50,001 - 300,000	1.50
300,001 - 500,000	2.00
500,001 - 700,000	2.50
> 700,001	3.00

Table 12.3
Comparison of Stamp Duty Rates – Premiums (Leasehold Transactions)

Premium Value	Stamp Duty Proposed £	UK Duty £
£200,000		
First Time Buyer (FTB)	875	2,000
£250,000 FTB	1,688	2,500
£350,000	5,000	10,500
£500,000	8,000	15,000
£750,000	14,500	30,000
£1,000,000	22,000	40,000

Finance and Economics Committee – Budget Report



Table 12.4
Leasehold Transactions (Annual Rentals)

"Capital Equivalent"	Proposed Rates %	Current Rates %
Up to £100,000	0.50	0.25
In excess of £100,000	0.75	0.50

"Capital equivalent" is the total sum paid under the lease contract over the first 21 years of the lease, excluding premiums under the current proposals. For example a 15 year lease with a £20,000 annual rent has a "capital equivalent" of £300,000 and would bear Stamp Duty of £2,000.

It is important to note that, as lease transactions of less than 9 years do not require registration with the Royal Court in Jersey, no Stamp Duty is due on any such lease regardless of the sum paid there under.

12.6 Local Mortgage Market

The Committee has identified a barrier to competition in the local mortgage market place arising from the requirement to pay Stamp Duty when transferring a mortgage to another provider.

The Committee proposes, in this Budget, to remove the charge to Stamp Duty, (except for an administration charge) when homeowners transfer their existing borrowings, secured on that home, to a new mortgage provider.

This exemption will only apply to replacement borrowings up to the amount of the balance remaining on existing borrowings on an existing principal private residence. The Committee hopes that this will encourage greater competition in the local mortgage market for homeowners.

12.7 Avoidance of Stamp Duty

It has been identified that there is a loophole within the Stamp Duty regulations whereby companies are structuring property transactions with borrowings equal to the value of the property being "gifted" such that the transaction is for no net consideration and thereby currently avoids Stamp Duty. The Committee is closing that loophole and such transactions will now be charged Stamp Duty based upon the gross value of the property only.

12.8 Wills Devising Immovable Property

The Committee has turned its attention this year to Wills registered which devise Immovable Property. The Committee does not propose to subject to any additional charge Wills which devise to the remaining spouse property which at the time of death was the matrimonial home and Wills which devise property to registered charities.

Neither at this stage does the Committee propose to charge Stamp Duty (except for administration charges) on Wills registered which devise all immovable property to those which it would have passed to on an intestacy and in the same shares.

However the Committee believes that in all other cases Wills devising immovable property should incur Stamp Duty at the standard rates currently payable on other property transactions and is proposing so in this Budget.

12.9 Probate Fees

Stamp Duty payable upon the net value of personal estates (i.e. excluding immovable property) is currently capped at a personal estate valued at £13,360,000.

The Committee, aware of significant estates over the current cap and having received recommendations to remove the cap, is now proposing that the cap be lifted such that duty is paid on the following scale.

Net value of Personal Estates	Rate of Stamp Duty
Up to £10,000	Nil
Between £10,000 and £100,000	0.5%
Greater than £100,000	£500 in respect of the first £100,000 and 0.75% thereafter.

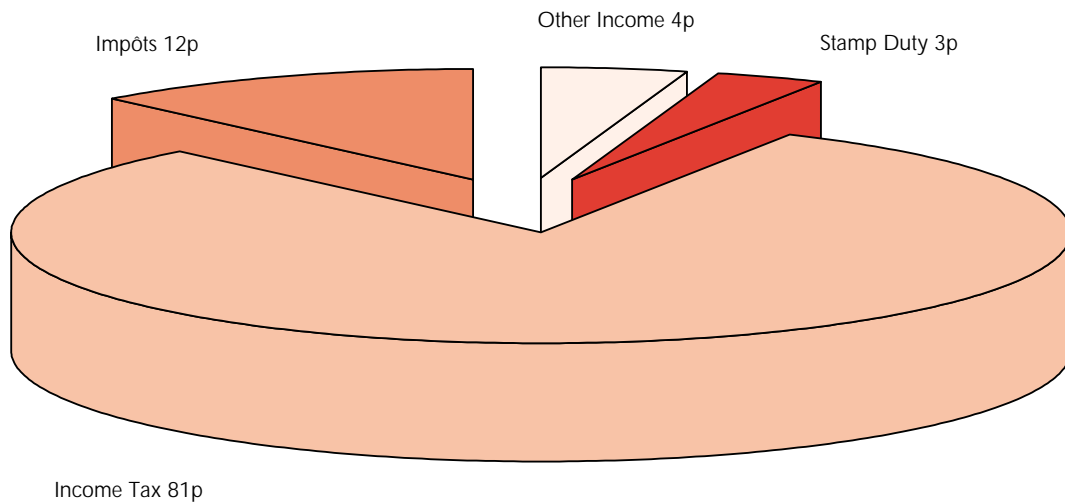


Summary of Revenue Estimates

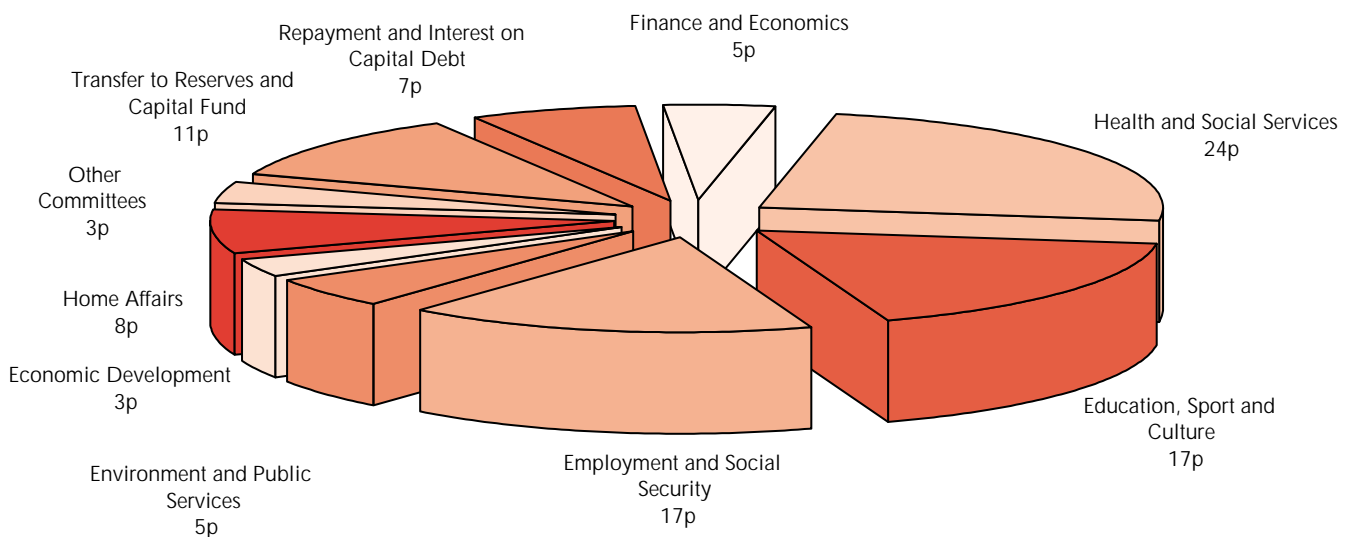
Analysis of Income and Expenditure



Where each pound of our money will come from in 2005



Where each pound of our money will be spent in 2005



Taxation and Investment Income

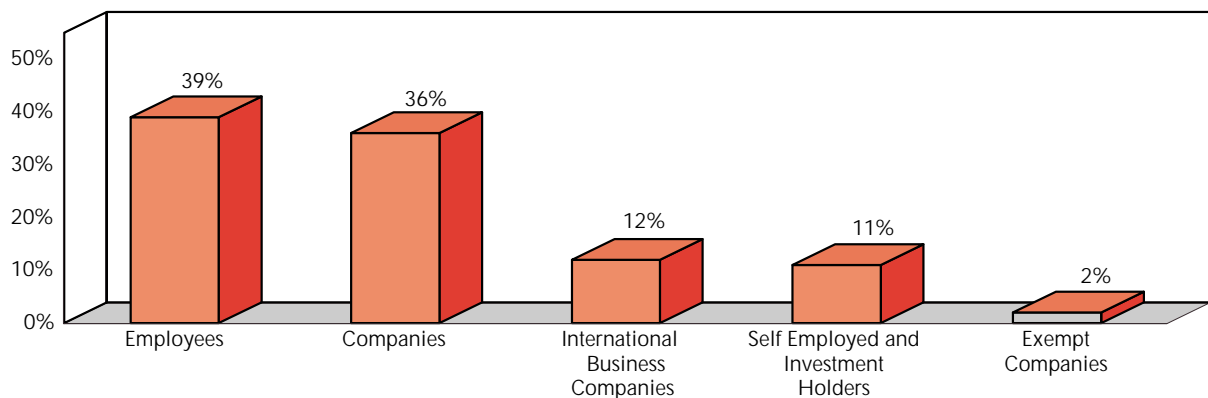


Income Analysis - Sources of Income

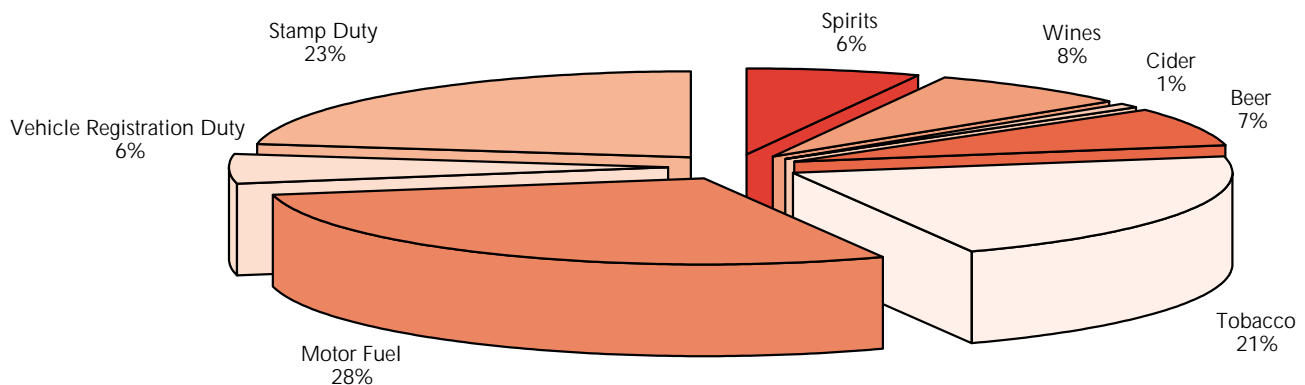
2003 Actual (Restated) £	2004 Estimate (Restated) £		2005 Estimate £
17,536,000	18,564,000	Other Income	20,934,800
		Indirect Taxation	
4,466,000	4,591,000	Impôts on Spirits	4,361,000
4,980,000	5,170,000	Impôts on Wines	5,170,000
473,000	493,000	Impôts on Cider	493,000
4,858,000	4,949,000	Impôts on Beer	4,851,000
13,355,000	14,564,000	Impôts on Tobacco	14,595,000
16,355,000	19,154,000	Impôts on Motor Fuel	19,148,000
110,000	100,000	Impôts on Goods Imported	100,000
2,912,000	3,848,000	Vehicle Registration Duty	3,848,000
47,509,000	52,869,000	Impôts	52,566,000
13,344,000	14,000,000	Stamp Duty	16,000,000
367,400,000	360,000,000	Income Tax	370,000,000
£ 445,789,000	£ 445,433,000		£ 459,500,800

Note: Other Income includes currency surplus, dividends, interest on loans and miscellaneous fines previously under Finance and Economics Committee income.

Breakdown of Income Tax Yield for 2005



Indirect Tax: Sources of Revenue for 2005



Consolidated Subjective Analysis 2005



Expenditure and Income Category

	£	£
Income Analysis:		
Sale of Goods		2,123,000
Sale of Services		13,222,500
Hire and Rentals		
General	5,305,900	
Housing Rents	32,570,300	
		37,876,200
Fees and Fines		24,832,800
Miscellaneous Income		780,700
Charges		4,474,400
Recharges and Recoverable Costs		
General	3,961,600	
Recharges to States' Tenants	2,135,600	
DHLF and 99 Year Leases	152,900	
		6,250,100
Interest		27,000
Interest Received on Capital Debt		490,300
Total Income		90,077,000
Expenditure Analysis:		
Manpower - States Staff Costs		240,368,200
Manpower - Non States Staff Costs		2,956,400
Supplies and Services		58,382,800
Administration Costs		14,603,000
Premises and Maintenance		
General	30,915,900	
Operation of Estates	3,607,600	
Maintenance of States Properties	4,076,700	
Maintenance of Cottage Homes	97,400	
		38,697,600
Incidental Expenses and Charges		122,500
Grants and Subsidies		
General (note 1)	22,573,600	
Overseas Aid	5,479,000	
Agricultural Subsidies	2,551,800	
Student Grants	8,841,000	
States Contribution to the Social Security and Health Funds	53,740,000	
Community Benefits	24,788,000	
Housing Rent Abatements	16,026,300	
Housing Rent Rebates	7,866,600	
		141,866,300
Non-Service Costs		64,000
Court and Case Costs		4,529,800
Repayment of Capital Debt		33,500,000
Total Expenditure		535,090,600
Allocation of Efficiency Savings (note 2)		(598,200)
Net Revenue Expenditure		444,415,400

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

Note 2: £598,200 of the total efficiency savings of £6 million have not yet been allocated.

Non-Trading Committee Cash Limits 2005



Net Revenue Income and Expenditure

COMMITTEE	Authorised Revenue Expenditure £	Income £	Net (Income) / Expenditure £
Policy and Resources	7,393,800	1,113,200	6,280,600
Privileges and Procedures	5,344,400	111,000	5,233,400
Finance and Economics	61,019,800	5,076,400	55,943,400
Environment and Public Services			
Planning and Environment	8,984,800	3,864,800	5,120,000
Public Services	36,158,500	14,912,600	21,245,900
Economic Development	16,704,900	1,039,700	15,665,200
Health and Social Services	136,406,100	15,090,700	121,315,400
Education, Sport and Culture	98,354,800	11,100,600	87,254,200
Home Affairs	39,882,700	2,185,800	37,696,900
Employment and Social Security	82,732,100	5,000	82,727,100
Housing	35,786,300	35,289,200	497,100
Legislation	48,200	-	48,200
Overseas Aid	5,524,000	-	5,524,000
Harbours and Airport - La Collette	152,000	288,000	(136,000)
	£ 534,492,400	£ 90,077,000	£ 444,415,400
Adjustments:			
Finance and Economics			
Interest and Repayments on Capital Debt (note)	(33,500,000)	(490,300)	(33,009,700)
Total Cash Limit	£ 500,992,400	£ 89,586,700	£ 411,405,700

Note:

In previous years the Finance and Economics Committee income has included currency surplus, dividends, interest on loans and miscellaneous fines, these have now been transferred to Other Income under General Revenues on Page 2.

Summary Cash Limits 2004 - 2009



Summary Cash Limits 2004 - 2009

COMMITTEE	2004 Cash Limits (restated) £'000	2005 Cash Limits £'000	2006 Cash Limits £'000	2007 Cash Limits £'000	2008 Cash Limits £'000	2009 Cash Limits £'000
Policy and Resources	6,492	6,281				
Privileges and Procedures	3,967	5,234				
Finance and Economics	23,947	22,934				
Environment and Public Services						
Planning and Environment	3,135	5,120				
Public Services	18,831	21,246				
Economic Development	18,538	15,665				
Health and Social Services	121,599	121,315				
Education, Sport and Culture	87,903	87,254				
Home Affairs	37,582	37,697				
Employment and Social Security	80,401	82,727				
Housing	(239)	497				
Legislation	47	48				
Overseas Aid	5,306	5,524				
Harbours and Airport - La Collette Reclamation Scheme	(125)	(136)				
Total Committee Cash Limit	£ 407,384	£ 411,406				
General Reserve						
Pay award and pension contingency	-	-				
In year unforeseen contingency	5,016	11,794				
Total Net Revenue Expenditure	£ 412,400	£ 423,200	£433,000	£444,000	£455,000	£466,000



Non-Trading Committees' Revenue Expenditure Estimates

Policy and Resources



The 2005 budget shows an overall net reduction of £211,915 against the 2004 estimate. This is primarily made up of a gross reduction of £404,000 (6.2%), as a result of the Fundamental Spending Review, offset by growth of £288,000.

The major areas of saving are four posts which are no longer required for implementation of Government Reform, a post in Information Technology customer support, a post in Human Resources, reduced pension costs and cessation of the States Secretarial Trainee Scheme along with efficiency savings amounting to £121,513 across the Committee's activities.

The growth of £288,000 is for two specific purposes. Firstly, to accelerate negotiations with the Organisation for Economic Co-operation and Development (OECD) and other countries in respect of the Tax Information Exchange Agreements (TIEA's). This work, for which £192,000 has been earmarked, continues under the umbrella of the OECD's level playing field initiative. However, each negotiation will proceed individually in order to improve the international standing and recognition of Jersey as a financial centre and also to secure the maximum possible reciprocal benefits. The other element of £96,000 is to enable work to proceed in preparation of the 2006 Census.

Office of the Chief Executive

The Committee will continue with its ongoing work programme across the range of its responsibilities. The following areas of activity will be of particular importance:

- work on implementing the Strategic Plan which the States agreed. This will entail a new approach to business planning and performance monitoring across all Committees. The Committee will also maintain an oversight of key policies identified in the plan, as well as taking direct responsibility for specific priorities such as Community Involvement, International Personality, Government Reform and Organisation Development.
- preparation for Government Reform will involve significant work on transfers between the States and Parish as well as practical arrangements for implementing the change to ministerial Government.
- planning and pilot projects for the change programme approved by the States will have been completed and the widespread implementation will commence. The Committee will take the lead working with all other Committees to deliver better, simpler and cheaper services across the States. Integration of Information Technology and Human Resources functions will be two areas of direct responsibility, as will management of Industrial Relations and staffing changes.
- the Statistics Unit will not only be preparing for the Census but will also be carrying out a Household Expenditure survey in order to update the Retail Price Index (RPI). The unit is developing improved economic indicators and also taking the lead in co-ordinating statistics activity across the States.

Computer Services

The Department will continue to support the Change programme approved by the States in 2004 through development and implementation of:

- a customer service model of web, face-to-face and telephone access streams including delivery of a single transactional website and re-engineering of processes in order to migrate them to a customer contact centre;
- an Information and Communication Technology (ICT) strategy and infrastructure that will support the Change programme; and
- a new structure for delivering ICT services within government.

In relation to Corporate ICT projects, the Committee intends in 2005 to continue with:

- the delivery of corporate electronic document management and workflow systems;
- the strategic development, implementation and management of ICT led business change and e-government projects which support the States' Change programme;

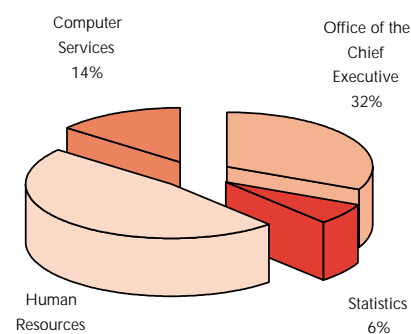
Cash Limits Set for 2005

	£'000	Decrease
Year 2005	6,281	(3.26%)

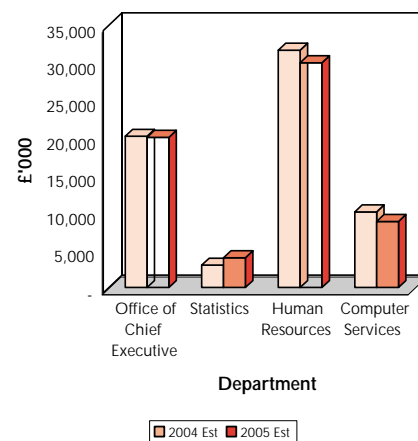
Committee Staff Estimates

Staff Costs		
	2004 £'000	2005 £'000
Civil Servants	4,545	4,243
Number of Full Time Equivalent		
	2004	2005
Civil Servants	105.41	85.42

2005 Net Revenue Expenditure



2004 - 2005 Net Revenue Expenditure



Policy and Resources



- corporate web-site development and management;
- research and evaluation of emerging technology and potential ICT solutions;
- the provision of advice and guidance to States committees and departments; and
- the management of international initiatives which impact on Jersey, e.g. British-Irish Council 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, electronic document management);
- the customer support/helpdesk function for corporate applications and infrastructure;
- computer room operations, including application server management;
- ICT policy and standards and security policies; and
- ICT strategy, architecture formulation and publication.

Human Resources Department

It is anticipated that the review of the human resources function and how it might be fully integrated across the States of Jersey will have been completed by the end of 2004 and that the implementation of the review findings will, therefore, take place during the course of 2005. Clearly, the requirement to move to the proposed new structure, whilst providing effective services to departments, will create a significant challenge for all within the function.

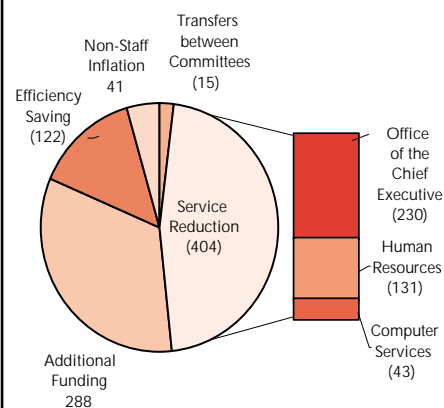
The programme of job reductions will continue to engage those within the function. The emphasis remains on seeking to redeploy those whose jobs disappear as a result of the Fundamental Spending Review and the "visioning" project without undue recourse to voluntary redundancy and voluntary early retirements. Such an approach not only retains staff in employment but also mitigates the costs associated with providing redundancy payments. However, seeking alternative employment for those who are declared redundant does create significant additional call upon the time of those responsible for this approach.

The likely implementation of the new Employment Law during 2005 places an additional challenge upon the human resource function. It will be vital that all managers within the public service treat employees in their teams in conformity with the law. It will, therefore, be an important part of human resources practitioners' duties to provide appropriate support to managers to ensure that all such matters are handled correctly.

