States of Jersey

Annual Business Plan 2012

States of Jersey

STATES OF JERSEY

ANNUAL BUSINESS PLAN 2012

(As Amended 15.09.11)

Council of Ministers

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

J.D. Richardson Chief Executive

DRAFT ANNUAL BUSINESS PLAN 2012
PROPOSITION

The States are asked to decide whether they are of opinion:
to receive the draft Annual Business Plan 2012 and –

a) to approve the summary set out in Summary Table A, page 69, being the gross revenue expenditure of each States funded body, including depreciation, a proposed transfer from the Health Insurance Fund of £6,131,000, and the additional provisions of net revenue expenditure for central reserves of £12,485,000 and restructuring costs of £10,000,000 as part of the total net revenue expenditure of the Treasury and Resources Department and, having taken into account any income due to each of the States funded bodies, the total net revenue expenditure of £655,920,000,to be withdrawn from the consolidated fund in 2012; *with any increase above this figure compensated by appropriate measures within the draft Budget 2012 to enable the Minister for Treasury and Resources to present a draft Budget which forecasts a return to balanced budgets by 2013 as set out in Figure 4.6.*

b) to approve the summary set out in Summary Table B, page 71, being the estimated income and expenditure and estimated minimum contribution, if any, that each States trading operation is to make to the States consolidated fund in 2012;

c) to approve each of the capital projects in the recommended programme of capital projects for each States funded body for 2012, as set out in Summary Table C, page 72, that requires £35,814,000 to be withdrawn from the consolidated fund;

d) to approve each of the capital projects in the recommended programme of capital for each States trading operation, as set out in Summary Table D, page 73 that require funds to be drawn from the trading funds in 2012;

e) to approve indicative total net expenditure (revenue and capital) for the States funded bodies, as set out in Summary Table E, page 74, for 2013 and 2014 and to request the Chief Minister to present Annual Business Plans (or in any equivalent future expenditure plan that replaces the Annual Business Plan process) to the States, following the Comprehensive Spending Review, within these amounts,

f) to approve the Legislation Programme for 2012, as set out in Summary F, page 75

CHIEF MINISTER

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Addendum

Introduction

As a result of the debate on the Draft Annual Business Plan 2012 which concluded on 15th September 2011, the following amendments were approved. These amendments have also been made on the PDF file of the Annex to the Annual Business Plan 2012 on the States internet website:
http://www.gov.je/Government/PlanningPerformance/StrategicPlanning/Pages/StatesAnnualBusinessPlan.aspx

Changes to Department Cash Limits

Chief Minister

Net revenue expenditure shall be increased by £18,400,100 in 2012 in order to transfer Information Services, Human Resources and PECRS Pre -1987 Debt from Treasury and Resources as proposed by Senator Ferguson (P.123/2011 Amd 4).

Education, Sport and Culture

Net revenue expenditure shall be reduced by £15,000 in 2012 in order to transfer funding for 'Prison!Me!No Way!' to Home Affairs as proposed by the Chief Minister (P.123/2011 Amd 15).

Home Affairs

Net revenue expenditure shall be increased by £15,000 in 2012 to transfer funding for 'Prison!Me!No Way!' from Education, Sport and Culture as proposed by the Chief Minister (P.123/2011 Amd 15). The Council of Minister is also prepared to commit to top up any shortfall in funding agreed with 'Prison!Me!No Way!' up to a total of £60,000 from Provision for Central Reserves during 2012.

Treasury and Resources

Net revenue expenditure shall be reduced by £18,400,100 in 2012 in order to transfer Information Services, Human Resources and PECRS Pre – 1987 Debt to Chief Minister's as proposed by Senator Ferguson (P.123/2011 Amd 4).

Changes to the Capital Programme

Health and Social Services

The Clinique Pinel Refurbishment project has been increased from £1,100,000 to £2,868,000 in 2012, as proposed by the Treasury Minister (P.123/2011 Amd 10), to be funded from additional funds from the Consolidated Fund. The projected Consolidated Fund balance in 2012 has increased by a net of £2,037,000 