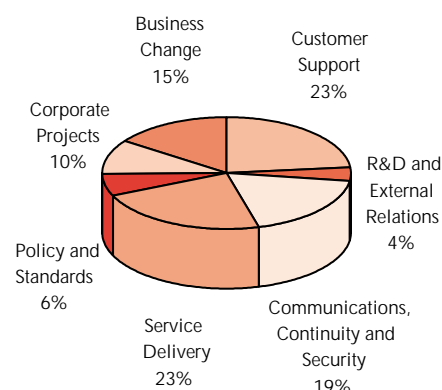
Providing good quality training opportunities for all employees to enhance their knowledge and skills remains an important feature of the work of the States Human Resources Department. The total sum set aside for Stateswide training amounts to £707,700, 23% of the Department's budget, and two major initiatives planned for 2005 are the implementation of a new structure for management training which will provide a clearly developed "route map" for managers on how to address their development needs and a programme of training on the implications of the Data Protection Law.

A major enhancement to the existing personnel computer system will be introduced during the latter part of 2004 and action will need to be taken during next year to ensure that this is implemented successfully across the States of Jersey and the benefits of these enhancements are fully realised. A total of £93,000 has been set aside in the 2005 budget to contribute to this initiative.

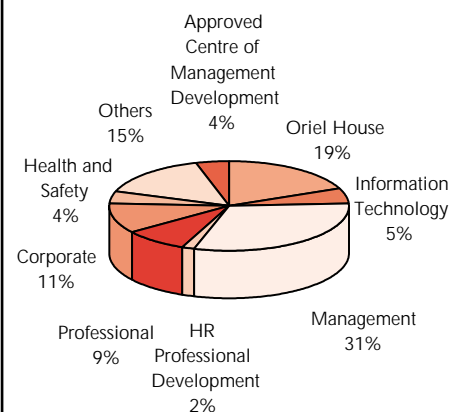
2005 Cash Limit Reduction (£'000)



Computer Services Direct Costs 2005



HR Stateswide Training and Development 2005



Policy and Resources



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
1,097,858	754,000	Office of the Chief Executive	
276,961	200,900	Chief Executive's Office	816,100
192,592	415,200	International Finance / Economics	587,600
219,693	647,500	International Relations	171,800
272,404	298,200	Government Reform	427,800
		Statistics	396,900
		Computer Services	
304,478	245,900	Corporate Projects	288,000
856,265	763,500	Infrastructure	664,000
		Human Resources	
828,591	1,006,600	Employee Relations and Pensions	1,026,500
1,733,519	1,698,800	Employee Development	1,638,700
484,513	461,900	Human Resource Systems	384,700
£ 6,266,874	£ 6,492,500	Net Revenue Expenditure	£ 6,402,100
-	-	Allocation of Efficiency Savings	
-	-	Computer Services Department	(70,000)
		Human Resources Department	(51,500)
£ 6,266,874	£ 6,492,500	Net Revenue Expenditure	£ 6,280,600

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
1,107,500	Recharges and Recoverable Costs	1,100,000
16,400	Miscellaneous Income	13,200
1,123,900		1,113,200
	Expenditure	
4,544,700	Manpower - States Staff Costs	4,243,300
500,000	Manpower - Non-States Staff Costs	500,000
1,401,100	Supplies and Services	1,512,100
724,200	Administration Costs	781,400
446,400	Premises and Maintenance	478,500
7,616,400		7,515,300
£ 6,492,500	Net Revenue Expenditure	£ 6,402,100
-	Allocation of Efficiency Savings	
-	Computer Services Department	(70,000)
	Human Resources Department	(51,500)
£ 6,492,500	Net Revenue Expenditure	£ 6,280,600

Policy and Resources



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		6,492,500
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Office of the Chief Executive		
Government Reform staffing reductions and reduced support to British Irish Council	(230,000)	
Computer Services Department		
Reduction in Corporate IT support	(43,000)	
Human Resources Department		
Reduced cost of Pre-1967 Pension Scheme, savings in Secretarial Training Scheme and Employee Relations	(131,000)	
Additional Funding Approved:		
Office of the Chief Executive		
Accelerated Tax Information Exchange Agreement	192,000	
Cost of five year Census	96,000	
Allocation of Efficiency Savings:		
Computer Services Department	(70,000)	
Human Resources Department	(51,500)	
		(237,500)
Additional Expenditure:		
Non-Staff Inflation	40,900	
		40,900
Transfers between Committees:		
Transfer of 0.3 FTE to the Finance and Economics Committee in respect of finance support for the Human Resources Department	(15,300)	
		(15,300)
2005 Net Revenue Expenditure		£ 6,280,600

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 and efficient 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.

Aims and Objectives for 2005

- To continue to deal with all matters relating to the practical functioning of the States Assembly and its Committees.
- 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.
- To implement States decisions relating to agreed reforms to the machinery of government ahead of the introduction of a ministerial system of government.
- To develop further the function of Scrutiny as a States approved function of government reform through the Shadow Scrutiny Panels, and to provide the necessary resources and facilities for this function and, where required, for the Public Accounts Committee.
- To manage States members' accommodation, services and facilities, remuneration and expense allowance, and to develop a formal Code of Conduct for States members.
- To develop, redraft and promote changes to the Standing Orders of the States of Jersey in conjunction with the implementation of the draft States of Jersey Law 200-, pending the introduction of ministerial government.
- To ensure the proper provision of information to the public on the work of the States Assembly, and, pending the introduction of ministerial government, prepare for that relating to the work of the Council of Ministers, Scrutiny Committees and the Public Accounts Committee, and to promote the notion of openness, including the development of an enhanced website facility, and to further implement improvements to the existing Code of Practice on Public Access to Official Information with a view to establishing legislation relating to Freedom of Information.
- To make arrangements for the implementation of Hansard, subject to the necessary funding being made available, in preparation for the introduction of ministerial government, and to continue reviewing the arrangement of public business.
- To review options relating to electoral reform and the composition of the States Assembly.

Challenges in 2005

The Committee will continue with its principal work relating to the implementation of government reform as the States of Jersey nears the implementation of ministerial government. Substantive changes to parliamentary services in this regard, which are provided through the States Greffe, have continued to be developed, particularly in the area of Scrutiny, and the delivery of these improved services during the process of government reform will continue to be developed within the Committee's resource limits to provide the States, its members and the public of the Island with an up to date range of parliamentary services.

2005 Fundamental Spending Review Process (FSR) – service reductions

The Committee was required to make service reductions to its secretariat resources in the order of £156,000 or 3.0 F.T.E. as a result of the 2005 FSR process. The practical issues of maintaining and continuing the required administration arising from the service reductions have been absorbed elsewhere within the Committee's resources. In addition, the Committee was required to make corporate efficiency savings of £65,100.

2005 Fundamental Spending Review Process (FSR) – additional funding

The Committee was successful in securing additional funding arising from the 2005 FSR process for necessary new services in the sum of £1,369,000. This additional funding relates to strengthening of the Shadow Scrutiny function as the States approaches ministerial government and the operation of a permanent Scrutiny service, the resourcing of the Public Accounts Committee and the appointment of a Comptroller and Auditor General, the full provision of States members' income supplement and expense allowance following the removal of means testing, and the funding of the service charge levied for the facilities and accommodation required by the States Assembly and its members in undertaking its administration.

Monitoring Performance and Value for Money

The Committee's budget provides for a wide range of States Assembly, member and public services, which continue to become more customer focused as they are adapted to match the needs of government reform. Checks and balances are in place to ensure that the development of services adhere to the principles of best practice and value for money and are subject to much comparative research with other jurisdictions, cost analysis, detailed process management and planning, and customer need assessment; the benchmarking process has assisted in the development of performance measures so that medium to longer term analysis of the cost and level of performance across various service areas can be undertaken by the Committee. The Committee will continue to invest appropriate resources within the constraints of its budget in developing initiatives to improve services particularly in response to government reform.

Cash Limits Set for 2005		
	£'000	Increase
Year 2005	5,233	31.9%

Committee Staff Estimates		
Staff Costs		
	2004 £'000	2005 £'000
Civil Servants	1,750	2,140
Number of Full Time Equivalent		
	2004	2005
Civil Servants	43.78	45.78

Privileges and Procedures



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
142,887	202,000	Privileges and Procedures	
10,507	250,000	Committee Secretariat and Admin Support	22,163
1,571	12,500	Scrutiny	882,991
		Special Committee - Admin Appeals	9,910
		States Greffe	
282,541	268,000	States Assembly Secretariat and Admin Support	177,562
26,839	14,200	Statutory Functions and Inter-Parliamentary Support	20,696
63,008	1,395,700	Members' Support Services	2,217,586
74,912	67,600	Publications Editor	74,429
903,527	898,000	Law Drafting	931,979
611,559	504,000	Committee Clerks secretariat	542,021
148,522	131,000	Registry	136,841
47,635	41,900	States Messenger Service	48,606
103,384	83,600	Bookshop	58,021
57,122	50,000	Reprographics/Print	52,372
-	40,000	Commonwealth Parliamentary Association	45,721
-	8,500	Assemblée Parlementaire de la Francophonie	12,502
£2,474,014	£3,967,000	Net Revenue Expenditure	£5,233,400

Note: The 2005 efficiency savings of £65,100 has been included in the above figures.

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
67,000	Sale of Goods	67,000
44,000	Sale of Services	44,000
111,000		111,000
	Expenditure	
1,750,400	Manpower - States Staff Costs	2,140,100
385,700	Supplies and Services	255,600
689,000	Administrative Costs	869,500
407,400	Premises and Maintenance	543,700
845,500	Grants and Subsidies	1,535,500
4,078,000		5,344,400
£ 3,967,000	Net Revenue Expenditure	£ 5,233,400

Note: The 2005 efficiency savings of £65,100 has been included in the above figures.

Privileges and Procedures



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		3,967,000
2005 Fundamental Spending Review Process:		
Service Reduction Approved:	(156,000)	
Additional Funding Approved:	1,369,000	
Allocation of Efficiency Savings:	(65,100)	
		1,147,900
Additional Expenditure:		
Non-Staff Inflation	84,800	
Specific Pay Awards	33,700	
		118,500
2005 Net Revenue Expenditure		£ 5,233,400

Finance and Economics



The Finance and Economics Committee's net revenue expenditure budget for 2005, excluding capital servicing, is £22.9 million, a decrease of 4.23% on 2004. This reduction is due primarily to service reductions and efficiency savings arising from the Fundamental Spending Review.

The Committee is pleased to present a budget which balances the ability to achieve its core aim, 'to regulate, control and supervise the public finances of the Island' whilst also contributing a total of £1.2 million towards corporate initiatives such as the Fundamental Spending Review and the requirement to achieve Departmental efficiency savings.

Over and above the 'Business as Usual' activities of the Departments within the Committee's remit, there are significant additional objectives in 2005:

The Income Tax Department is facing a number of legal, administrative and operational challenges as it strives to service approximately 90,000 personal and corporate taxpayers and assess and collect £370 million in tax revenue. These include:

- the implementation of an Income Tax Instalment System (ITIS);
- the abolition of tax allowances for those on higher incomes;
- the introduction of the 0/10% corporate tax regime and related provisions; and
- the implementation of the European Union Savings Directive and OECD Tax Information Exchange Agreements.

Major Treasury initiatives for 2005, in addition to its important recurring duties such as facilitating and preparing the States Accounts, Budget and Business Plan, controlling, monitoring and achieving best value from the capital programme and managing and administering States investments, include:

- the further development of the Fiscal Strategy arising from P106/2004;
- the further development and delivery of a resource allocation process for 2006-2008 and a States Business Plan fully integrated with the States Strategic Plan and Fiscal Strategy;
- the further development of the States – Wide Performance Management Framework to fully integrate with the Business Planning process and other reporting;
- the further development of a more comprehensive model of the States finances to facilitate informed decision making;
- the overhaul of the financial regulatory framework based around the new Public Finances Law, to ensure a risk-focussed, comprehensive and robust control environment appropriate to the modern public sector;
- working with Committees in identifying funding options for a number of significant initiatives, including waste management, health, a new income support system and the outcomes of the Parish Review; and
- implementing proposals to ensure the more effective use of States properties.

The Committee will continue to drive the concept of a Shared Services approach for the provision of support services in 2005 as a means of achieving savings and improving efficiency throughout the States. The key elements to this approach are to:

- maximise the potential of the investment in the JD Edwards financial system;
- make available to States Departments an efficient, effective and economic option for the delivery of support services;
- achieve economies of scale and improved productivity by consolidating repetitive or transaction based activities; and
- facilitate improvements in management reporting arrangements to ensure a high level of consistency throughout the States.

Cash Limits Set for 2005

	£'000	Decrease
Year 2005	22,933	(4.2%)

Committee Staff Estimates

Staff Costs

	2004 £'000	2005 £'000
Civil Servants	13,609	13,693
Manual Workers	515	309
States Appointments and Crown Officers	1,349	1,131
	15,473	15,133

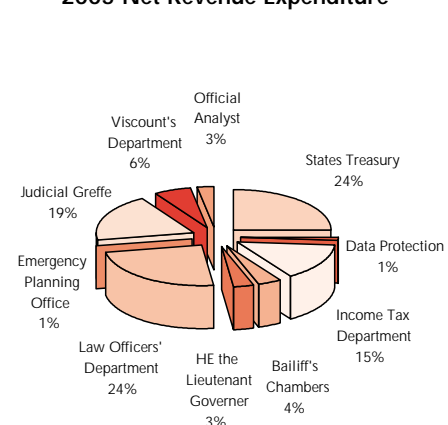
Number of Full Time Equivalent

	2004	2005
Civil Servants	287.94	291.40
Manual Workers	10.85	4.85
States Appointments and Crown Officers	40.48	40.48
	339.27	336.73

Departmental Net Revenue Expenditure

	2004 £'000	2005 £'000
States Treasury	5,248	4,962
Income Tax Department	2,988	2,911
Bailiff's Chambers	752	808
Law Officers' Department	4,720	4,792
Judicial Greffe	3,893	3,717
Viscount's Department	1,319	1,253
Official Analyst	495	529
Emergency Planning Office	118	117
HE the Lieutenant Governor	641	648
Data Protection	125	195
	20,299	19,932

2005 Net Revenue Expenditure



Finance and Economics



The primary objective of the Data Protection Registry in 2005 will be the implementation of the new Data Protection (Jersey) Law and subordinate legislation, following which application can be made to the European Commission for adequacy. In addition, guidance will be issued for the private and public sector, a website will be developed to allow for on-line registration and payment and a continuous programme of education and awareness will be run by the Department.

In its role in providing legal advice to all areas of local government, the Law Officers' Department is a strategic partner in a number of areas of the States Strategic Plan 2005 – 2010. As well as on-going policy areas set out in the Plan, the Department will assist with the introduction of the Human Rights Law in 2005 which will involve advising on other legislation required before the Law can come into effect, such as the Regulation of Investigatory Powers Law. The Department will also work closely with the Policy and Resources Department to strengthen the Island's international reputation through the negotiation of, for example, asset sharing arrangements and fiscal agreements with other jurisdictions.

The Judicial Greffe and Viscount's Department will continue, where possible, to integrate services and resources so as to maintain best practice and maximise value for money. Service standards will be further developed following the Department's Investors in People accreditation whilst service pledges and a performance framework will continue to be developed to ensure effective budgeting, financial control and value for money is achieved across the areas of primary spend, namely Court and Case costs. In addition, the recommendations of the Blampied Report, which reviewed procedures for establishing and collecting Judicial Fees, will continue to be implemented.

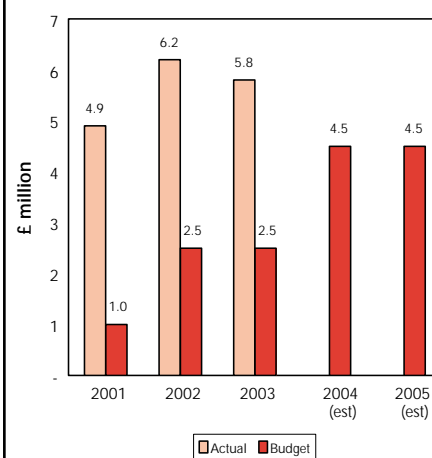
All Departments over which the Committee has financial responsibility will continue to develop a range of key performance indicators by which it is able to measure throughput and customer feedback, so as to be able to monitor and improve its range of services.

2005 Fundamental Spending Review Process

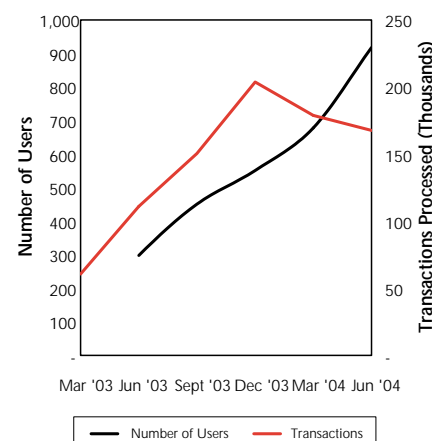
The Committee participated fully in the process, the net effect of which was a reduction in its Cash Limit of £606,000. The growth, amounting to £138,000, is a result of increased service charges from Environment and Public Services relating to occupancy of the States Building. The savings proposals, amounting to £744,000, which have had an impact across the range of Departments and services within the Committee's remit include:

- a 50% reduction (£70,000) in the number of audits of both financial and non-financial computer systems carried out throughout the States by the Treasury's Audit and Risk Management Division;
- a reduction in the JD Edwards system support (£144,000), which will ultimately necessitate extended response times and a reduction in the overall level and quality of support;
- reduced grant funding to the Waterfront Enterprise Board (£154,000) which will involve the commercialisation of both undeveloped sites and developed public spaces and the generation of greater long-term income streams from development agreements with private sector partners; and
- reorganisation of work processes within the Legal departments, Bailiff's Chambers and Official Analyst which will inevitably impact on service pledges and quality of service.

Court and Case Costs 2001 to 2005



JD Edwards Usage Analysis



Finance and Economics



Net Expenditure - Service Analysis

2003 Actual <i>Restated</i> £	2004 Estimate <i>Restated</i> £		2005 Estimate £
		States Treasury	
1,020,250	1,637,000	Corporate Financial Strategy	1,642,100
87,580	68,000	Investments	44,200
1,280,752	1,058,000	Financial Services	1,089,700
1,669,066	1,325,900	Systems	1,166,700
565,581	682,600	Audit and Risk	581,000
642,647	706,300	Purchasing and Supply	438,600
		Income Tax Department	
1,299,663	1,840,800	Personal Tax Assessing	1,659,800
587,608	759,600	Company Assessing	847,500
164,288	217,900	Policy Development	213,200
127,563	169,800	Investigations and Compliance	190,700
		Bailiff's Chambers	
590,555	535,100	Royal Court	570,600
96,383	93,500	States Assembly	92,600
3,573	20,300	Licencing	6,600
101,394	103,500	Civic Head	108,000
96,467	-	Commemorative Functions	30,000
		Law Officers' Department	
782,323	717,400	Criminal Prosecutions	722,900
905,195	1,047,000	Legal Advice	851,700
275,730	337,700	Conveyancing	353,000
176,014	188,800	Civil Proceedings	153,700
466,651	97,800	Interjurisdictional Assistance	422,100
26,211	23,400	Duties of the Attorney General	23,700
3,448,623	2,307,500	Court and Case Costs	2,265,000
		Judicial Greffe	
992,900	877,500	Samedi, Family, Appellate and Interlocutory	647,700
687,508	663,800	Magistrates Court	813,100
546,740	485,300	Maintenance of Registries	343,600
1,674,126	1,866,100	Court and Case Costs	1,912,700
		Viscount's Department	
81,580	98,300	Coroner	84,900
220,384	306,700	Desastre	272,000
376,138	448,500	Enforcement	402,300
76,488	74,500	Assize Jury Functions	73,800
54,407	48,300	Curatorships	68,500
665,898	343,300	Court and Case Costs	351,900
£ 19,790,286	£ 19,150,200	Balance carried forward	£ 18,443,900

Finance and Economics



Net Expenditure - Service Analysis

2003 Actual <i>Restated</i> £	2004 Estimate <i>Restated</i> £		2005 Estimate £
19,790,286	19,150,200	Balance Brought forward	18,443,900
465,263	495,300	Official Analyst	
		Forensic, Environmental Analysis	529,600
101,638	118,000	Emergency Planning Office	
635,458	641,000	Planning and Monitoring	116,800
195,323	125,300	H E the Lieutenant Governor	648,100
		Data Protection	194,900
		Non-Departmental	
(180,000)	(180,000)	Balance of Crown Revenues	(180,000)
806,547	2,550,000	Insurance	2,509,200
558,053	-	States Members' Expenses	-
934,567	-	States Members' Income Supplement	-
1,696,400	-	Jersey Heritage Trust Grant	-
1,278,900	-	Jersey Arts Trust Grant	-
170,833	212,000	Cost of Audit/Audit Commission	186,600
111,100	463,100	WEB Limited Grant	309,100
40,000	-	Commonwealth Parliamentary Association	-
52,733	30,000	Distinguished Visitors and Conferences	80,700
59,375	54,000	Commission Amicale	55,400
11,913	20,000	Jurats' Expenses	20,500
17,640	17,400	Dean of Jersey	17,800
7,184	-	Assemblée Parlementaire de la Francophonie	-
487,830	251,100	Other Expenditure	1,100
(275)	-	Other Income	-
27,240,768	23,947,400	Sub Total	22,933,700
		Non-Cash Limit Items	
26,676,184	31,542,600	Repayment and Interest on Capital Debt	33,009,700
£ 53,916,952	£ 55,490,000		£ 55,943,400

Note: In previous years the non-departmental vote has included the currency surplus, dividends, interest on loans and miscellaneous fines as part of the Finance and Economics Committee's income. This income has been transferred to General Revenues of the States of Jersey on page 2 and appears properly under Investment Income.

Note: The 2005 efficiency savings of £453,300 has been included in the above figures.

Finance and Economics



Income and Expenditure Category

2004 Estimate <i>Restated</i> £		2005 Estimate £
	Income	
118,000	Sale of Goods	82,000
172,000	Sale of Services	117,500
22,000	Hire and Rentals	22,000
794,000	Fees and Fines	750,500
4,600	Commission	4,600
1,788,700	Recharges and Recoverable Costs	1,770,300
219,700	Miscellaneous Income	463,200
35,000	Interest	27,000
1,307,700	Surcharges and Penalties	1,349,000
457,400	Interest Received on Capital Debt	490,300
4,919,100		5,076,400
	Expenditure	
15,437,700	Manpower - States Staff Costs	15,132,800
59,600	Manpower - Non States Staff Costs	85,700
2,210,800	Supplies and Services	1,973,700
1,150,500	Administration Costs	1,194,100
4,266,600	Premises and Maintenance	4,250,700
730,500	Grants and Subsidies	327,000
18,500	Incidental Expenses and Charges	26,000
18,000	Non-Service Costs	-
4,516,900	Court and Case Costs	4,529,800
32,000,000	Repayment of Capital Debt	33,500,000
60,409,100		61,019,800
£ 55,490,000	Net Revenue Expenditure	£ 55,943,400

Note: The 2005 efficiency savings of £453,300 has been included in the above figures.

Finance and Economics



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		23,947,400
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Bailliff's Chambers - reduction in court services	(26,000)	
Judicial Greffe - reduction in services to court	(40,000)	
Viscount's - reduction in funding for court services	(48,000)	
Official Analyst - reduction in reception staff	(15,000)	
Treasury - savings in purchasing and supply	(180,000)	
Treasury - reduced support for the States Financial System	(144,000)	
Treasury - reduced financial support to the Finance and Economics Committee and its Departments	(67,000)	
Treasury - reduced provision of IT audits by 50%	(70,000)	
Non-Departmental - reduction in grant funding to WEB	(154,000)	
Additional Funding Approved:		
States Building Maintenance	138,000	
Allocation of Efficiency Savings	(453,300)	
		(1,059,300)
Additional Expenditure:		
Non-Staff Inflation	201,500	
Specific Pay Awards	140,300	
		341,800
Transfers between Committees:		
Economic Development Committee - Finance Industry Support	(250,000)	
Health and Social Services Committee - transfer of part of Purchasing and Supply function	(116,500)	
Policy and Resources Committee - Finance Support to Human Resources	15,300	
Environment and Public Services Committee - transfer of laboratory function	55,000	
		(296,200)
2005 Net Revenue Expenditure		£ 22,933,700

Environment and Public Services



Planning and Environment

Objectives for 2005

The main objectives for the Planning and Environment Department in 2005 are to:

Planning and Building Division

- maintain the improved service standards and targets for development and building control;
- encourage high quality development, ensure efficient use of the Island's land resource, and protect the natural and built environment from harm, through the development control process;
- continue to maintain and develop standards for building work and in particular, to enhance the energy efficiency and design standards of buildings through the building control process;
- implement the Planning and Building (Jersey) Law 2002 in 2005;
- maintain an up-to-date Island Plan through monitoring and review and, in particular, ensure the provision of adequate land and development opportunities to meet the Island's requirements for homes and new enterprise;
- continue to enhance the quality of the urban environment through implementation of the St. Helier Street Life Programme and adoption and application of a new policy framework for St. Helier;
- continue to protect and promote the appropriate management, repair and reuse of the Island's built heritage;
- continue to develop the Island Digital Map and its applications;

Property Division

- develop a more corporate approach to property management;
- continue to seek ways of achieving 'best value' from all properties within the Public ownership, realising the value of surplus property assets and encouraging the further development of longer term cost saving planned maintenance programmes for all buildings;

Environment Division

- develop with the Economic Development Committee a strategic plan for the rural economy;
- implement the Waste Management Law and Draft Water Resources Law;
- contribute to the development of Environmental taxes relevant to Jersey;
- work with our partners in Guernsey to establish a case for a Channel Islands' Meteorological service;
- complete the designation of terrestrial Sites of Special Interest;
- publish the first ever "State of the Environment" report for Jersey;
- review Jersey's performance against EU legislation and standards and bring forward proposals to address serious deficiencies; and
- review the provision of water services in the Island with particular attention to water demand management and water conservation measures.

Cash Limits Set for 2005

	£'000	Increase
Year 2005	5,120	63.3%

Committee Staff Estimates

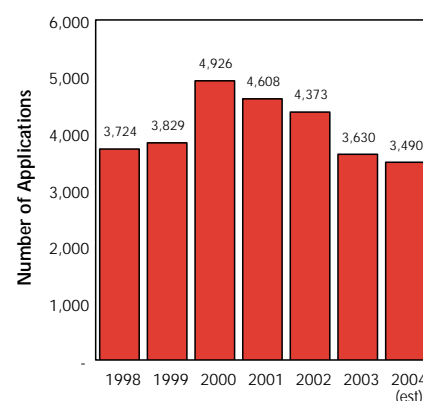
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	4,606	6,491
Manual Workers	-	106
	4,606	6,597

Number of Full Time Equivalent

	2004	2005
Civil Servants	87.85	131.83
Manual Workers	-	3.66
	87.85	135.49

Planning and Building Control Applications 1998 - 2004 (est)



Environment and Public Services



Planning and Environment

Financial Highlights 2005

The gross revenue expenditure for the Planning and Environment Department is £8.98 million of which £6.60 million is staff costs, equivalent to 74% of expenditure.

Budgeted income for the year totals £3.87 million of which £1.81 million relates to planning and building application fees; £1.04 million for Property Rentals and £0.87 million is estimated to be generated by services provided by the Meteorology Service.

Fundamental Spending Review Service Reductions

The 2005 FSR process approved service reductions in a number of areas resulting in the loss of 8.8 posts saving £0.40 million on the manpower budget. In addition, it was agreed that the budget for Historic Building Grants should be reduced by 20% which resulted in a saving of £15,000.

Fundamental Spending Review Additional Funding

During 2004 the Meteorology Department transferred from the Harbours and Airport Committee. In 2005 the net cost of this transferred service after recovery of contributions from Jersey Airport and Guernsey is likely to be £0.57 million which is the amount approved in the 2005 FSR process as growth (as no budget was transferred from Harbours and Airport Committee). The gross operational cost of the service before recharges is £1.41 million. By the end of 2005 there will be a reduction in post numbers from 21 down to 16 which will necessitate some restructuring, retraining and investment of salary savings in automated systems.

The 2005 FSR process also resulted in an additional £0.12 million for the operation of the Waste Management Law.

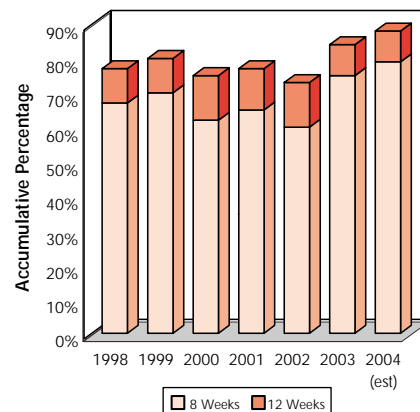
Transfers or Adjustments since the 2004 Budget

The Planning and Environment Department's net revenue expenditure budget for 2005 is £5.12 million, an increase of 63% on 2004. This is due primarily to the transfer of elements of the Agriculture and Fisheries Department from the Economic Development Committee (£1.95 million), the Official Analyst function to the Finance and Economics Committee (£55,000) and environmental staff to the Public Services Department (£49,600) during 2004.

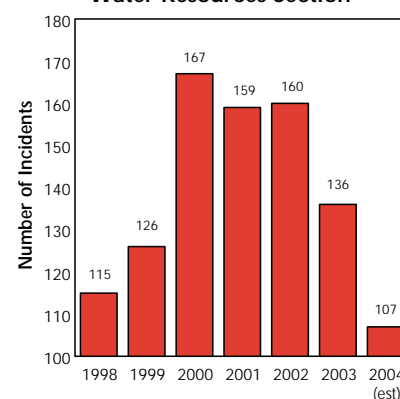
Analysis and Development of Performance Measures

A whole suite of output and performance measures were identified in 2004 for the benchmarking exercise and these will be reduced to a smaller number of key indicators that will allow activity and progress to be assessed.

Time taken to determine Planning and Building Applications



Number of Water Pollution Incidents reported to and investigated by the Water Resources Section



Environment and Public Services



Planning and Environment

Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
1,581,949	1,126,400	Planning and Building Division	1,036,200
320,114	187,900	Planning and Building Applications	177,500
467,799	593,500	Design and Conservation	508,900
(143,153)	(140,100)	Policy and Planning	(139,200)
		Property Division	
		Environmental Division	
1,208,169	1,367,100	Environmental Services	2,960,300
-	-	Meteorology Services	576,300
£ 3,434,878	£ 3,134,800	Net Revenue Expenditure	£ 5,120,000

Note: The 2005 efficiency savings of £129,900 has been included in the above figures.

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
-	Sale of Goods	4,400
-	Sale of Services	867,800
-	Commission	40,000
1,010,000	Hire and Rentals	1,081,600
1,715,000	Fees and Fines	1,846,600
-	Miscellaneous	2,400
10,500	Charges	22,000
2,735,500		3,864,800
	Expenditure	
4,606,300	Manpower	6,597,000
597,400	Supplies and Services	1,141,000
219,600	Administration Costs	424,700
372,000	Premises and Maintenance	722,100
75,000	Grants and Subsidies	100,000
5,870,300		8,984,800
£ 3,134,800	Net Revenue Expenditure	£ 5,120,000

Note: The 2005 efficiency savings of £129,900 has been included in the above figures.

Note: The 2004 comparatives are presented on a different basis to that included in the 2004 Budget Book to reflect a change in the accounting treatment of the allocation of indirect expenditure.

Environment and Public Services



Planning and Environment

Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		3,134,800
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Reduction in Planning and Building Services	(176,000)	
Reduction in Environmental Services	(75,000)	
Reduction in external Agriculture and Fisheries Services	(168,000)	
Additional Funding Approved:		
Funding for the transfer of the Meteorology Service from the Airport	574,000	
Funding for the introduction of the new Waste Management Law	115,000	
Allocation of Efficiency Savings:	(129,900)	
		140,100
Additional Expenditure:		
Non-Staff Inflation	3,600	
		3,600
Transfers between Committees:		
Economic Development Committee - Elements of the Agriculture and Fisheries Department	1,946,100	
Finance and Economics Committee - Official Analyst	(55,000)	
Public Services Department - Two Environmental Posts	(49,600)	
		1,841,500
2005 Net Revenue Expenditure		£5,120,000

Environment and Public Services



Public Services

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

The Committee has 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.
- Provide architectural services for the public sector and other bodies with direct links with the States of Jersey.

The Committee has major challenges in the years ahead – the implementation of the Solid Waste Strategy, the impact of the States Parish Review proposals, further development of an integrated transport policy – in addition to maintaining the Island's key infrastructure networks of roads, car parks, buildings, sewers and sea defences.

The impact of the Fundamental Spending Review was to reduce the Committee's budget by £1.35 million whilst providing growth of £4.5 million. All but £240,000 of this 'growth' represents the reinstatement of budgets for services already being provided – the public bus service subsidy and the reduction in budget associated with the introduction of the Sewerage Charge which is now 'on hold'. Even then, the FSR failed to provide 100% funding for these items and the Committee had to fund £200,000 from further prioritisation within its cash limit.

The budget reductions of £1.35 million have been achieved by reducing standards on cleaning services, cutting staff costs at Bellozanne, ceasing minor traffic works and efficiency savings throughout the department but especially in the Parks and Gardens section.

The following provides a summary of how the Committee will allocate and spend its resources for Public Services in 2005 following the order in the service analysis:

- With ever increasing environmental standards and additional infrastructure, the liquid waste areas are carefully balanced within the budget to allow suitable maintenance to prevent catastrophic failures and major pollution incidents. The focus of the department is to identify all maintenance needs and constantly review these priorities to keep the critical systems operational.
- The existing Energy from Waste plant requires a high degree of maintenance due to the age of the plant and the operational utilisation required just to keep up with the Island's waste. The recently launched Solid Waste Strategy incorporates the long term plans for dealing with the Island's waste including replacing the ageing plant.
- FSR cuts have been delivered within Solid Waste by a reduction in staff costs. This service area also received additional funding of £2.3 million following the decision to defer the implementation of the Sewerage Charge. Rural and Veterinary Services were transferred to the Department in 2004, from the former Agriculture and Fisheries Department, and FSR reductions in this area have been accomplished with a reduction in staff and a programme of operational efficiencies.
- The charging policy regarding the disposal of inert waste has been very beneficial in reducing the quantity of non recyclable material delivered to La Collette. Contractors and designers are developing innovative ways of recycling and minimising material removed from sites. This policy is very positive for the Island as it will extend the life of the La Collette land reclamation site but the financial penalty is an adverse effect on the department's income and the 2005 budget is £300,000 lower than the 2004 original budget reflecting 2004 forecasts.

Cash Limits Set for 2005

	£'000	Increase
Year 2005	21,246	12.8%

Committee Staff Estimates

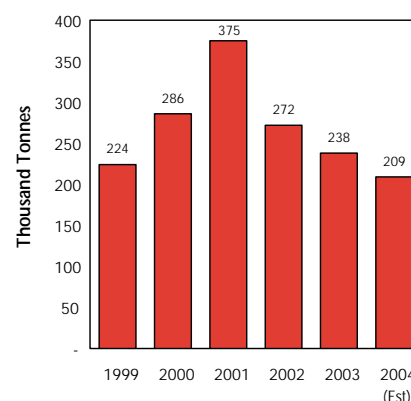
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	6,269	6,364
Manual Workers	10,472	10,192
	16,741	16,556

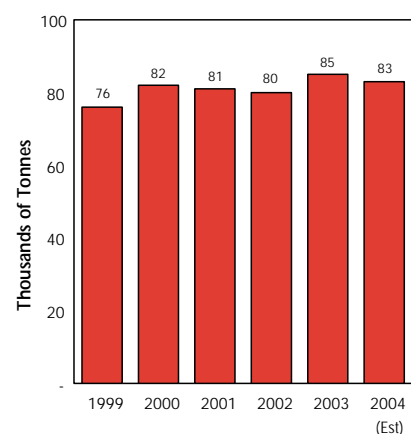
Number of Full Time Equivalent

	2004	2005
Civil Servants	137.06	137.06
Manual Workers	354.40	348.40
	491.46	485.46

Deliveries to La Collette Reclamation Site



Refuse Incinerated (Tonnes) per Year



Environment and Public Services



Public Services

- Following the FSR process, the Minor Works budget within Highways was cut by £150,000. As a result, there will be no funds available for highway safety improvements such as new pedestrian crossings, new footways or visibility improvements at problem junctions. An additional £240,000 has been provided for highway maintenance, primarily resurfacing. While considerably short of the amount needed to rectify and keep the main road system in good shape, this additional money is welcomed. The 2005 budget of just under £1 million will be targeted at repairs on the more important roads in the Island. A system has been developed to prioritise work on the main road network such that essential repairs and resurfacing will be done on the Island's busiest and vital roads with only patching and emergency repairs being done on the remainder of the network.
- Although growth funds of £1.92 million were approved to fund the subsidy on the public bus service, this was not sufficient to allow for contractual annual increases. The Committee is hopeful that, after the conclusion of the Committee of Inquiry, efficiencies can be found in the operation of the school and public bus service.
- Following many years of a sustained programme of repairs to concrete buildings and other structures in the Island, it is pleasing to note that no significant concrete repair projects, funded from the Concrete Degradation budget, are required in 2005. While monitoring, surveying and testing of buildings and structures belonging to the States needs to continue for the foreseeable future, the main housing stock and other States assets, once subject to defective and deteriorating reinforced concrete, is now generally in much better condition with a more predictable lifespan.
- The Island Sea Defence Strategy continues to be implemented and although most of the funding has been provided through the Capital Fund, revenue maintenance expenditure has been prioritised to help achieve the overall aims of the strategy.
- The key objective for the Drainage area is to continue with the Drainage Condition Survey which will identify the condition of all the Island's drains and sewers and allow the Department to prioritise its maintenance expenditure.
- The Municipal Cleaning section suffered a £300,000 reduction through FSR and this has been achieved by general staff and service reductions particularly on out-of-town highway cleansing.
- The Parks and Gardens area has implemented a five year plan to reduce its budget by £730,000. In 2005, £300,000 has been achieved by reorganising the workforce and reducing standards in some areas. A plan to achieve the overall five year target has been drafted and is being discussed with staff and Unions.
- The major objectives for Architectural Services in 2005 are to meet our Client requirements in the procurement of new buildings and major refurbishments, offering a 20% discount on the appropriate professional scale fee whilst at the same time balancing the cost/income equation. Projects which it is anticipated will be under construction in 2005 are the Magistrate's Courts, D'Auvergne Primary School, Hautlieu School Sport Facilities, Belle Vue Residential Nursing Home, St Clements Primary School and the Airport Control Tower. There are a number of key projects at the design stage including the new Police HQ and a major extension to the General Hospital. Although this service area more than covers its direct costs whilst offering a discount on appropriate scale fees, the allocation of indirect overheads results in a net cost to the States although this section does provide extensive free professional advice to States Committees and Departments.
- The central markets were transferred to the Committee in January 2004. A full long term maintenance programme has been developed and the implementation commenced. A review of rents and service charges, together with a high level review of how the markets operate, has been carried out and significant operational changes made. The net cost of running the markets has increased due to the allocation of indirect overheads.

Environment and Public Services



Public Services

Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
3,961,874	4,018,500	Liquid Waste	3,935,400
2,014,301	2,371,000	Energy from Waste	2,211,400
727,136	1,047,800	Solid Waste	2,236,700
2,349,229	2,206,000	Highways	2,402,200
3,448,838	1,460,300	Buses	3,853,600
(542,352)	(568,800)	Buildings	(974,000)
951,819	980,300	Coastal and Footpath Maintenance	912,000
1,210,885	1,271,300	Drainage	1,274,000
2,841,492	2,767,000	Cleaning	2,421,600
2,741,062	2,896,300	Parks and Gardens	2,552,000
159,926	-	Water Resources	-
72,790	143,400	Surveyors	142,200
176,529	166,700	Architectural Services	164,000
-	71,500	Markets	114,800
£ 20,113,529	£ 18,831,300	Net Revenue Expenditure	£ 21,245,900

Note:

Expenditure relating to concrete degradation repairs was previously disclosed separately (2003 actual £572,966, 2004 estimate £341,200, 2005 estimate £213,200). This has now been included within the Buildings category.

The category 'Traffic and Transport Infrastructure' has been renamed 'Surveyors' to better reflect the activity performed.

The category 'Civils' has been renamed 'Coastal and Footpath Maintenance' to better reflect the activity performed.

The 2005 efficiency savings of £560,200 has been included in the above figures.

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
972,100	Sale of Goods	867,100
691,500	Sale of Services	716,200
1,519,000	Hire and Rentals	1,740,500
4,100,300	Fees and Fines	7,671,800
5,239,500	Charges	3,033,300
1,130,900	Recharges	732,100
8,800	Commission	13,500
47,900	Miscellaneous	138,100
13,710,000		14,912,600
	Expenditure	
16,740,900	Manpower	16,555,700
7,364,300	Supplies and Services	11,117,800
916,050	Administrative Costs	874,500
6,783,650	Premises and Maintenance	7,587,800
84,000	Incidental Expenses and Charges	(124,300)
594,400	Grants and Subsidies	118,000
58,000	Non-Service Costs	29,000
32,541,300		36,158,500
£ 18,831,300	Net Revenue Expenditure	£ 21,245,900

Note: The 2005 efficiency savings of £560,200 has been included in the above figures.

Environment and Public Services



Public Services

Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		18,831,300
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Cessation of highways minor works improvements	(150,000)	
Reduction in highway/footpath cleaning	(350,000)	
Savings from integration of Agriculture and Fisheries Department operations	(186,000)	
Reduction of service in refuse handling plant facilities	(100,000)	
Additional Funding Approved:		
Increase in funding to provide the required subsidy to maintain existing bus services	1,920,000	
Deferral of implementation of Sewerage Charge	2,304,000	
Additional funding for critical structural highway maintenance	240,000	
Allocation of Efficiency Savings:	(560,200)	
		3,117,800
Additional Expenditure:		
Non-Staff Inflation	115,900	
		115,900
Transfers between Committees:		
Transfer of elements of operations of Agriculture and Fisheries Department	1,531,300	
Transfer of Environment staff to Public Services Department	49,600	
Reduction in budget to reflect expected income from planned sewerage charge	(2,400,000)	
		(819,100)
2005 Net Revenue Expenditure		£ 21,245,900

Economic Development



The Economic Development Committee has continued to consolidate the functions of the former Industries, Tourism, Agriculture and Fisheries and Gambling Control Committees and the Jersey Transport Authority, together with the Training and Employment Partnership. In March 2004, the Committee and the Environment and Public Services Committee reached final agreement about the services, functions, staff and budgets to be transferred between the Committees. A Transfer of Functions Act has been lodged to complete this process by transferring appropriate statutory powers and duties.

The functions from Agriculture and Fisheries that have remained with the Economic Development Committee are those that relate to its core purposes, 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. Operational, environmental and field activities have been transferred to Environment and Public Services.

Only nine out of the 67 total staff in Agriculture and Fisheries remain with the Economic Development Department. However, approximately £4.5 million (more than half the former annual budget) remains with Economic Development, reflecting the significant amount of financial aid that is provided to the Industry by the States.

The Economic Development Department, having operated throughout 2003 virtually as three separate departments for Industries, Tourism and Agriculture and Fisheries, has now been re-organised along effective functional lines designed to deliver its core objectives of strategic development, marketing Jersey and its products, regulation and consumer protection.

The Committee has identified significant savings for 2005 as part of the States' Fundamental Spending Review Process (FSR), so contributing to the overall aim to enable the States to meet their demanding financial targets for future years.

The strategic aims and objectives that the States have set the Committee in the Strategic Plan 2005 – 2010 are very demanding, not least of which is the aim to implement an Economic Development Policy to encourage real sustained economic growth of 2% p.a. The Committee is confident that the excellent relationships it has built with its strategic partners and stakeholders will enable it to meet these challenges successfully.

Strategic Development

The Department will, during the autumn, issue consultation papers in relation to a new law allowing Foundations to be established in Jersey and significant amendments to the Trusts (Jersey) Law. The changes proposed by these consultation papers, if supported by industry and approved by the Committee and the States, are expected to provide significant support to areas of the Finance Industry. Draft legislation is likely to be placed before the Committee in mid 2005. In addition, significant amendments to both the Bankruptcy (Désastre) Law and the Companies (Jersey) Law are in the process of being finalised. Among other things, these changes will allow protected cell companies to be established in Jersey. Again, it is expected that these changes will provide a boost to the industry. It is intended that draft legislation will come before the Committee prior to the end of 2004.

The Committee will seek to debate the Draft Copyright Law, Performers' Protection Law and Design Right Law before the end of 2004 in order to enable Jersey to achieve TRIPS compliance. Policy and law drafting instructions for modernising the Patents and Registered Designs Laws will be developed to enable this legislation to be modernised in 2005. Current trademarks legislation is also under review.

The Committee will consider the potential for closer integration of the Jersey and French economies to facilitate the flow of goods and services and mobile factors of production.

The Committee will present to the States for debate a strategy for air and sea transport and will also seek to clarify its future role in relation to policy oversight of the Harbours and the Airport.

The Department will continue to provide executive support to the Construction Industry Board and the Committee will take a keen interest in the development of the newly formed Jersey Construction Council. The Department will continue to support the Emerging Industries Board (now re-designated the Jersey Enterprise Board) and will maintain its strong links with the Jersey Business Venture.

The highly successful Jersey Awards for Enterprise will be continued.

The Committee will, subject to approval by the States, bring forward new draft gambling legislation in 2005. The main drivers behind the move are the simplification of regulations, the increase in consumer choice and the raising of States revenues through

Cash Limits Set for 2005

	£'000	Decrease
Year 2005	15,665	(15.5%)

Committee Staff Estimates

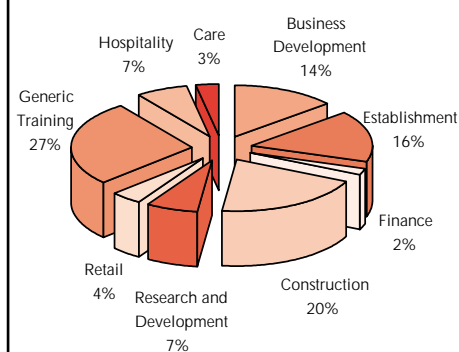
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	5,343	2,842

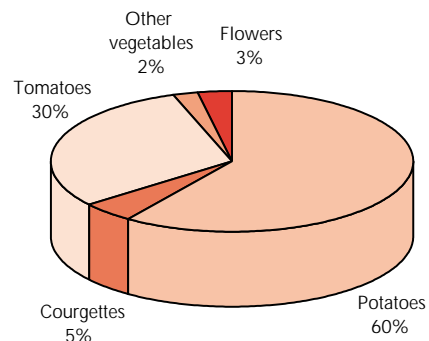
Number of Full Time Equivalent

	2004	2005
Civil Servants	117.16	63.58

Training and Employment Partnership 2005 Budget Allocation



Distribution of Exports 2003 (by Value) Total Value £28,010,727



Economic Development



economic development in the sector. The aim is to create a new Gambling Commission with responsibility to regulate all gambling activity on the Island and which will also be charged, in association with strategic partners, with championing harm reduction and developing strategies to minimise problem gambling. The decision to modernise the Island's gambling laws was taken by the Committee as part of the wider economic growth strategy for the local economy.

The Technology Media and Telecommunications Advisory Group will focus its work in 2005 on supporting the Committee's economic growth strategy. The core will be the development and implementation of an Island-wide e-commerce strategy. The Group will also continue research in the area of digital terrestrial television and support the work of Policy and Resources in establishing a one-stop-shop for the States.

Finance Industry

A thriving finance industry is dependent upon external and international factors and also upon local business conditions. Policy and Resources is primarily responsible for ensuring that any international changes that might affect the finance industry are addressed at an early stage. Economic Development is responsible for ensuring that the overall legislative and regulatory environment in Jersey encourages the development of the finance industry.

The Committee is "responsible" for the Jersey Financial Services Commission (the "Commission"), though it should be emphasised that the Commission is an independent body that, while ultimately answerable to the States, is not subject to political intervention. Nevertheless, there is an open and constructive relationship between the Commission and Economic Development aimed largely at ensuring that the Commission's duties to protect investors, safeguard the Island's reputation and have regard to the Island's best economic interests are given appropriate weight.

The Committee also contributes to the budget of Jersey Finance Limited ("JFL"), the industry body charged with promoting the finance industry globally.

Both the Commission and JFL meet the Committee regularly, as well as discussing matters with Department officers on a daily basis.

Training and Employment Partnership

The Training and Employment Partnership (TEP) will continue to prioritise its resources against the Island's skills gaps, identified in the 2004 Employers Survey. In addition, for the first time, a skills audit of the finance industry has been undertaken. The key aims of increasing participation in skills training and improving business performance will continue. However, in support of the States Strategic Plan 2005-10, the TEP will be increasing its focus on matching skills supply to skills demand, and will work towards reducing the demand for migrant labour. The 2005 target will be to support over 4,000 individuals to improve their skills.

Jersey Agriculture

The Committee has continued with the policies of the former Agriculture and Fisheries Committee but, during 2004, a policy review has been commenced jointly with the Environment and Public Services Committee, in line with the aims of the States Strategic Plan. The new strategy will widen the scope of the Agriculture and Fisheries Policy Report, approved by the States in 2002, to include the development of a Rural Economy.

Advertising and promotional work on agricultural produce is now managed by the Marketing Team at Jersey Tourism.

Direct Financial Support has from 2003 taken the form of headage and area payments. These are no longer linked to levels of production and the fund is likely to include agri-environmental initiatives in the future. There are additional payments for helping to convert to organic production and also for deterring overgrazing by livestock (extensification).

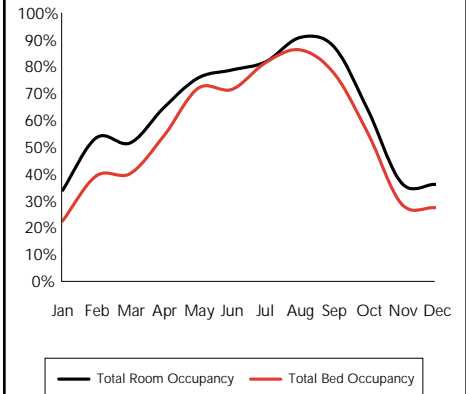
The Committee administers the agricultural loans scheme and also a glasshouse replacement interest subsidy scheme. However, while these schemes are currently suspended, and no new applications for assistance are being accepted, they will need to remain in place until all current borrowings have been extinguished.

The RJA&HS now runs the milk recording service, artificial insemination service and the early bull proving scheme for the industry under a grant from the Committee. Efficiency savings have been achieved for 2005.

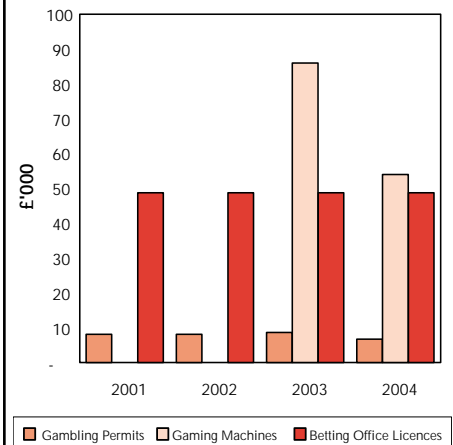
Dairy farmers have been compensated for loss of earnings since the outbreak of B.S.E. It is likely that local beef will be able to re-enter the human food chain sometime in 2005, but this will depend on the outcome of ongoing deliberations at DEFRA.

The Department still provides a Farm Business Support service, for which charges are made, but this service will not be provided after 2007 as a result of FSR savings.

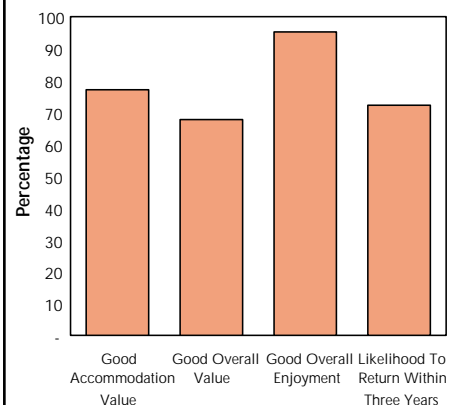
Tourism
Room and Bed Occupancy Levels - 2003



Gambling Control Income 2001 to 2004



Tourism
Ratings - Staying Leisure Visitors - 2003



Economic Development



Tourism and Marketing

Jersey Tourism is a marketing organisation which, during 2004, has also taken responsibility for marketing Jersey produce as well as promoting Jersey as a destination for business and leisure visitors. It is anticipated that new responsibilities will be added to its remit as the Committee seeks to develop the economy of the Island.

Although tourism volumes have reduced in recent years the industry is still of vital importance to the Island providing significant economic and social benefits. In 2003 Jersey attracted nearly 750,000 visitors spending a total of £213 million. In addition to this economic benefit, the tourism industry is also recognised for the benefits which it provides for the resident community. An omnibus survey carried out in the spring of 2004 showed that 83% of the Island's population felt that the tourism industry provided a positive or a strong positive impact on the overall quality of island life.

In the produce sector, Jersey has an outstanding brand position with its Jersey Royal which is by far the best known new potato sold throughout the UK with some 31,500 tonnes being exported in 2004. Other Jersey produce is also of significant importance in the export market. The export value of all crops in 2003 was around £28 million, of which potatoes represented £16.7 million, tomatoes £8.5 million, courgettes £1.5 million, peppers £500,000 and flowers £880,000. The value of the potato crop in 2003 was lower than the average of £25 million and it is expected that the 2004 value will be £23.5 million.

A new tourism strategy has been approved during 2004 and will be implemented during the next three years. The new strategy will bring about many changes in the way in which the tourism industry organises itself and markets the Island as a destination. We need to attract more first time visitors to top up the gradual erosion of existing visitors and bring in fresh blood. We also need to target younger visitors to replace the older visitors who are gradually fading away. In practice this means the young middle aged 40 – 45 year olds, rather than 18 – 30s. We also need to attract more people from mainland Europe as Jersey is over dependent on the UK market. There are some 500 million European potential visitors living within a two hour flight time from Jersey.

Jersey Tourism will encourage the industry to become more market focused and deliver what the visitors want, not what we have got on the shelf at the time. All the evidence suggests that the market is changing and expectations are rising. We also need to make more of niche and special interest markets. These are likely to include walking, cycling, water sports, and arts as well as business and conference tourism. In broad terms, the targets are to increase visitor spending in Jersey to £300 million per annum, increase and stabilise the volume of visitors at around 900,000 with 450,000 staying visitors, spread the season, diversify the market base, reduce the average age of visitors and increase the number of first time visitors. These targets represent a very large challenge for both Jersey Tourism and the industry as a whole and will only be achieved if a true spirit of partnership can be developed and sustained.

The strategy has five key objectives:

- we have to make people want to visit Jersey by possibly developing new flagship events and partnerships developing and promoting products that will attract niche and special interest markets and by strengthening the Jersey brand in the face of the intense competition which exists elsewhere;
- we have to make it easier for visitors to get here, to get around the Island, to access our products through websites, providing easier access to our product with Jersey being perceived as an expensive destination. This will require strong encouragement to reduce inflation and improve the quality and value of what we have on offer;
- visiting Jersey will need to become an outstanding experience;
- Jersey's distinctiveness will need to become more evident and visitors must be made to feel more welcome;
- finally, we will need to become better organised and resourced. This does not mean that more resources will need to be deployed, rather that we will need to deploy those that we have more effectively and ensure that the industry punches above its weight in providing both economic and social benefits for the island and its residents.

Jersey Conference Bureau

The Bureau is a Public Private Partnership, funded by Jersey Tourism and conference and incentive suppliers, to encourage the development and growth of business tourism to the Island from the UK and Northern Europe. The conference industry complements leisure tourism as it builds business in the shoulder periods and extends the main season.

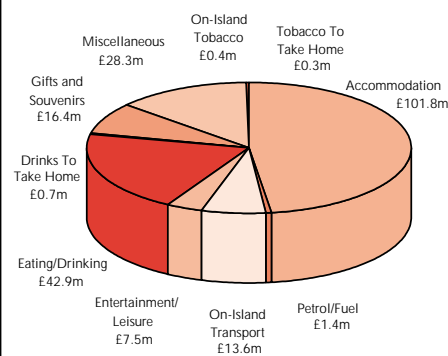
Regulatory Services

The Committee will continue to work in collaboration with the Policy and Resources and Housing Committees on the migration/population policy and the subsuming of Regulation of Undertakings and Development within the new organisation. The objective is to achieve a better, simpler and more customer-orientated service which will result in less bureaucracy and more efficiency to the benefit of the general public and the business community. The Committee will work closely with the Jersey Competition Regulatory Authority when the Competition Law is in force and will also take a keen interest in the development of postal services when the Postal Services Law is in force.

Consumer Protection

Work on progressing the consumer protection strategy which was based on the Boleat Report of 2001 will continue. It is expected that the draft Consumer Safety Law and the Distance Selling Law will be lodged for debate during 2005. Preparatory work for a comprehensive Supply of Goods and Services Law is well under way.

**Breakdown of
On-Island Visitor Expenditure
2003 – £213 million**



Economic Development



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
176,971	211,900	Safeguarding and Enhancing the Environment	-
1,137,593	970,600	Dealing with Waste Materials	-
1,339,394	1,358,600	Agriculture Marketing	1,300,800
2,738,798	2,245,100	Direct Financial Support	2,192,000
(99,469)	279,800	Agriculture Interest Subsidy Schemes	149,300
1,584,645	1,020,337	Agriculture Support Services	38,300
-	319,363	Agriculture Industry Services	258,400
-	-	Agriculture Statutory Compensation	184,800
1,083,502	1,207,400	Agriculture Strategy and Statutory and Regulatory Services	260,300
-	-	School Milk Provision	177,000
374,115	426,100	Support for Sea Fisheries	-
659,284	579,700	Strategic Development	562,800
380,114	341,700	Regulation of Undertakings and Development	404,400
196,797	288,500	Trading Standards	304,700
45,000	45,000	Jersey Consumer Council Grant	45,000
300,000	200,000	Jersey Competition Regulatory Authority	630,000
-	-	Jersey Finance	586,000
(50,009)	(71,600)	Gambling Control	57,500
1,331,096	1,231,000	Training and Employment Partnership	1,301,900
(56,868)	-	Jersey Markets	-
579,342	454,500	Tourism and Marketing Strategy and Policy	339,900
419,542	400,300	Tourism and Marketing Research and Planning	336,200
1,877,120	1,764,400	Tourism and Marketing Advertising and Media	1,801,500
543,373	477,600	Tourism and Marketing Consumer and Media Relations	430,800
528,602	626,600	Tourism and Marketing Public Relations	599,500
218,557	330,200	Tourism and Marketing Marketing Services	277,300
286,466	432,000	Tourism and Marketing Distribution	468,900
1,596,233	1,709,300	Tourism and Marketing Trade Relations	1,647,100
818,212	846,000	Tourism and Marketing Product Development	828,800
409,676	498,400	Tourism and Marketing Visitor Services	413,500
249,931	249,400	Jersey Conference Bureau	235,700
(5,737)	95,300	Tourism and Marketing Quality Development	70,800
-	-	Allocation of Efficiency Savings	(238,000)
£ 18,662,280	£ 18,537,500	Net Revenue Expenditure	£ 15,665,200

Economic Development



Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
62,000	Sale of Goods	70,200
125,000	Sale of Services	171,500
41,000	Hire and Rentals	20,000
630,000	Fees and Fines	475,000
36,700	Recharges and Recoverable Costs	268,000
187,700	Miscellaneous	35,000
1,082,400		1,039,700
	Expenditure	
5,343,300	Manpower - States Staff Costs	2,841,600
188,000	Manpower - Non States Staff Costs	274,700
694,000	Premises and Maintenance	294,000
7,857,400	Supplies and Services	6,086,500
422,400	Administrative Costs	435,600
	Grants and Subsidies	
4,012,200	- Agricultural Subsidies	2,551,800
1,102,600	- Other Grants and Subsidies	4,220,700
19,619,900		16,704,900
£ 18,537,500	Net Revenue Expenditure	£ 15,665,200

Note: The 2005 efficiency savings of £238,000 has been included in the above figures.

Economic Development



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		18,537,500
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
JCRA	(50,000)	
Regulatory Services	(50,000)	
Strategic Development	(46,500)	
Tourism and Marketing	(304,600)	
Retained Jersey Agriculture functions	(245,900)	
Additional Funding Approved:		
JCRA (Administration of the Competition Law)	480,000	
Finance Industry Support	336,000	
Provision of School Milk	177,000	
Allocation of Efficiency Savings:	(238,000)	
		58,000
Additional Expenditure:		
Non-Staff Inflation	297,100	
		297,100
Transfers between Committees:		
Planning and Environment Committee -		
Transfer of some Agriculture and Fisheries Functions	(1,946,100)	
Public Services Committee -		
Transfer of some Agriculture and Fisheries Functions	(1,531,300)	
Finance and Economics Committee - Finance Industry Support	250,000	
		(3,227,400)
2005 Net Revenue Expenditure		£ 15,665,200

Health and Social Services



Statement of Purpose

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."

Strategic objectives

The aims are supported by seven key strategic objectives:

1. collaboration for healthy public policy;
2. development of Social Services;
3. equity and access;
4. integrated and client-centred care;
5. quality standards and clinical effectiveness;
6. efficiency and long-term sustainability; and
7. infrastructure requirements.

Fundamental Spending Review 2005

As with most health and social care systems throughout the world Health and Social Services are subject to continuing pressures from a number of sources which have an impact on the cost and demand for services.

These include:

- an aging population;
- advances in medical science and technology resulting in new high cost diagnostic and therapeutic interventions;
- increasing public expectations; and
- rising standards in clinical practice.

No western health and social care system, however designed, has been able to meet these cost and demand pressures without significant revenue growth on an annual basis.

Since 1960 average health spending per capita in Organisation for Economic Co-operation and Development (OECD) countries has increased by 5.5% in real terms, with the UK spending 3.6%. Even during the last twenty years when public expenditure controls have been tighter, UK spending on health has been increased by an average 2.9% per annum. More recently the UK Government is investing at a rate of 6.3% real growth from April 2000 and for each of the next four years.

In 2002 the Health and Social Services Committee and Policy and Resources Committee sponsored a review of health care funding, undertaken by the Health Services Management Centre, University of Birmingham. In 2003 the report recommended that the Committee receives real growth of between 3-7% for the next five years.

Taking account of these facts the Committee requested £6,894,000, 5.67% growth in real terms, but secured growth of only £2,017,000.

Agreed savings proposals amounted to £655,000.

In addition the Committee's contribution to the corporate efficiency savings process is estimated at £2,133,400.

The net effect is a reduction in the Committee budget of £771,400 for 2005.

Cash Limits Set for 2005

	£'000	Decrease
Year 2005	121,315	(0.2%)

Committee Staff Estimates

Staff Costs

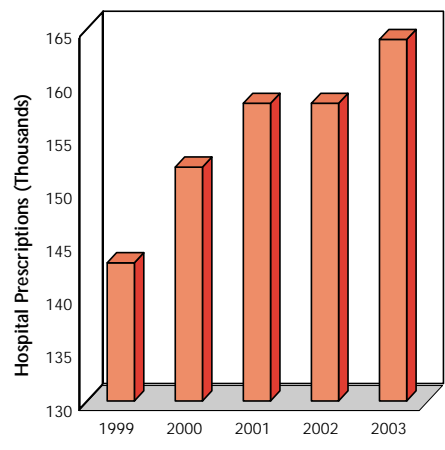
	2004 £'000	2005 £'000
Civil Servants*	26,806	26,327
Manual Workers	12,658	12,586
Ambulance Staff	2,993	2,534
Medical Staff	11,097	11,458
Nurses and Midwives	37,284	38,069
Residential Officers	2,380	2,326
Family Support Staff	248	252
	93,466	93,552

*The 'Civil Servants' heading comprises several professions allied to medicine such as therapists, radiographers, pharmacists, scientists and social workers.

Number of Full Time Equivalent

	2004	2005
Total	2,143.17	2,143.86

Hospital Prescriptions Dispensed



Health and Social Services



Growth 2005

The growth secured by the Committee will fund:

- Recommendations from the Children's Executive in response to the Bull Report on Children with Severe Emotional and Behavioural Difficulties.
- Developments in Pharmaceuticals – for example, to fund increased use of certain expensive drugs to treat breast and prostate cancer. Expenditure on just three specific products to treat these conditions has risen by £130,000 over the last two years.
- Critical Care: High Cost Drugs and Supplies - Pressures are due to price rises and technological developments in product ranges, and an increasing specification for supplies enshrined in best practice guidance. Over the last three years the cost of clinical materials used in CCU has increased by 28% and drugs by 43%. For example Xigris, has also been recommended in National Institute of Clinical Excellence guidelines, in the treatment of extreme septic shock. This treatment costs in the region of £5,000 per patients and it is estimated that approximately 25 patients per annum will benefit from its use.
- Paediatric emergency charter flights - Increased level of charter flights for critically ill children and premature/critically sick newborn babies. Over the last three years the cost of emergency charter flights has increased by 33% and the number of such transfers required for children and babies has nearly doubled from 18 in 2002 to 31 in 2003.

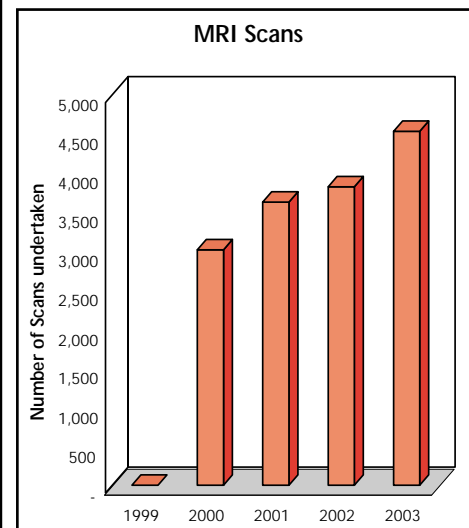
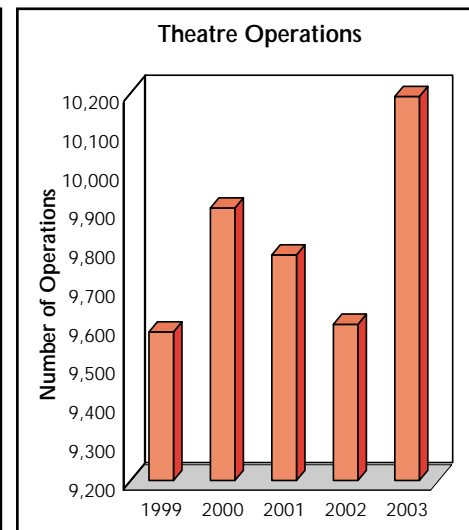
Savings 2005

As part of the FSR process the Committees savings proposals amounting to £655,000 were agreed. For example, these include service reductions/cuts in the hospital car service, patient transport service and limiting hospital prescribing.

In addition the Committee's estimated contribution to corporate efficiency savings is £1,900,000.

Performance Measures

In recent years the Department has been developing a wide range of performance measures that encompass all aspects of health and social care provision. Forty eight of these measures were submitted for publication in the Performance Benchmarking Report 2004 issued by Policy and Resources Department.



Health and Social Services



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
		Public Health Services	
860,940	812,200	Public Health Medicine	784,900
573,506	590,700	Clinical	595,500
793,226	812,300	Environment	927,100
497,038	557,500	Health Promotion	557,300
		General and Acute Services	
1,656,240	1,768,900	Outpatients	1,612,400
65,986	248,700	Private Patients	228,900
1,278,382	1,292,600	Pharmacy	1,444,500
2,343,447	2,389,000	Paediatrics	2,508,500
		Medicine - Specialties	5,699,300
		Medicine - Renal	1,762,100
		Medicine - Wards	6,196,300
13,083,554	13,112,200	Division of Medicine Total	13,657,700
2,042,843	2,326,400	Physiotherapy	2,344,900
2,209,596	2,222,400	Radiology / Diagnostic Imaging	2,046,100
6,706,207	6,873,600	Pathology Laboratory	6,470,700
11,611,143	11,977,000	Surgery - Specialties	12,474,800
4,094,496	4,599,400	Surgery - Theatres	5,290,500
8,006,841	8,872,500	Surgery - Wards	8,624,500
2,649,632	2,766,700	Surgery - Accident and Emergency	2,968,000
2,985,211	3,467,300	Ambulance	3,466,900
604,617	580,400	Patient Transport	227,100
3,832,829	3,858,700	Obstetrics and Neo Natology	3,947,500
		Community and Social Services	
1,302,380	1,211,500	Alcohol and Drugs Service	573,200
8,311,518	8,253,200	Mental Health Services	8,518,900
		Rehabilitation and Services for Older People:	
5,962,739	5,693,100	Assessment and Rehabilitation	5,496,600
10,627,855	10,618,100	Continuing Care	10,219,500
6,937,121	7,282,200	Elderly Mentally Ill	6,741,800
2,715,327	3,075,800	Therapy Services	3,228,700
		Social Services - Childrens Services	6,340,700
		Social Services - Adult Social Work	3,057,100
		Social Services - CAMHS	909,200
		Social Services - Special Needs	6,051,900
14,907,870	16,336,600	Social Services Total	16,358,900
£ 116,660,544	£ 121,599,000	Net Revenue Expenditure	£ 121,315,400

Note: The 2005 efficiency savings of £2,133,400 has been included in the above figures.

Health and Social Services



Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
465,000	Sale of Goods	552,300
468,900	Sale of Services	239,500
1,473,100	Hire and Rentals	1,451,700
9,706,700	Fees and Fines	12,847,200
12,113,700		15,090,700
	Expenditure	
93,430,900	Manpower - States Staff Costs	93,506,300
34,900	Manpower - Non States Staff Costs	45,400
22,473,800	Supplies and Services	24,891,600
3,982,300	Administration Costs	4,166,400
6,358,600	Premises and Maintenance	6,436,700
7,432,200	Grants and Subsidies	7,359,700
133,712,700		136,406,100
£ 121,599,000	Net Revenue Expenditure	£ 121,315,400

Note: The 2005 efficiency savings of £2,133,400 has been included in the above figures.

Health and Social Services



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure	121,599,000	
Budget Adjustment:		
Non Recurring 2004 Budget – Substance Misuse Strategy	(560,000)	
2005 Fundamental Spending Review Process:		
Additional Funding Approved:		
Support for recommendations from the Children's Executive in response to the Bull Report	439,000	
Building a Safer Society - a new combined strategy	158,000	
Paediatric emergency charter flights	48,000	
Increased use and cost of growth hormones	19,000	
Provision of Medical Locum staff	172,000	
Medical defence insurance costs	96,000	
Developments in pharmaceuticals	183,000	
Diabetic services, increased workload	48,000	
Developments in pathology pharmaceuticals	86,000	
Reciprocal health funding for specialist tertiary referrals	768,000	
Service Reduction Approved:		
Limit hospital prescribing to medicines not on prescribed list	(300,000)	
Cease hospital car service	(73,000)	
Review of parking facilities	(40,000)	
Review day centres	(122,000)	
Review patient transport services	(120,000)	
Allocation of Efficiency Savings:	(2,133,400)	
		(1,331,400)
Additional Expenditure:		
Non-Staff Inflation	698,300	
Medical Defence Insurance	233,000	
		931,300
Transfers between Committees:		
Transfer of Corporate Supplies from Finance and Economics	116,500	
		(116,500)
2005 Net Revenue Expenditure		£121,315,400

Education, Sport and Culture



The work of the Committee, Department, service providers and partners is guided by the Mission Statement which was adopted by the Education, Sport and Culture Committee in December 2002 as follows:

'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 customer focused information and support in an effective and efficient manner;
- 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.

Values

The values which were adopted by the Education, Sport and Culture Committee in December 2002 have been adapted to take account of the core values which have been agreed by the States:

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

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

Efficiency and effectiveness: We will endeavour to deliver a customer focused service whilst obtaining 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 and a shared culture.

Communication: We endeavour to treat those with whom we have contact with respect, dignity and courtesy.

Challenges in 2005

In setting its objectives for 2005 the Department and Committee have taken full account of the States' Strategic Aims and a range of significant developments which either drive or are the outcome of change. The Committee recognises that the achievement of the States Strategic Aims will, in no small measure, be dependent on the realisation of the Committee's agenda for development. Within the States' Strategic Plan, particular responsibilities have been assigned to the Education, Sport and Culture Committee in respect of:

Cash Limits Set for 2005

	£'000	Decrease
Year 2005	87,254	(0.7%)

Committee Staff Estimates

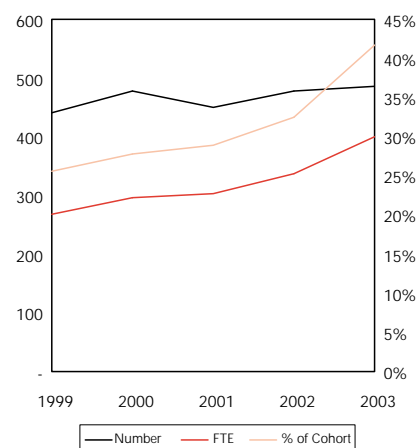
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	4,558	4,342
Manual Workers	4,276	4,255
Teaching Staff	39,165	39,677
Lecturers	4,766	4,343
Support Staff	8,769	8,977
Youth Workers	538	648
Residential Child Care Officers	-	840
	62,072	63,082

Number of Full Time Equivalent

	2004	2005
Civil Servants	104.67	97.67
Manual Workers	164.00	159.50
Teaching Staff	838.88	853.48
Lecturers	79.11	79.91
Support Staff	283.95	277.55
Youth Workers	8.33	8.33
Residential Child Care Officers	-	24.00
	1,478.94	1,500.44

% Cohort in Nursery Provision



Education, Sport and Culture



- Strategic Aim Two : To maintain a sustainable population
- Strategic Aim Three : To enhance the quality of life
- Strategic Aim Five : To invest in Jersey's Youth
- Strategic Aim Nine : To improve the delivery of Public Services

The Committee is continually faced with challenges, which reflect its wide remit, and will continue to work to ensure an effective response. Particular initiatives during 2005 will include:

- the development and implementation of a Cultural Strategy for the Island, following extensive consultation with key partners and stakeholders;
- the introduction of a successor scheme for Validated School Self Evaluation, many of the principles of which have been embodied into reformed processes for school inspection in the United Kingdom;
- an Island approach to Assessment and Learning which will have major implications for the types of experience offered to pupils in our schools and the ways in which we map their progress;
- the development of an Island response to changes which will be made to the 14-19 curriculum to support enhanced relevance, engagement and achievement;
- the continued delivery of the three year strategic plan for the Island's Youth Service which will support an integrated community approach to offering formal and informal opportunities for our young people;
- the establishment of a second generation ICT strategy to build on the successes of "Putting Jersey's Future First" with a shift in emphasis from the development of the infrastructure to the enhanced exploitation of the medium;
- the commitment to ensure maximum benefit from the Committee's investment in Early Years education and care;
- the development, in partnership with the Department for Economic Development, of a scheme to reinvigorate Fort Regent through the inclusion of an International Conference and Events Centre;
- the continued implementation of the recommendations of the Inter-Departmental Review of Provision for Children with Severe Emotional and Behavioural Difficulties; and
- the enhancement of arrangements for Higher Education which take account of changing patterns of participation, provision and funding arrangements.

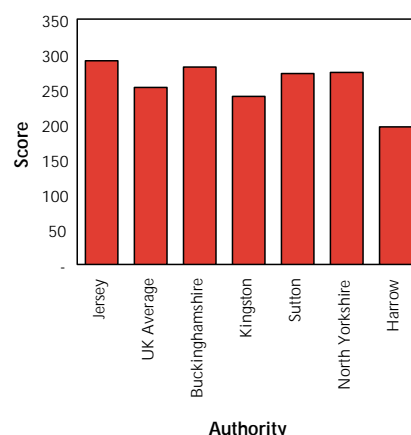
2005 Fundamental Spending Review Process

The Committee fully participated in the 2005 process and has accepted the package of savings and growth measures on the condition that the States Resource Plan 2005-9 is adopted without amendment. The Committee is disappointed that the net effect of the FSR process, after efficiency savings of £1.4 million, is a reduction in its cash limit of £1.2 million when other developed jurisdictions are increasing their investment in the education and learning of their communities.

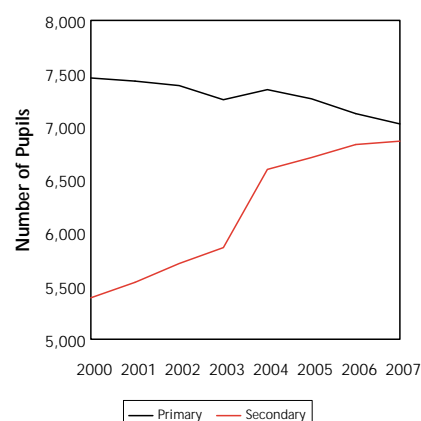
Growth Packages

The Committee was successful in securing growth packages of £1,166,000 in 2005 but was disappointed that additional funding was not secured for:

2003 A Level Score Comparison



Pupil Numbers in Full Time Education



Education, Sport and Culture



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

The growth packages secured through the FSR will fund:

- demographic growth – part of the cost of an increase in pupil numbers as well as the impact of pupils moving through year groups as the funding unit - the age weighted pupil unit (awpu) used to calculate part of the schools' and colleges' budgets increases to a maximum at year 13; and
- recommendations from the Children's Executive in response to the Bull report.

Savings Proposals

The Committee is disappointed that savings of £970,000 were accepted as part of the FSR process in addition to having to identify efficiency savings of £1,430,700 as the Committee's pro rated contribution to the States wide £6 million efficiency savings target.

The savings will be achieved as follows:

Service Reductions : £970,000

- By providing in service training for teachers by closing schools for two days during the academic year to reduce spending on supply cover.
- A reduction in the grant to the Jersey Arts Trust.
- Suspend allocations for £ for £ grants to sport and community organisations.
- A reduction in the grant to the Jersey Child Care Trust.
- The rationalisation of library services.
- The reduction in opening hours at three Sports Centres.

Efficiency Savings : £1,430,700

The Committee is aware that the efficiency savings have been pro rated across Committees regardless of service needs or priorities. While not supporting this arbitrary method of allocation it has sought to reduce the impact on direct service provision by:

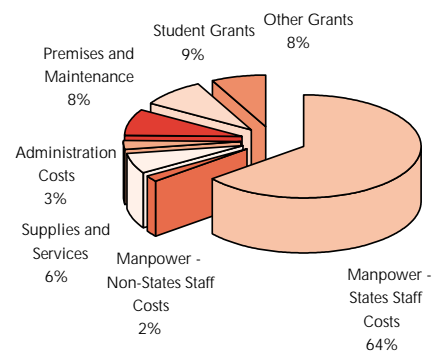
- Not allocating the non staff inflation funding.
- Reducing support services costs.
- Reducing the Highlands College Management costs.
- Reducing the Schools and Colleges, Lifelong Learning and Sport and Leisure Division's expenditure.

Development of Performance Measures

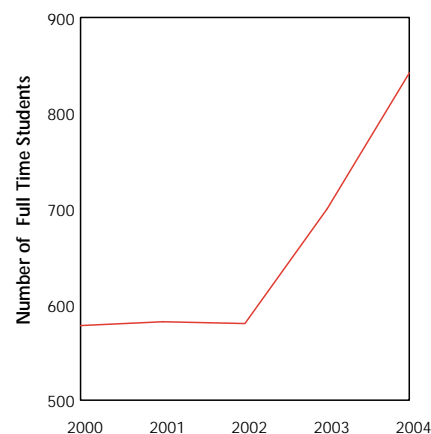
The Education service has been using UK measures to benchmark the service for some time. A good range of measures are therefore available for benchmarking exercises and are published in the Department's Annual Report. However, these are being supplemented with some additional measures, in particular relating to cost and Best Value Performance Indicators (BVPs). However, it should be noted that there are differences between the Education Service in Jersey and Local Education Authorities in the UK, as the Department of Education, Sport and Culture exercises many of the functions performed by both the Department of Education and Skills and Local Education Authorities.

There is a relatively limited range of statutory performance measures for Sport and Culture in the BVPI set as these are not statutory services in the UK.

Expenditure by Category



Highlands Full Time Student Numbers



Education, Sport and Culture



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
1,288,931	1,506,800	Non Fee-Paying Provided Schools	
20,607,990	21,429,500	Pre-School Education	1,545,700
17,759,780	19,883,500	Primary Education	21,124,300
		Secondary Education	20,183,200
		Fee-Paying Schools	
5,219,736	5,455,000	Provided Schools	5,536,800
3,591,053	3,749,600	Non-Provided Schools	3,832,400
7,228,335	7,709,500	Further Education (Highlands College)	7,612,000
7,383,187	7,851,100	Special Educational Needs and Special Schools	7,972,800
1,669,596	1,735,900	Public Libraries	1,640,100
1,084,230	1,210,100	Youth Service	1,301,800
7,934,770	9,204,100	Higher Education	9,106,900
623,134	684,300	Instrumental Music Service	674,700
		Child Care Support	
157,420	163,800	Day Care Services	162,300
366,468	229,600	Jersey Child Care Trust	166,300
142,036	1,618,500	Heritage (Grant to the JHT)	1,606,200
42,362	1,337,500	Arts (Grant to the JAT)	1,255,800
3,125,450	2,518,700	Sports Centres	2,202,400
647,012	528,700	Playing Fields and Schools Sports	476,400
370,080	397,700	Sport Development	378,300
471,657	448,600	Grants and Advisory Council	236,800
619,812	-	Community Fund	-
168,934	240,000	Playschemes and Outdoor Education	239,000
(788,000)	-	Prior Year Adjustment - Church Schools' Capital (note 1)	-
£ 79,713,973	£ 87,902,500	Net Revenue Expenditure	£ 87,254,200

Note: The 2005 efficiency savings of £1,430,700 has been included in the above figures.

Note 1: Prior Year Adjustment relates to commitments no longer required and approved for use by the Finance and Economics Committee for capital expenditure on the Church Schools, in accordance with P57/2001.

Education, Sport and Culture



Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
222,800	Sale of Goods	234,000
10,008,000	Sale of Services	9,942,800
18,000	Commission	12,000
887,300	Hire and Rentals	520,600
190,500	Fees and Fines	185,000
93,100	Miscellaneous Income	115,000
97,100	Recharges General	91,200
11,516,800		11,100,600
	Expenditure	
62,353,200	Manpower - Staff Costs	63,081,700
1,937,000	Manpower - Non-Staff Costs (note 1)	1,896,700
6,405,500	Supplies and Services	6,161,700
3,545,000	Administration Costs	2,743,900
8,547,500	Premises and Maintenance	8,130,300
71,400	Incidental Expenses	68,800
	Grants and Subsidies	
8,839,000	Student Grants	8,841,000
7,685,700	Other Grants	7,395,700
35,000	Non-Service Costs	35,000
99,419,300		98,354,800
£ 87,902,500	Net Revenue Expenditure	£ 87,254,200

Note: The 2005 efficiency savings of £1,430,700 has been included in the above figures.

Note 1: Non-Staff Costs relate to Teachers' Pension Increases.

Education, Sport and Culture



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		87,902,500
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Provide in service training for teachers by closing schools for two days during the academic year to reduce spending on supply cover	(320,000)	
5% reduction in grant to Jersey Arts Trust	(70,000)	
Cease £ for £ grants to sport and community organisations	(200,000)	
Reduce grant to Jersey Child Care Trust	(60,000)	
Rationalisation of library services	(70,000)	
Reduce opening hours at sports centres	(250,000)	
Additional Funding Approved:		
Part of the cost of maintaining pupil teacher ratios - demographic growth	796,000	
Recommendations from Children's Executive in response to the Bull Report	370,000	
Allocation of Efficiency Savings:	(1,430,700)	
		(1,234,700)
Additional Expenditure:		
Non-Staff Inflation	586,400	
		586,400
2005 Net Revenue Expenditure		£ 87,254,200

Home Affairs



Core Aims and Objectives

The Home Affairs Committee has set its core aims and objectives against the backdrop of the recently approved States Strategic Plan, the Five-Year Vision for Public Sector Reorganisation and preparation for ministerial government. These core objectives are:

- to help deliver Strategic Aim 3: 'to enhance quality of life', by taking lead responsibility for the development and implementation of a criminal justice policy, achieving low levels of crime and implementing a public safety strategy;
- to help deliver Strategic Aim 5: 'to invest in Jersey's youth', by taking lead responsibility for ensuring that young people who fall foul of the law are encouraged and supported to become responsible members of society;
- to help maintain and enhance the Island's reputation as a financial centre of integrity;
- to maintain an intelligence-led, problem-solving and proactive style of policing;
- to protect the public by maintaining a safe, decent and healthy custodial environment at the Prison and to deliver this cost effectively by seeking ways of reducing the cost of accommodating prisoners in the UK;
- to improve public safety by adopting an integrated risk management approach to fire safety; and
- to protect society, particularly against the influx of illegal substances, by the effective enforcement of prohibitions and restrictions and vigilant frontier security.

Objectives Specific to 2005

The main policing objectives for 2005 are:

- **To provide round the clock reassurance and response policing in a way that maintains public confidence.**

Demographic change will see the 14-17 year old population in Jersey increase by 12% from 2002 to 2006. Additionally, the population of 18-25 year old males could increase by 22% from 2002 to 2007 due to economic growth. These age groups account for the majority of crime, anti-social behaviour, street violence and road traffic crashes resulting in injury in Jersey. Key change objectives designed to meet these challenges in 2005 include a continuing shift towards more pro-active, intelligence-led policing operations, supported by revised working arrangements with the Honorary Police and the full roll-out of a problem-solving policing initiative to address community issues at a local level.

- **To provide specialist detective and forensic investigation services, with particular emphasis on serious and serial offences and investigations requiring specialist knowledge and training.**

Over the past year, local officers have been trained in the investigation of murder and other serious crimes in order to further reduce dependency on the UK. This programme will be further developed in 2005.

- **To develop sources of intelligence and collate and analyse information to inform operational policing and ensure compliance with Regulation of Investigatory Powers legislation.**

Effective deployment of uniformed and specialist units is dependent upon the way that intelligence is collected, developed and disseminated for action. To the regret of the Home Affairs Committee, The Joint Intelligence Bureau will have to accommodate the loss of a Customs intelligence collator as a result of the 2005 Fundamental Spending Review (FSR).

- **To provide for the reception, processing and adequate care of prisoners in Police custody.**

The Police Procedures and Criminal Evidence Law will be implemented and the civilianisation of four gaoler posts as a result of the 2005 FSR process.

- **To provide the criminal justice system and associated agencies with high quality and timely administrative support.**

Revised operational processes will be introduced to accommodate the loss of two posts through FSR whilst seeking to support the States Strategic Initiative of enabling the Courts to maintain the highest standards in the administration of justice.

Cash Limits Set for 2005

	£'000	Increase
Year 2005	37,697	0.3%

Committee Staff Estimates

Staff Costs

	2004 £'000	2005 £'000
Police Officers	13,260	13,073
Prison Officers	4,103	4,341
Fire Fighters	3,570	3,812
Civil Servants	10,257	9,715
Manual Workers	488	522
	31,678	31,463

Number of Full Time Equivalent

	2004	2005
Police Officers	253.00	252.00
Prison Officers	98.00	103.00
Fire Fighters	77.00	76.00
Civil Servants	233.85	230.00
Manual Workers	17.45	17.45
	679.30	678.45

	Staff Costs £ million	Staff Costs as a % of Net Revenue Budget
Home Affairs Department	0.296	38.2
States of Jersey Police	16.666	82.9
Fire and Rescue Service	4.045	91.2
HM Prison	4.618	72.9
Customs and Excise	2.675	81.7
Immigration and Nationality	1.046	72.5
Driver and Vehicle Standards	0.599	84.2
Jersey Field Squadron	0.318	38.9
Probation and Aftercare Service	1.041	82.6
Superintendent Registrar	0.112	65.1
Building a Safer Society Strategy	0.202	68.7

Home Affairs



- To protect Jersey's security and fulfil international obligations with particular emphasis on monitoring movements in and out of the United Kingdom of persons of interest to the local and international intelligence community.

Confidential links with UK agencies will be maintained to assess the Island's security needs in the light of current intelligence.

- To provide financial crime investigation services that help maintain and enhance the Island's reputation as a financial centre of integrity.

The focus will be on high-risk cases (including terrorism-related cases) where there is a significant risk to the good reputation of the Island's finance industry, whilst urgently seeking to address the resourcing of the Unit. Financial crime investigation is given a high priority in the new States Strategic Plan but the International Monetary Fund recommendation that 'Jersey should take immediate steps to increase the staffing levels of the JFCU to the approved strength of 17.5 positions' was not given similar status in the 2005 FSR process and the investigative workload continues to exceed the resources available.

The Force maintains a comprehensive suite of key performance indicators that can be benchmarked against national indicators published by the Home Office and with similar Forces in Guernsey and the Isle of Man. In 2005, the Force aims to ensure that performance across a range of benchmark indicators will maintain Jersey's status as being one of the best performing Forces in England and Wales with regard to low crime and high detection rates.

The Fire and Rescue Service will introduce a modernised managerial and organisational structure. This will not in itself achieve direct financial savings but there will be indirect financial benefits achieved through greater efficiency. The number of emergency interventions will continue to reduce as a result of successful initiatives in the areas of fire prevention, education and risk assessment. This will enable savings in fuel and appliance running costs to be made as well as payments to retained (part-time) fire-fighters called in to provide emergency cover.

In the Customs and Immigration area support will continue to be given to the development of the Island's fiscal strategy and to prepare for the introduction of the Police Procedures and Criminal Evidence Law and the Regulation of Investigatory Powers Law. An effective and proper immigration control will be provided in Jersey, an entry point for the Common Travel Area. We will continue to provide an efficient cost-effective passport service to the public, to plan for systems able to issue bio-metric passports and to provide a prompt legalisation of document service for the Island.

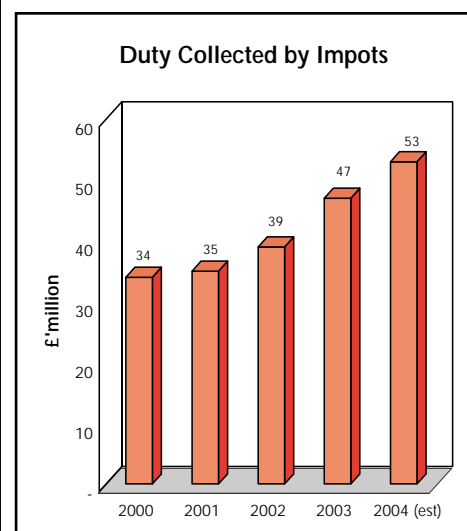
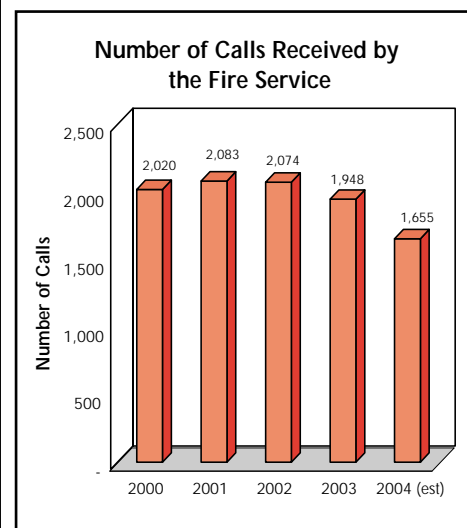
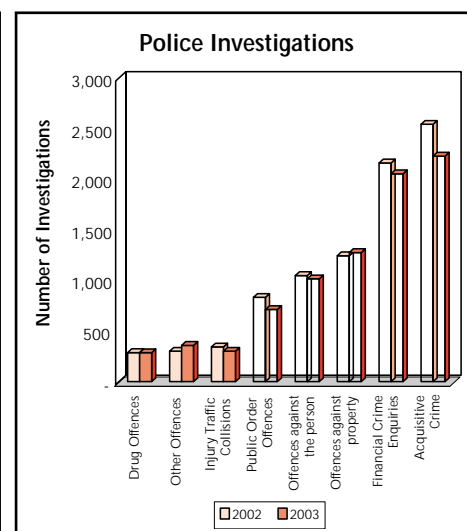
The Prison will continue to seek to contain costs by returning local prisoners from the United Kingdom as soon as spaces become available. This, together with the terms under which prisoners are transferred to the UK will enable the overall cost of transferring prisoners to the UK to be kept to a minimum.

The Driver and Vehicle Standards Department will continue to meet its statutory obligations and to make an operating revenue surplus where appropriate.

It is with great regret that the Home Affairs Committee states that unless further resources can be found the Probation and After Care Service will be unable to provide sentence planning and statutory post custodial supervision for adult offenders due to lack of funding as a result of the FSR. However, the service is likely to prepare 700 court reports and to supervise between 300 and 400 offenders. Additionally, there will be up to twenty complex matrimonial reports for the family division of the Royal Court.

The Superintendent Registrar expects to register a similar number of births, marriages and deaths to that of previous years. There will be close co-operation with both the new marriage venues and marriage related business to develop the Island as a venue for marriages.

The Home Affairs Department will commence implementation of the community safety strategy, Building a Safer Society, and carry out extensive consultation on the draft Criminal Justice Policy.



Home Affairs



2005 FSR – Service Reductions

Service reductions in a number of areas were approved during the 2005 process. The States of Jersey Police will lose five police officers but gain four civil servants. Once these reductions take effect, there will be nine fewer uniformed police officers on the authorised police strength than there were ten years ago.

The Fire and Rescue Service will lose two non-uniformed support posts (1.71 FTE). This will achieve a saving of £39,000 but the impact will be an additional workload for operational staff who will have to carry out the statutory inspection work previously undertaken by the full time post. In 2004, additional funding of £101,000 was allocated for the purchase of specialised equipment to deal with the outcome of any large scale terrorist attack. Unfortunately, funding to finance the training required to operate the new equipment was not approved in the 2005 FSR process and, therefore, an estimated £27,000 will need to be provided from the Service's 2005 revenue budget to achieve this priority.

A reduction in the Customs and Excise budget affects the Department's ability to seize illegal drugs, collect revenue, maintain IT software and, with a reduced training budget, the ability to offer appropriate training, particularly to new recruits. The budget reduction is particularly difficult to bear at a time when intelligence is indicating that Jersey continues to be under threat from aggressive and well organised drug syndicates. The Department achieves ever increasing seizures of Class A drugs such as heroin and cocaine. There is also pressure to raise extra revenue with diminishing resources from new and existing revenues. The picture is similar in the Immigration and Nationality Department which will need to cope with a budget reduction of £119,000 (11.35%). These cuts will impact upon the number of staff available at the ports and occasional delays being encountered by the travelling public. Also, the loss of a temporary officer from the passport office in the busy summer months will affect processing and the turnaround time for passport applications. Cuts in routine IT expenditure will impact upon operational efficiency and the Department's ability to finance new passport issuing technology involving 'biometrics'.

The Driver and Vehicle Standards Department (DVS) has an operating surplus of income over expenditure. However, the Department contributed significantly to savings achieved in the FSR process. In 2005 the complement will reduce from 19 to 16.5 FTE's. The Department's task remains comparable to what it was in 1997 when the staff complement was 21. Significant efficiencies have therefore been achieved over the last seven years by reducing staff by 21.5% while maintaining a revenue surplus. Although DVS will continue to operate with a revenue surplus, annual revenue of £95,000 was lost in 2004 when vehicle hire tax was abolished.

2005 FSR – Additional Funding

The 2005 FSR recognised that there were likely to be serious budgetary difficulties affecting the Prison; consequently, additional funding of £393,000 was granted to cover the additional costs of maintaining a full prison at La Moye and a further £720,000 to cover the continuing costs of accommodating prisoners in UK prisons. It was also decided to fund the Building a Safer Society Strategy which will be administered jointly with the Health and Social Services Committee. The Strategy will be funded by a combination of revenue and proceeds from the Drug Trafficking Confiscation Fund. The revenue element, which will be added to the Home Affairs budget, is £299,000.

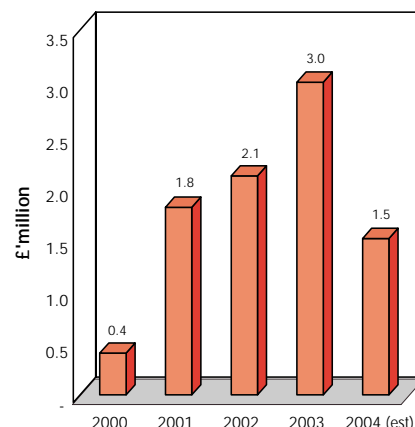
Transfers or Adjustments Since The 2004 Budget

In June 2004, the Finance and Economics Committee gave approval for additional funding of up to £1.2 million to help the Committee cover the additional cost of accommodating prisoners in the UK. Additional funding for this purpose was approved as a growth item in the 2005 FSR.

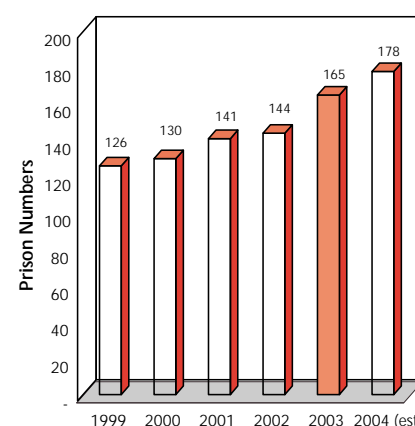
Specific Service/Financial Targets for 2005

Irrespective of the additional funds voted for the custody of prisoners in the UK, the Committee will be aiming to minimise the cost of accommodating prisoners in UK prisons. In terms of income generation, Customs and Excise will collect revenue in excess of £50 million representing approximately 12% of all States revenue. As direct taxation decreases, the significance of indirect taxation will become more relevant. Vehicle registration should generate a surplus of £145,000 with a further £44,000 from driving tests. This, together with reduced costs in technical services, will enable DVS to continue to operate with a revenue surplus.

Value of Drugs Seized by Impots



Average Daily Prison Population



Home Affairs



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
72,157	64,300	Home Affairs	
15,897	27,500	Explosives Officer / Explosives Licensing	64,300
185,560	285,000	Grants	27,500
(30,260)	-	Criminal Injuries Compensation Scheme	231,000
-	-	Safety Grants Fund	-
		Children's Authority	127,000
		Police	
9,966,836	10,227,900	Front Line Uniform Policing	10,144,000
3,535,366	3,642,600	Specialist Crime Investigation	3,614,000
1,028,805	1,079,900	Custody of Prisoners	1,069,000
1,473,072	1,509,600	Supporting the Criminal Justice System	1,505,500
955,580	995,300	Managing Intelligence	987,200
1,334,643	1,535,600	Financial Crime Investigation	1,526,700
1,270,106	1,432,800	National Security / Anti Terrorism	1,422,100
		Fire	
4,279,658	4,310,300	Community Protection	4,272,700
212,386	234,800	Maintenance of Plant and Machinery	199,500
		Impôt	
633,737	589,000	Revenue Collection	579,000
2,606,795	2,423,700	Enforcement	2,550,500
160,884	422,500	International Obligations	159,000
		Immigration	
961,821	1,163,200	Controls	1,108,200
(69,777)	(52,200)	Passports	(107,700)
(54,767)	(54,000)	Legislation of documents	(56,600)
		H.M. Prison	
4,538,607	4,072,900	Public Protection	4,499,500
1,188,025	1,082,500	Crime Reduction	1,101,000
700,327	94,300	UK Prisoners	760,000
		Driver and Vehicle Standards	
(220,543)	(268,700)	Vehicle Registrations	(150,600)
(100,343)	115,100	Vehicle Inspections	87,100
208,527	15,300	Driving Tests	(46,700)
		Probation	
1,065,448	1,095,100	Information and Supervision Service	1,060,200
136,267	176,400	Community Service	216,600
679,668	446,600	Crime and Community Safety Strategy	306,600
		Jersey Field Squadron	
50,650	63,700	IMLO and Careers Office	60,400
52,516	30,400	Uniformed Youth Organisation	30,000
954,336	733,200	UK Defence	743,700
66,739	87,600	Superintendent Registrar	82,900
£ 37,858,723	£ 37,582,200	Sub Total	£ 38,173,600
-	-	Allocation of Efficiency Savings (£632,000) after deduction of allowance for non-staff inflation (£155,300)	(476,700)
£ 37,858,723	£ 37,582,200	Net Revenue Expenditure	£ 37,696,900

Home Affairs



Income and Expenditure Category

2004 Estimate £		2005 Estimate £
	Income	
281,000	Sale of Goods	246,000
667,400	Sale of Services	780,800
87,500	Hire and Rentals	93,500
984,300	Fees and Fines	1,051,700
10,000	Miscellaneous Income	13,800
2,030,200		2,185,800
	Expenditure	
31,678,200	Manpower - States Staff Costs	31,463,300
152,500	Manpower - Non States Staff Costs	153,900
3,282,500	Supplies and Services	4,307,800
2,397,100	Administrative Costs	2,399,200
2,041,500	Premises and Maintenance	1,974,200
60,600	Grants	61,000
39,612,400		40,359,400
£ 37,582,200	Sub Total	£ 38,173,600
-	Allocation of Efficiency Savings (£632,000) after deduction of allowance for non-staff inflation (£155,300)	(476,700)
£ 37,582,200	Net Revenue Expenditure	£ 37,696,900

Home Affairs



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		37,582,200
Budget Adjustment		
Non Recurring 2004 Budget - Crime and Community Safety Strategy	(446,600)	
Driver and Vehicle Standards - Loss of Hire Car Registration Duty	95,000	
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Home Affairs - Reduction in Criminal Injuries Budget	(54,000)	
Police - Civilianise four gaoler posts	(85,000)	
Police - Reduce case preparation services by two police constables	(108,000)	
Fire and Rescue - Removal of non-uniform support staff	(23,000)	
Fire and Rescue - Removal of Canteen member of staff	(16,000)	
Impots - Removal of collator from the Joint Intelligence Bureau	(26,000)	
Impots - Reduction in software maintenance budget	(16,000)	
Impots - Reduction in training and transport (lease) costs	(26,000)	
Impots - Removal of revenue collection officer	(49,000)	
Impots - Non-employment of seasonal officer	(24,000)	
Immigration - Non-employment of seasonal officer	(14,000)	
Immigration - Reduction in computer costs	(40,000)	
Immigration - Removal of immigration officer	(48,000)	
Immigration - Reduction in training budget	(17,000)	
DVS - Removal of law post from driving tests	(16,000)	
DVS - Removal of senior traffic officer from driving tests and vehicle inspections	(46,000)	
DVS - Removal of vehicle registration clerk	(24,000)	
Registrar - Non-employment of temporary member of staff	(12,000)	
Additional Funding Approved:		
Home Affairs - Recommendations from the Children's Executive (Bull Report)	127,000	
Police - New Sex Offenders Legislation	48,000	
HM Prison - Cost of containing additional prisoners at La Moye	393,000	
HM Prison - Cost of containing prisoners in UK	720,000	
Crime and Community Safety Strategy - Building a Safer Society	299,000	
Allocation of Efficiency Savings:	(632,000)	
		(40,600)
Additional Expenditure:		
Non-Staff Inflation	155,300	
		155,300
2005 Net Revenue Expenditure		£ 37,696,900

Employment and Social Security



Objectives for 2005

In 2005, the full range of benefits and services will continue to be provided and administration costs will be reduced.

A new Income Support system will be developed to streamline the current range of States benefits, and incorporate the housing benefit and welfare systems. It will provide an integrated benefit structure which will work toward the eradication of financial exclusion – providing people with a minimum income relative to their situation, and reducing disincentives to support people into work. It is intended to bring a proposition to the States to this effect early in 2005, with introduction of the system planned for late 2006.

Other policy highlights for the coming year include the anticipated introduction of Employment Legislation in April 2005. This will provide a basic framework of minimum standards, including protection against unfair dismissal, a minimum wage, statutory rest days and a mechanism to resolve disputes.

Financial Highlights 2005

Committee expenditure is highly dependent upon economic conditions in the Island and the demographic changes occurring as the population ages.

- **Supplementation** - the States contribution toward pensions and other insurance benefits of lower earners is not expected to rise due to a small reduction in the number of individuals working and contributing.
- **Benefits costs** will increase by 10%, a significant rise, primarily due to an ageing population which needs more welfare support for residential home care, and increases in benefit rates designed to ensure that benefits keep pace with inflation.
- The overall cost of running services relating to employment – being Health and Safety, Employment Services, Employment Relations and the Jersey Employment Trust - will increase by 4.5%, as more money is directed to supporting those with special needs into employment.
- **Internal administration costs** will decrease by 4.4%, or £128,000, as the Department becomes more efficient at administering benefits. This is a sizeable reduction, one in excess of the £53,800 saving required by the Fundamental Spending Review, and will be achieved through the increased automation of processes. It will mean that it will cost 4p to pay every £1 of benefit in 2005, compared to 5p in 2003.

Fundamental Spending Review Service Savings

For a Committee which supports those most in need in the Island, making savings in budget is always difficult. At the same time, the Committee has a responsibility to identify areas where it feels some savings are possible, and these were put to the Fundamental Spending Review, which accepted measures relating to Disability Transport Allowance and Christmas Bonus. Both these benefits will be held at current levels in 2005, pending a full review of all States benefits as part of the new Income Support project.

Additional Funding

It is vital that benefits are able to rise in line with inflation to maintain their value in real terms. Equally, the pensions and other Social Security benefits of lower earners must continue to be funded to provide adequate social protection for when they are unable to work. To achieve this end, £2.7 million of additional funding was allocated during the Fundamental Spending Review, equating to a 3.5% increase in budget. As benefits costs are rising significantly, the majority of this growth money is directed to this area, particularly non-native welfare costs and associated administration.

Analysis and Development of Performance Measures

Key measures used by the Department to monitor performance include the turnaround time on benefit payments, the administration costs associated with each benefit transaction, and the proportion of the population covered by Social Security insurance. The Committee aims to continue to improve performance and value for money in each of these areas.

Cash Limits Set for 2005

	£'000	Increase
Year 2005	82,727	2.9%

Committee Staff Estimates

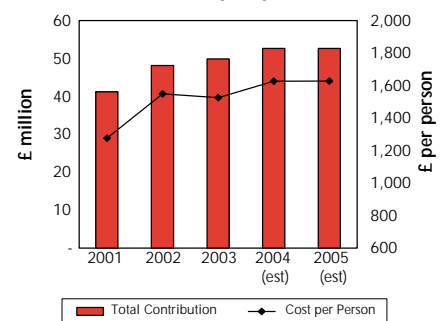
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	1,887	1,758

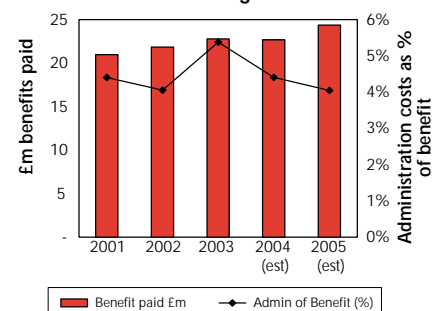
Number of Full Time Equivalent

	2004	2005
Civil Servants	37.2	34.3

States Contribution (total and per person)



Benefit paid compared to % cost of administering benefit



Employment and Social Security



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
49,891,875	52,633,000	States Supplementation to the Social Security Fund	52,541,000
1,206,563	1,323,100	States Contribution to the Health Insurance Fund	1,303,000
3,549,980	3,480,000	Non-Native Welfare	4,734,000
5,448,028	5,125,100	Family Allowances	5,551,000
3,404,034	3,486,500	Attendance Allowances	3,659,000
2,409,647	2,410,000	Invalid Care and Disability Allowances	2,689,000
786,238	734,700	Childcare Allowances	746,000
456,912	415,000	Health and Safety at Work	430,000
1,162,987	1,172,400	Employment Services	1,100,100
343,872	495,000	Employment Relations	495,000
936,363	520,000	Jersey Employment Trust	694,000
141,458	148,000	Dental Benefit Scheme	144,000
6,096,092	6,179,700	Disability Transport Allowance	6,288,000
212,229	287,000	Social Fund (Housing Adaptations and Family Nursing)	276,000
441,567	479,700	Jersey 65+ Health Plan	528,000
18,461	13,200	Death Grants	18,000
1,292,418	1,132,000	Christmas Bonus	1,137,000
441,245	367,000	Milk at Reduced Rate	394,000
£ 78,239,969	£ 80,401,400	Net Revenue Expenditure	£ 82,727,100

Note: The 2005 efficiency savings of £53,800 has been included in the above figures.

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
5,000	Income Agency Fees	5,000
5,000		5,000
	Expenditure	
	Direct Expenditure	
1,886,600	Manpower – States Staff Costs	1,758,100
468,000	Supplies and Services	590,000
367,500	Administration Costs	270,000
199,500	Premises and Maintenance	175,000
	Grants and Subsidies	
53,873,000	- States Contribution to the Social Security and Health Funds	53,740,000
22,561,800	- Community Benefits	24,788,000
714,000	- Special Needs Schemes	894,000
336,000	- Payments made to third parties for benefit administration	517,000
80,406,400		82,732,100
£ 80,401,400	Net Revenue Expenditure	£ 82,727,100

Note: The 2005 efficiency savings of £53,800 has been included in the above figures.

Employment and Social Security



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		80,401,400
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Freeze Christmas Bonus	(70,000)	
Freeze Disability Transport Allowance	(275,000)	
Additional Funding Approved:		
Up-rating of Supplementation and Benefits	2,696,100	
Allocation of Efficiency Savings:	(53,800)	
		2,297,300
Additional Expenditure:		
Non-Staff Inflation	28,400	
		28,400
Reprioritisation of Resources:		
Further reductions in internal administration costs	(103,100)	
Increased expenditure on Special Needs Schemes	180,000	
Economic changes varying the up-rating requirements for Supplementation and Benefits	(257,900)	
Increases in third party benefit administration costs, primarily due to increased demand for non-native welfare	181,000	
		-
2005 Net Revenue Expenditure		£ 82,727,100

Housing



The Housing Committee's main strategic aims as they relate to the States Strategic Plan 2005 to 2009 are:

Housing Committee Aim	Strategic Aim Number
To support measures to control housing demand.	1
To sponsor legal reforms in accordance with human rights principles.	1 and 2
To support the principle of home ownership.	2 and 3
To ensure affordable, sustainable housing is provided to meet the needs of all residents.	3
To maintain and improve the Committee's stock of rental housing.	3 and 6
To provide assistance to those in need through rental subsidy.	3

The particular objectives of the Committee in 2005 are:

- to seek appropriate amendments to the Housing Law and Regulations in order to implement any required changes to legislation arising from the approval of a new Migration Policy;
- in conjunction with other relevant Committees, to ensure implementation of any proposals agreed by the States in relation to the Migration Policy;
- to contribute to the Planning for Homes document and the Housing Needs and First Time Buyers Surveys;
- to refurbish Clos du Fort Phase 1, Convent Court Low Rise, La Collette Low Rise and 1-21 Le Geyt Flats. Work will include external cladding, new roofs and double glazing;
- to carry out smaller scale works in the form of new windows and some hard landscaping at Hillside Court, Pomme d'Or Farm and St George's Estate;
- to decorate 43 sites under the rolling five year external decoration programme; and
- to implement a change in the timetable of the calculation of assessments of rent abatement from an April deadline to a rolling annual renewal programme to enable the work load to be evenly distributed.

Financial Challenges facing the Committee in 2005

- The maintenance budget remains at £4.1 million, a reduction of almost half a million over 2003 expenditure, with maintenance expenditure against gross rental income at its lowest percentage since 1998.
- The response repairs service is to undergo a further review to contain costs. Expenditure on this part of the business is already well below the UK national average.
- In an attempt to lessen the demand on response repairs, the Department has placed greater emphasis on planned maintenance, however between 2002 and 2005 this programme has had to be reduced from £1.24 million to £780,000.
- Despite the decrease in the maintenance budget the Committee continues to make £100,000 available to assist elderly and disabled tenants with adaptations to their homes.
- Public and private sector rent subsidy continues to grow. In 2005 it is expected that there will be approximately 5,800 households receiving rental subsidy.

Cash Limits Set for 2005

	£'000	Increase
Year 2005	497	308%

Committee Staff Estimates

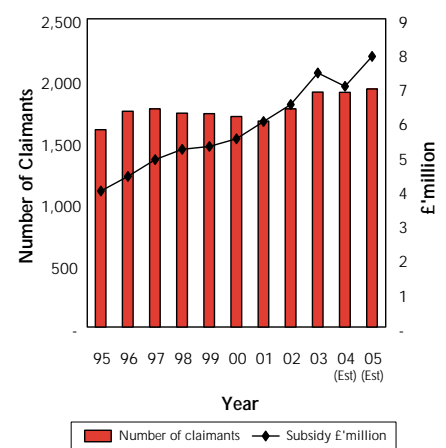
Staff Costs

	2004 £'000	2005 £'000
Civil Servants	2,501	2,420
Manual Workers	711	628
	3,212	3,048

Number of Full Time Equivalent

	2004	2005
Civil Servants	60.84	57.84
Manual Workers	28.46	25.46
	89.30	83.30

Private Sector Rent Rebate



Housing



Effect of reductions approved by the 2005 FSR spending process

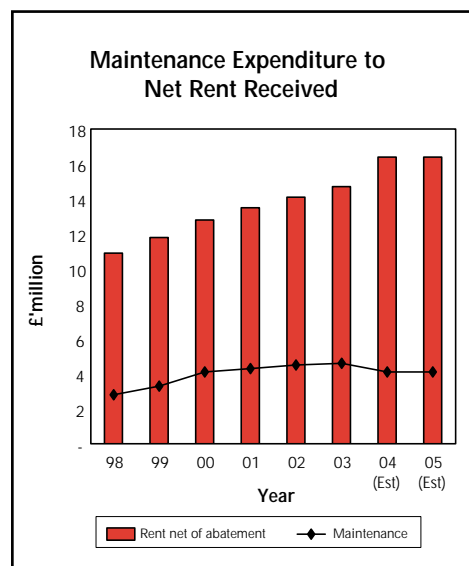
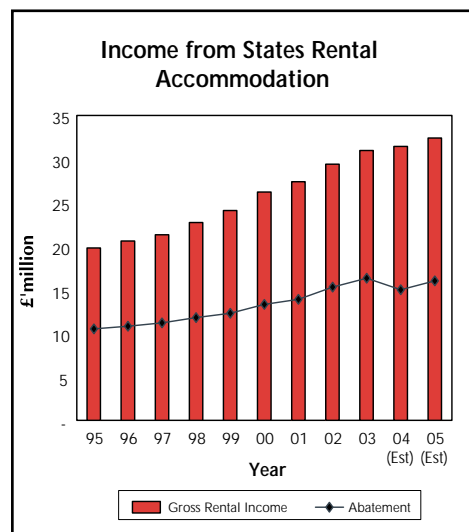
The percentage of Invalidity and Disability Benefit income regarded for calculating rent subsidy will increase from one third of the benefit to two thirds.

In addition, the FSR spending process approved the loss of six posts saving £176,000 on the manpower budget. These were:

- three manual workers from the estates cleaning team representing a 10% reduction in the team. This will result in a noticeable reduction in cleaning with a detrimental effect on the appearance of housing estates;
- one officer from Housing Control;
- one officer from Estates/Maintenance section. This represents 25% of the maintenance officer team and may cause a reduction in maintenance standards; and
- one officer from Rental Subsidies. Since the number of rental subsidies is actually increasing this will reduce the time available to verify claims and also lead to delays in processing.

Additional Funding Approved by the FSR Process

The FSR process agreed a total increase of £1,082,000 to cover increases in rent abatement and rent rebate due to increasing demand. This was 4% less than requested and it is hoped that it will be sufficient. Despite changes made to the subsidy schemes in 2004 the average payment of rent rebate per person continues to rise and the number of claimants is also increasing due to the provision of new social rented homes by Housing Trusts.



Housing



Net Expenditure - Service Analysis

2003 Actual £	2004 Estimate £		2005 Estimate £
191,642	277,100	Administration of Housing Legislation	300,200
173,521	183,200	Social Housing Provision	203,300
(22,555,530)	(23,377,200)	Policy and Development	(24,598,500)
16,319,839	15,226,300	Administration and Maintenance	16,279,400
167,945	167,300	Public Sector Housing subsidies	163,000
7,682,932	7,284,500	Cottage Homes	8,149,700
		Private Sector Housing Subsidies	
£ 1,980,349	(£ 238,800)	Net Revenue Expenditure	£ 497,100

Note: The 2005 efficiency savings of £182,100 has been included in the above figures.

Income and Expenditure Category

2004 Estimate £		2005 Estimate £
325,200	Income	342,400
	Sale of Services	
31,597,800	Hire and Rentals	32,570,300
57,000	Housing Rents	88,000
	Commercial Rentals	
2,030,700	Recharges and Recoverable Costs	2,135,600
152,900	Recharges to States' Tenants	152,900
	DHLF and 99 Year Leases	
34,163,600		35,289,200
3,211,500	Expenditure	3,048,300
308,200	Manpower - States Staff Costs	341,800
382,900	Supplies and Services	398,700
	Administration Costs	
316,500	Premises and Maintenance	322,900
3,499,900	Own Premises	3,607,600
4,076,700	Operation of Estates	4,076,700
97,400	Maintenance of States Properties	97,400
	Maintenance of Cottage Homes	
15,000,000	Grants and Subsidies	16,026,300
7,031,700	Housing Rent Abatements	7,866,600
	Housing Rent Rebates	
33,924,800		35,786,300
(£ 238,800)	Net Revenue Expenditure	£ 497,100

Note: The 2005 efficiency savings of £182,100 has been included in the above figures.

Housing



Reconciliation of 2005 Net Revenue Expenditure to 2004 Net Revenue Expenditure

	£	£
2004 Net Revenue Expenditure		(238,800)
2005 Fundamental Spending Review Process:		
Service Reduction Approved:		
Removal of six posts	(176,000)	
Increase % regard of Invalidity/Disability Benefit from ⅓ to ⅔	(169,000)	
Additional Funding Approved:		
Increase in Rent Rebate due to growth of numbers applying mainly due to Housing Trust completions	410,000	
Increase in Rent Abatement reflecting predicted trends in demand	672,000	
Allocation of Efficiency Savings	(182,100)	
		554,900
Additional Expenditure:		
Non-Staff Inflation	181,000	
		181,000
Reprioritisation of Resources:		
Additional Savings:		
Establishment Miscellaneous savings	(14,200)	
Increase in commercial rentals due to more property being rented	(31,000)	
Increase in sale of services, i.e. car parking charges, towing fees	(17,200)	
Other Miscellaneous savings	(4,000)	
Additional Expenditure:		
Supplies and Services		
Property valuation fees	6,000	
Transport costs, maintenance and fuel	8,800	
Other net increases including equipment	18,800	
Establishment		
Increase in bad debt write off provision to reflect difficulty in debt collection	30,000	
Premises - operation of estates		
Increase in recharges of utilities and other recoverable costs	(104,900)	
Rates	58,000	
Net other increases including utilities, towing charges etc.	49,700	
		-
2005 Net Revenue Expenditure		£ 497,100

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 safety of the site with particular respect to emergency pollution response.

In return, Jersey Harbours retains 10% of the total rental income to cover property administration costs and is normally allocated a proportion of the cost of providing pollution response, maintenance of Fire Fighting Facilities etc. from the La Collette Reclamation Scheme Budget (shown in these accounts as expenditure). In 2005 as in 2004, only a small proportion of this cost will be recouped by Harbours due to the increased amount of work being carried out by Harbours in relation to the Fire Pumps situated at La Collette.

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 are currently under review with other States departments. 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, however, the funding mechanism is yet to be decided.

Total rental income from Fuel Farm properties in 2004 (before the 10% is deducted) is anticipated to be £320,000 (2004 forecast £317,778) excluding any back rents relating to the delayed fuel consortium lease dating back to 1998. The 2005 income budget similarly excludes this back rent as it is not yet known if and when the lease will be agreed.

Legislation Committee

The prime aims of the Legislation Committee for 2005 are:

- to continue to review and revise customary and statutory law in consultation with other relevant States Committees, agencies and bodies;
- to promote a revised and updated Law of Criminal Procedure;
- to progress matters relating to the Law Revision project and the Succession Rights of Children born out of Wedlock;
- to continue to progress and promote, by way of consultation where appropriate, major legislation relating to the Prevention of Corruption, and Anti-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;
- to support the work of the Jersey Law Commission; and
- to transfer to other committees as appropriate such items of current business as would more properly be handled by them, and to make an orderly transfer of any outstanding business to the Chief Minister, when ministerial government is introduced.

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 £ for £ basis for those who meet the Committee's strict criteria.

The States' grant was reviewed on 23rd October 2002 (P179/2002) 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 2005 amounts to £5,524,000 and compares with £5,306,000 for 2004, an increase of £218,000.

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.

£434,350 is committed to be spent in 2005 in respect of second and third year funding of long term grant aid projects already approved, and £265,000 in 2006.

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 £45,000 and equates to 0.81% of the grant (less than 1p in the £1).

It is proposed to transfer the functions and administration of the Committee to an independent Commission during the latter part of 2005.

Harbours and Airport La Collette Reclamation Scheme Cash Limits Set for 2005

	£'000	Decrease
Year 2005	(136)	(9.1%)

Harbours and Airport Expenditure and Income Category

	2004 Estimate £	2005 Estimate £
Expenditure		
Harbours' Service charge	161,300	152,000
Income		
Property Rentals	(286,000)	(288,000)
Net Revenue Expenditure	(£124,700)	(£136,000)

Legislation Committee Cash Limits Set for 2005

	£'000	Increase
Year 2005	48	2.50%

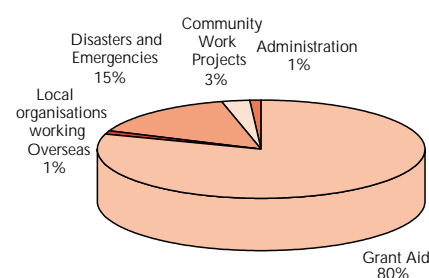
Overseas Aid Committee Cash Limits Set for 2005

	£'000	Increase
Year 2005	5,524	4.1%

Overseas Aid Expenditure Category

	2004 Estimate £'000	2005 Estimate £'000
Grant Aid	4,255	4,465
Disasters and Emergencies	796	829
Local Overseas Projects	35	35
Work Projects	180	150
Administration	40	45
	5,306	5,524

Overseas Aid Projected Expenditure





Trading

Committees' Revenue

Expenditure and Income

Harbours and Airport



Harbours

During 2004 a significant exercise has been undertaken to review the purpose and associated core objectives of the organisation with the output in the form of a Business Plan for taking Jersey Harbours forward as a modern commercial port.

As a result, Jersey Harbours will be making some fundamental changes to the way it manages its finances in 2005 through the introduction of a new chart of accounts and the adoption of a new reporting structure.

The Business Plan will be considered by the States after the printing of this book and the outcome may not be known until the budget is debated in the States in December. This budget, therefore, may change significantly depending on the outcome of the debate on 'Jersey Harbours Limited' Business Plan in late 2004.

Aims and Objectives

Following the activities mentioned above a revised set of aims and objectives have been determined:

- A1. Maintain the Islands strategic maritime assets and provide a modern commercial port infrastructure, and appropriate service to meet the Island's Transport and Communications Strategy.
- A2. Facilitate and grow the port in the best interests of Islanders in a sustainable manner that maximises customer satisfaction and shareholder returns, meeting our Universal Service Obligations.
- A3. Ensure Port Vitality: Financial performance and sustainability are central to all business units.
- A4. Participate in business activities and provide ancillary services that maximise shareholder and stakeholder value from the land and asset base, and improve overall corporate performance.
- A5. Enhance Public understanding and support of the Port and its mission.

External Considerations for 2005 and beyond

The introduction of the ISPS code will cost Jersey Harbours in excess of £0.5million in 2005 in terms of new infrastructure and increased levels of searching at Elizabeth Terminal. At the time of writing, a decision is yet to be finalised as to whether these costs will be absorbed fully or in part, or passed on to the operators. A key objective for 2005 is to monitor the cost of ISPS and its impact on the island, operators and the harbour (A1 and A2).

The outcome of discussions on the OXERA report led by Economic Development Committee on ferry routes will influence the shape of activity at Elizabeth Harbour in the next few years and whilst a firm decision on the course of action has not been made it will be difficult to predict future income streams from this source. In 2005, Jersey Harbours aims to increasingly support operators in seeking to expand business through good partnership agreements (A1).

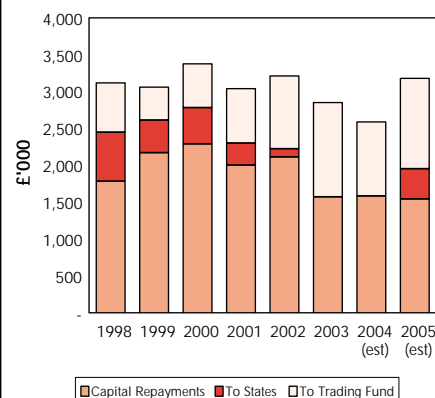
The outcome of an anticipated States debate on the 'Jersey Harbours Limited' Business Plan will determine how Jersey Harbours fits in with the overall Visioning Strategy for the States of Jersey. This will lead either to a Business Plan for a wholly owned States Limited Company with associated strategies independent from the States, or the full re-integration of Jersey Harbours into States of Jersey Business Plans and associated strategies. The two outcomes lead to distinctly different plans and associated budgets, and it is our objective to meet the chosen strategy (A1 and A5).

Continued legal and operational consultation with respect to The Harbour and Light Dues (Jersey) Law 1947 has taken place during 2004. Jersey Harbours aims to see a resolution of an agreed charging structure to ensure compliance with EC regulations (A1).

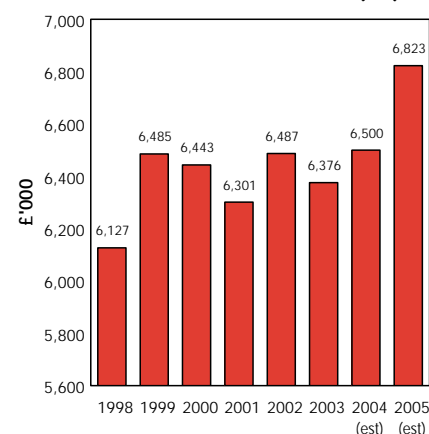
2005 Efficiencies

Further monitoring of savings resulting from the implementation of Harbours own "internal" FSRs will continue in 2005. In 2004 over £70,000 has been saved on fibre optic line rentals through the installation of a proprietary fibre network around the harbour and Voice Over IP technology is being considered to further reduce telecoms costs in 2005. Through the rationalisation of staff and creation of the Marine Centre (Jersey's equivalent

**Summary of Gross Surpluses
1998 - 2005 (est)**



Harbour Dues 1998 - 2005 (est)



Harbours and Airport



Harbours

of the UK Coastguard), a 3% saving on staff posts through natural wastage has been achieved, not including the CEO whose post has currently been absorbed, and there will be further benefits upon the integration of the pilotage service in 2005.

New sources of income have been identified for 2005, including a specific £100,000 minimum target for new business (as opposed to increases in charges). There is a target for 10% efficiencies to be achieved throughout the organisation with the introduction of performance targets for individual business units.

2005 Capital Programme

Key to achieving further savings and generating potential new income streams is the purchase of a replacement tug and rationalisation of States vessels with the pilotage service. Following extensive research an off-the-shelf product was procured in 2004 which, with certain modifications, will be able to perform all required maintenance tasks as well as fulfil all Channel Island sea rescue and pollution response requirements.

Also included in the capital programme to be funded from the Trading fund in 2005 are the following:

- continuing repairs to the foundations of the New North Quay and other structures around the harbour;
- purchase of assets of the Company of Town Pilots to enable integration with Harbour operations and associated efficiencies; and
- other repairs and asset replacements.

Service Objectives

The Commercial Port Operations division seeks to consolidate the new Marine Centre, introduce the replacement tug, integrate the Pilotage Service fully into marine operations, and enable a greater public interface with operational developments through the website and Port User Group meetings.

Marine Leisure Services will continue to develop business opportunities in 2005, aiming to increase both the quality and scope of services offered. A new electricity monitoring system is planned, and the re-location of Elizabeth Marina facilities will take place in advance of the final facility block planned for opening on Harbour Reach in 2006.

Property developments present a significant opportunity for Jersey Harbours in 2005. The planned Phase 3 warehouse will be commenced, in association with the further development of Phase 1 and 2 warehouses to meet operators' business needs and opportunities, including that of the fulfilment industry. A significant reduction in the volume of road trailer movements around the perimeter roads should be achieved partly as a result of these developments. Masterplanning for the 'West of Albert', New North Quay, and other areas around the old harbours are priority elements within the property budget for 2005. A key objective is to ensure movement towards true market value (as appropriate to the port zoning) return on property.

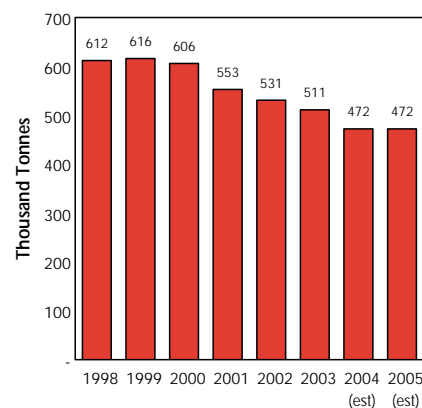
Port Engineering, as part of their support and service level agreements will be ensuring maintenance and repairs for the maritime assets and port infrastructure are carried out. Also key to 2005 is the commencement of the replacement project for the fire pumps at La Collette and repairs to St Catherine's Breakwater and St Aubin's south arm in partnership with tenants, port users and the States.

The Jersey Registry of British Ships will be developed further to ensure both the expansion of the register and international compliance with associated higher profile for Jersey attracting more financial investment in the Island as a result.

Finance and Administration aim to consolidate the introduction of MIDAS, a property and marina management system introduced in 2004. Benefits will be monitored with the achievement in 2005 of anticipated recurring savings of £55,000 per annum as a result of integration with key business systems.

Corporately, new key performance indicators will be established for 2005 both for the corporate organisation and each business division to ensure appropriate contribution levels are met. Finalised financial and operational performance indicators and measures against these objectives will be published in the 'Jersey Harbours Limited' Business Plan due for publication in October 2004.

**Freight Movement (Including Fuel)
1998 - 2005 (est)**



Harbours and Airport



Harbours

Operating Account

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
		Income	
6,376,158	6,500,000	Harbour Dues	6,823,400
-	-	Pilotage	250,000
1,976,529	2,009,000	Marina and Mooring Fees	2,145,000
1,443,772	1,467,000	Property Rentals	1,597,000
1,058,366	1,066,000	Other Income	1,222,000
197,563	253,000	Recharges to Tourism/La Collette Reclamation Scheme	210,100
11,052,388	11,295,000	Total Income	12,247,500
		Expenditure	
4,662,121	4,625,000	Staff (note 1)	4,879,000
1,588,459	1,682,000	Premises (note 2)	2,104,000
54,711	52,000	Transport	54,000
771,374	1,089,000	Supplies and Services	920,000
475,019	518,000	Administration	529,000
18,975	7,000	Grants	30,000
226,959	140,000	Non-Recurring	150,000
7,797,618	8,113,000	Total Expenditure	8,666,000
3,254,770	3,182,000	Gross Operating Surplus	3,581,500
404,509	593,000	Less: Minor Capital Assets	402,000
274,094	276,300	Payments made to the States: Interest on Outstanding Capital Loans	254,200
551,763	551,800	Repayment of Outstanding Capital Loans	551,800
247,384	255,900	Interest on Elizabeth Marina Development	236,100
500,000	500,000	Repayments of Capital Elizabeth Marina	500,000
1,977,750	2,177,000	Capital Servicing	1,944,100
1,277,020	1,005,000	Net Surplus	1,637,400
-	-	Less: Financial Return Paid to the States	412,700
£ 1,277,020	£ 1,005,000	Transfer to Trading Fund	£ 1,224,700

Note 1: Includes Pilotage staff and new shared reception function at Maritime House.

Note 2: Includes annual ISPS costs.

Harbours and Airport



Harbours

Trading Fund

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
2,880,918	3,569,907	Balance brought forward 1st January	3,456,007
130,050	178,500	Add:	187,300
1,277,020	1,005,000	Interest	1,224,700
(45,493)	(20,000)	Transfer from Profits	-
		Other Income	
1,361,577	1,163,500	Total Additions	1,412,000
672,588	1,277,400	Less:	4,306,000
		Capital Expenditure	
672,588	1,277,400	Total Expenditure	4,306,000
£ 3,569,907	£ 3,456,007	Balance carried forward 31st December	£ 562,007

Payments to the States of Jersey

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
-	-	Financial Return	412,700

Harbours and Airport



Airport

In summary the business aims for Jersey Airport in 2005 are to:

- operate a safe, secure and efficient Airport for all users;
- maximise the number of passengers travelling through the Airport;
- maximise the number of financially viable routes to and from the island; and
- to be financially self-sufficient in terms of being able to fund all its operating and most capital expenditure needs.

These aims are in support of:

- the economic and social needs and aspirations of island residents;
- the Finance industry and its associated businesses;
- the Tourism industry; and
- its position as a strategic gateway to the island.

The main challenge for 2005 will be to maintain current passenger numbers and routes in the face of increasing competition from other tourist destinations. Vital in achieving this will be the continuing need to respond to airline pressure and demands from the public for cheaper travel. The main steps to be taken to respond to this are in the following areas:

Airport dues

No increase in Airport dues is proposed for 2005. This will build upon the initiatives taken in 2004 when the structure of Airport dues was fundamentally changed to reduce the fixed cost to airlines and the overall charge to passengers was reduced by £1.50 following the transfer of the funding of the non-aviation meteorological costs to General Revenues. Also important will be the revised "New Route Incentive" scheme; to encourage new routes and to maintain existing routes where an airline pulls off. The challenge for the Airport is to ensure that these incentives generate new money and do not just replace existing business at a lower level of income.

Other income

Every £ raised through this source is a £ that does not need to be charged to the passenger. Unfortunately there is limited scope in 2005 to achieve growth in this area where the greatest potential remains by increasing income from Duty Free sales. Opportunities to identify new commercial income streams are a high priority for the Committee.

Expenditure

Significant success has been achieved in reducing the Airport's operating expenditure. This is essential in order to maintain the current level of Airport Dues. Budget reductions of £370,400 have been incorporated into the 2005 Budget, building on the estimated reductions to be achieved in 2004 of over £600,000. During 2003/04 7.5 posts will have been saved through a combination of VER and non-replacement as vacancies arise. In 2005 there will be a further reduction of 4.5 posts with another 6.5 under active and serious consideration. These reductions are additional to those resulting from the transfer of the Meteorological Department to the Environment and Public Services Committee from 1st January 2004.

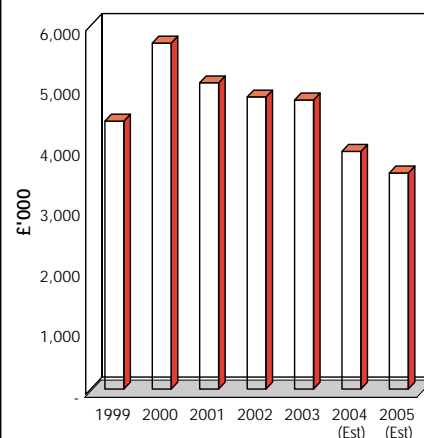
A sum of £105,000 has been included in the 2005 Budget to provide for the establishment of the Office of Director of Civil Aviation. This is a new and ongoing requirement.

The Airport is continuing to benchmark its performance against a number of similar UK airports (based on passenger numbers). This now covers three years, nine UK airports and 26 performance measures. This is an important element of the ongoing review of services provided and determination to drive down costs.

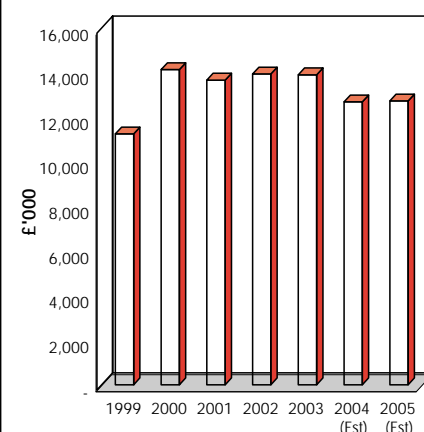
Capital Expenditure

The Airport is entering a period where large scale essential and urgent investment in the replacement of the existing infrastructure has to take place. The first stage commences in 2005 with the new Operations building and VCR tower, to replace the current operations based in the 1937 building. The next stage is the replacement, between 2006 and 2009, of the concrete manoeuvring aprons which are approximately 30 years old, and the runway re-surfacing. The critical timing and sheer scale of the replacement means that the Airport's Trading Fund cannot meet this need as it currently stands, having only been established comparatively recently. The States have agreed to fund "below ground works" but the method and timing of this funding have not been identified. This needs urgent resolution.

Summary of Net Surpluses

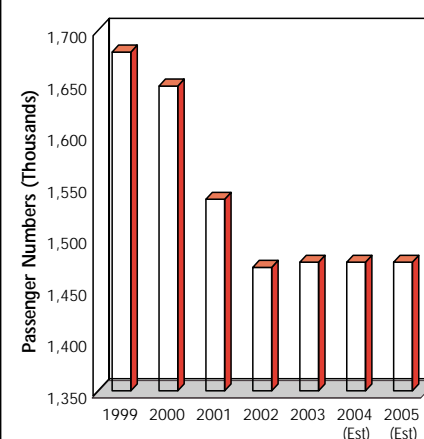


Income from Airport Dues



Note: Security Fee Income has been included in Airport Dues from 2004; prior year comparisons have been restated to include Security Fee Income. Prior to 2000 Security Fee Income was not included in the Airport accounts.

Passenger Numbers



Harbours and Airport



Airport

Operating Account

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
		Income	
6,769,284	4,339,600	Aircraft Charges	4,332,500
5,127,533	8,345,000	Passenger Charges	8,395,000
4,139,169	3,900,000	CI Control Zone Services	3,731,000
2,002,666	-	Security Services	-
3,161,571	3,136,000	Concessions, Rentals etc	3,176,100
1,142,455	1,101,000	Sales and Services	1,191,300
984,086	923,000	Communications Services	927,700
23,326,764	21,744,600	Total Income	21,753,600
		Expenditure	
7,017,280	7,785,900	Aeronautical Services	8,250,600
534,002	220,100	Engineering Services	-
412,118	297,300	Electronics Services	-
2,505,973	2,803,700	Customer Services	3,044,400
1,652,375	1,506,500	Security Services	1,680,700
1,299,424	1,238,400	Commercial and Support Services	1,260,400
1,210,894	-	Meteorological Services (Note 1)	-
848,925	850,100	Communications Services	864,100
55,113	34,000	Organisational Development	-
-	200,000	Reserve for Contingencies	200,000
15,536,104	14,936,000	Total Expenditure	15,300,200
7,790,660	6,808,600	Gross Operating Surplus	6,453,400
		Less:	
2,666,011	2,666,000	Loan Repayments	2,666,000
350,291	217,600	Trading Fund Re-imbursement	217,600
4,774,358	3,925,000	Net Surplus	3,569,800
£4,774,358	£3,925,000	Transfer to Trading Fund	£3,569,800

Note 1: The responsibility for Meteorological services transferred to the Environment and Public Services Committee on 1st January 2004.

Harbours and Airport



Airport

Trading Fund

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
19,266,282	18,374,962	Balance brought forward 1st January	16,708,725
4,774,358	3,925,000	Add:	
350,291	217,600	Transfer from Profits	3,569,800
525,716	450,000	Cost Recovery HBS and OOG X-Ray	217,600
165,990	8,000	Interest	400,000
		Proceeds from Sale of Assets	-
5,816,355	4,600,600	Total Additions	4,187,400
5,366,126	2,458,647	Less:	
1,341,549	3,808,190	Capital Expenditure - above ground works	4,390,699
		Capital Expenditure - below ground works (Note 1)	700,000
6,707,675	6,266,837	Total Expenditure	5,090,699
£18,374,962	£16,708,725	Balance carried forward 31st December	£15,805,426

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

Below Ground Works - Summary

2003 Actual £	2004 Revised Estimate £		2005 Estimate £	Cumulative Estimated Total £
1,341,549	3,258,190	Fire Training Ground	100,000	4,699,739
-	300,000	Apron and Taxiway re-sealing	100,000	400,000
-	250,000	Main Apron design fees	500,000	750,000
1,341,549	3,808,190	Total Below Ground Works	700,000	5,849,739

Postal Administration



Now that the States has approved the new Postal Services Law, 2005 will be a challenging year for Jersey Post. A key objective is to successfully incorporate in May 2005, when it is likely that the enterprise will face increased competition. Nevertheless Jersey Post has been competing both internationally and in the local courier market for some years and, in particular, competitive pressure on Jersey Post's bulk export mail or fulfilment business is leading to lower margins, without any reduction in service levels. Jersey Post strives to be "Jersey's leading provider of Postal Services". Accordingly Jersey Post plans to continue to provide Jersey with high quality, resilient and price competitive Postal Services whilst ensuring that shareholder value is enhanced. In order to achieve these objectives, Jersey Post foresees the need to make sure that traditional revenue streams are competitively placed in the market, that its fulfilment business continues to grow and that new revenue streams are built to take advantage of new market opportunities.

In its financial plans for 2005 and beyond, Jersey Post has provided for significant growth of fulfilment mailings, albeit at reducing margins, for new product launches and for competitive positioning of its products in order to deliver the right mix of revenue streams for the future. In respect of established services, Jersey Post will continue to refine its segmentation of these markets to get closer to its customers by developing solutions which best match their needs and through a multi-channel business approach.

As a result of incorporation, the Committee for Postal Administration will come to an end and Jersey Post will become "Jersey Post International Limited" in 2005. This change will affect the way in which the States receives its financial return because the company will become a taxpayer and will also provide, in the future, dividends to its shareholder (The States). Subject to agreement with the future shareholder through the Finance and Economics Committee, it is proposed that Jersey Post International Limited's profit in 2005 will be used to make a contribution to the Postal Committee's portion of the PECRS pension deficit, estimated at £11.8 million on 31 December 2003.

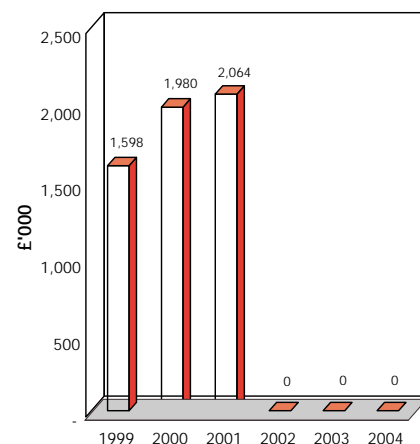
The most significant challenge that impacts on Jersey Post's profitability is the Commercial Agreement between Jersey Post and Royal Mail covering the period 2003-2006, which governs the exchange of mail between the two postal administrations. The agreement significantly increased the prices that Jersey Post had to pay for Royal Mail's services from 2003 onwards. This has forced Jersey Post to review its pricing, investment plans and longer-term business strategy. The impact of this review on prices was announced in December 2002 and 2003.

The 2005 estimates include provision for the cost of licence fees, legal compliance and essential maintenance.

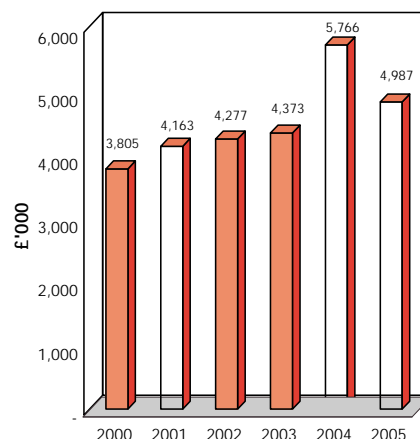
Capital investment requirements for 2005 are estimated to be £2.0 million in order to support the 2004-2008 Strategic Plan. It is expected that all of this investment will be funded from retained earnings.

The 2005 estimate reflects the rapidly changing Postal marketplace and the many competitive challenges these changes will bring. The Committee for Postal Administration is confident that the newly incorporated enterprise, Jersey Post International Limited, will carry on providing Jersey with world class Postal Services whilst delivering sustained shareholder value.

Agreed Financial Return



Summary of Net Surpluses



Postal Administration



Operating Account

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
28,798,000	35,852,000	Total Income	43,542,000
24,425,000	30,086,000	Total Expenditure	38,555,000
4,373,000	5,766,000	Net Surplus	4,987,000
-	-	Less Financial Return Paid to the States	-
£4,373,000	£5,766,000	Transfer to Trading Fund	£4,987,000

Trading Fund

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
5,911,675	9,606,716	Balance brought forward 1st January	8,226,716
4,373,061	5,766,000	Add: Transfer from Surplus	4,987,000
4,373,061	5,766,000	Total Additions	4,987,000
678,020	2,646,000	Less: Capital Expenditure	1,973,000
-	4,500,000	Repayment of Jersey Post Office Pension Fund Liability (Note)	-
678,020	7,146,000	Total Expenditure	1,973,000
£9,606,716	£8,226,716	Balance carried forward 31st December	£11,240,716

Note: Upon incorporation Jersey Post International Limited will be required to fully fund the Committee for the Postal Administration's proportion of the under funding associated with the past service liability of the Public Employee Contributory Retirement Scheme, which was estimated on 31st December 2003 as £11.8 million.

Public Services Car Parks Trading Account



The Environment and Public Services Committee's Car Park Trading Account was established in January 1998 with the agreement of the Finance and Economics Committee to provide for both the ongoing running expenses of all public car parks as well as future capital developments and major refurbishments.

A comprehensive financial review of the Car Park Trading Account was undertaken in 2003 and updated in early 2004. The prospective major projects included in this review for future funding from the trading fund are:

- rebuilding 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 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; and
- concrete repairs, cathodic protection and other significant maintenance of car park structures over the 25 year period amounting to over £13 million.

One of the reasons for undertaking this major review was to assess the impact of funding the bus service as well as undertaking the projects listed above.

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 within the next 25 years. Excluding any bus funding and providing charges increase at the cost of living, the net surpluses from the trading fund are sufficient to fund all the projects including any external financing required for projects with large capital outlays e.g. the rebuildings, the Town Park and Green Street car park developments.

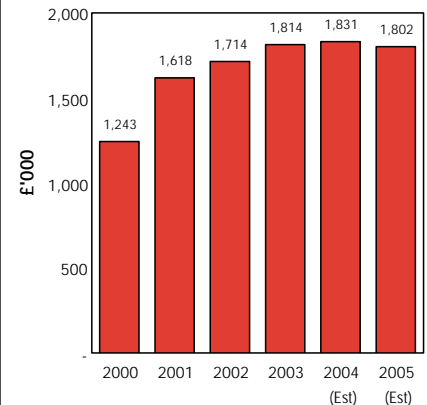
In 2004, the Committee considered how best to provide the ongoing subsidy for the bus service and submitted a growth bid to the Fundamental Spending Review process. This was successful (albeit that the £2 million bid was top sliced by 4% as were all other bids) although the Finance and Economics Committee expressed the view that part of this funding should be met by increased parking charges to encourage the public onto the bus service. The necessary legislation, together with a Report and Proposition to allocate revenue over and above the cost of maintaining and providing car parking facilities for transport initiatives has been lodged with the States. It is anticipated that, once the law has been implemented, car park charges will be increased by an additional 10p to provide £1 million for the bus service. As this legislation has yet to be approved, the 2005 budget for car park income only incorporates a 4.4% increase in charges representing the projected cost-of-living rise.

The Committee will publish and consult on a Parking Framework for the future of the Island early in 2005 which will incorporate the use of the trading fund and the current charging system.

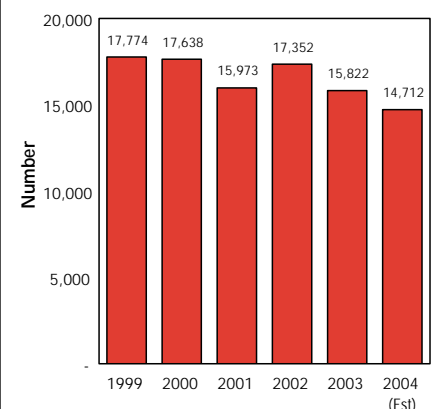
The 2005 expenditure budget has increased by £600,000 (equating to 16%) due partly to an accounting adjustment in the way commission is paid to agents selling paycards and season tickets (this has a nil effect overall but increases both expenditure and income) and the inclusion of a provision for parking fine bad debts to cover fines which are unrecoverable.

Capital expenditure in 2005 is forecasted at £2.1 million representing concrete repairs on Pier Road and Sand Street multi-storey car parks together with a provision for some structural work if required.

Net Operating Surplus Transferred to Trading Fund



Number of Excess Charge Notices Issued in Car Parks



Public Services Car Parks Trading Account



Operating Account

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
5,536,552	5,678,500	Total Income	6,265,700
735,373	886,300	Expenditure	840,200
530,728	242,800	Manpower	662,200
97,392	177,100	Supplies and Services	366,300
2,215,339	2,539,700	Administrative Costs	2,476,000
141,283	-	Premises and Maintenance	117,500
1,918	1,500	Incidental Expenses and Charges	1,100
		Non-Service Costs	
3,722,033	3,847,400	Total Expenditure	4,463,300
£1,814,519	£1,831,100	Net Operating Surplus and Transfer to Trading Fund	£1,802,400

Trading Fund

2003 Actual £	2004 Revised Estimate £		2005 Estimate £
5,557,627	7,372,146	Balance brought forward 1st January	7,573,246
1,814,519	1,831,100	Add: Transfer from Operating Account	1,802,400
1,814,519	1,831,100	Total Additions	1,802,400
-	905,000	Less: Concrete Degradation Repair Work on Multi Storey Car Parks	1,400,000
-	725,000	Structural Work on Multi Storey Car Parks	700,000
-	1,630,000	Total Expenditure	2,100,000
£7,372,146	£7,573,246	Balance carried forward 31st December	£7,275,646

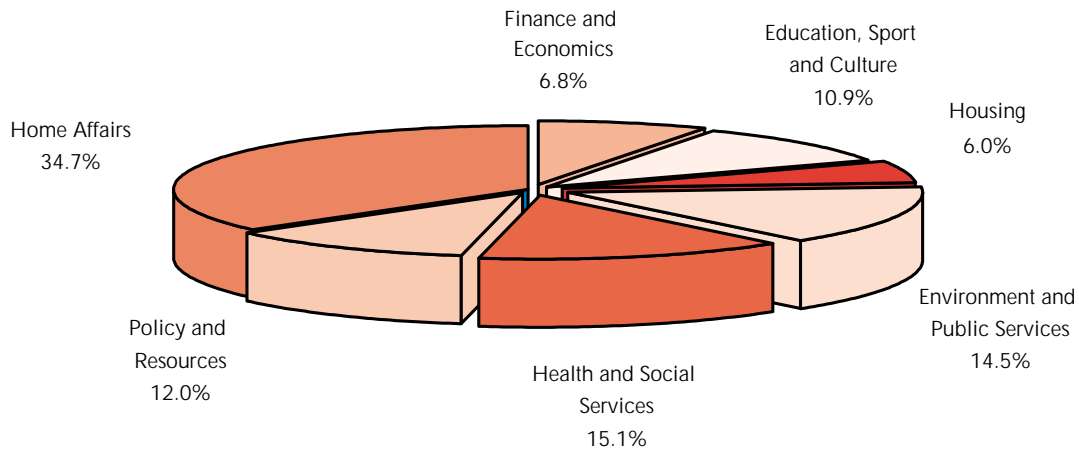


Committees' Capital Expenditure Estimates

Capital Expenditure



2005 Recommended Capital Allocation by Committee



Capital Allocation Recommended by the Finance and Economics Committee for 2005

Out-turn Cost £'000		Amount Voted £'000	Amount Voted £'000
-	Finance and Economics		
-	Central Planning Vote	1,269	
-	Capital Reserve Vote (Fluctuation and Risk)	1,303	
			2,572
2,000	Housing	2,000	
250	Housing Development Fund	250	
	Minor Capital Pre-determined Allocation		
			2,250
4,500	Policy and Resources	4,500	
	Corporate IT Vote		
			4,500
3,000	Environment and Public Services	2,885	
1,500	Foul Sewer Reconstruction and Extensions	1,500	
-	Sea Defence Strategy	-	
800	Acquisition of Land - Major Reserve	800	
250	Minor Capital Pre-determined Allocation	250	
	Minor Capital Allocation - Indoor Markets Refurbishment		
			5,435
2,776	Health and Social Services	2,240	
1,414	Belle Vue Residential Home (Phase 2)	1,414	
1,900	Adult Mental Health Rehabilitation Unit	1,900	
100	Minor Capital Pre-determined Allocation	100	
	Minor Capital Allocation - Replacement Equipment		
			5,654
18,490	Carried Forward		20,411

Capital Expenditure



Out-turn Cost £'000		Amount Voted £'000	Amount Voted £'000
18,490	Brought Forward		20,411
1,918	Education, Sport and Culture	1,758	
2,390	St Clement's School (Phase 2)	1,954	
250	Greenfields (Les Chênes)	250	
150	Minor Capital Pre-determined Allocation	150	
	Minor Capital Allocation - Art and Heritage Trust Properties		
			4,112
5,079	Home Affairs	4,960	
8,990	Prison Redevelopment (Phase 2 - 5 Balance)	7,784	
300	Police Relocation (Phase 1)	300	
	Minor Capital Pre-determined Allocation		
			13,044
£ 37,567	Total Capital Expenditure		£ 37,567

The Capital Programme can be analysed as follows:

	£'000
Amount included within the Financial Forecast	42,567
Less: Loan Sanction Repayments: Hautlieu School	(5,000)
	£ 37,567

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		
Maritime Museum roof repairs	200	
Boatpark resurfacing	360	
Remedial works at St Helier and La Collette	125	
Purchase of replacement tug	2,000	
Purchase of Pilot vessels	400	
		3,085
Airport		
Operations Block - Building	6,760	
Operations Block - Building fees	1,316	
Cloudbase recorder	50	
De-icing rig	133	
Flight information distribution system	278	
Minor capital assets	226	
		8,763
Committee for Postal Administration		
Automation	1,055	
Business Development	125	
Essential repairs and upgrades	793	
		1,973
Public Services Car Parks Trading Account		
Concrete Degradation Repair Work on Multi Storey Car Parks	2,247	
Structural Work on Multi Storey Car Parks	1,200	
		3,447
Total Capital Expenditure to be financed from Trading Funds		£ 17,268

The above amounts are the full capital costs budgeted in respect of capital expenditure projects commencing in 2005

Capital Fund Forecast 2005



	£	2004 Probable £	£	2005 Estimate £
Capital Fund balance at 1 January, 2004	33,786,399			
Add: Unallocated Balance on General Funds 1 January, 2004	(447,400)			
Balance of Funds		33,338,999		18,166,199
Income				
Income Tax	360,000,000		370,000,000	
Impôts Duties	52,869,000		52,566,000	
Stamp Duty	14,000,000		16,000,000	
Other Income	16,980,000		18,980,000	
Return from Trading Committees	-		412,700	
Harbours Capital Repayments and Interest	1,591,200		1,542,100	
Total Income to the States		445,440,200		459,500,800
Non-Trading Committees				
Revenue Expenditure	489,957,600		500,992,400	
Revenue Income	82,573,600		89,586,700	
Total Non-Trading Committee Cash Limits	407,384,000		411,405,700	
Appropriation to the General Reserve	5,016,000		11,794,300	
Total Net Revenue Expenditure of Non-Trading Committees		412,400,000		423,200,000
Capital Expenditure of Non-Trading Committees		48,213,000		42,567,000
Transfer to Strategic Reserve		-		-
Total Expenditure and Transfer of the States		460,613,000		465,767,000
Forecast Deficit in Total States Expenditure for the year		(15,172,800)		(6,266,200)
Total Balance on Capital and General Funds brought forward as at 1 January		33,338,999		18,166,199
Forecast deficit for the year		(15,172,800)		(6,266,200)
Estimated Balance in hand at 31 December		18,166,199		11,899,999
Outstanding Loan Sanction Liabilities		9,000,000		4,000,000
Unallocated Balance in Hand at 31 December		9,166,199		7,899,999

Summary of Estimates



Estimated Income and Revenue Expenditure for 2005

	£	2005 Estimate £	£
Income			
Income Tax			370,000,000
Impôts Duties			52,566,000
Stamp Duty			16,000,000
Other Income			18,980,000
Trading Committees			
Expenditure	67,348,900		
Income	77,543,100		
		10,194,200	
Estimated Transfer to Trading Funds		9,781,500	
Net return from Trading Committees			412,700
			457,958,700
Less:			
Non-Trading Committees			
Revenue Expenditure	500,992,400		
Revenue Income	89,586,700		
Total Non-Trading Committee Cash Limits	411,405,700		
Appropriation to the General Reserve	11,794,300		
Total Net Revenue Expenditure of Non-Trading Committees before Capital Servicing		423,200,000	
Capital Servicing			
Repayment of Capital Debt	33,500,000		
Interest Received on Capital Debt	490,300		
Net Capital Repayments		33,009,700	
Total Net Revenue Expenditure of Non-Trading Committees after Capital Servicing			456,209,700
Estimated surplus on General Funds for the year			1,749,000
Less:			
Estimated deficit in General Funds brought forward at 1 January 2005			(10,177,296)
Estimated Deficit to be transferred from Capital Fund			(8,428,296)

Estimate of the Transactions of the Capital Fund for 2005

	£	2005 Estimate £	£
Estimated balance at 1 January, 2005			28,343,495
Transfer to Strategic Reserve			-
Capital repayments and receipts			34,551,800
Transfer to the Income of the revenue account (as above)			(8,428,296)
			54,466,999
Capital Expenditure as recommended by the Finance and Economics Committee (see pages 72 and 73)	37,567,000		
Plus: Loan sanction repayments	5,000,000		
			42,567,000
Estimated balance at 31 December, 2005			11,899,999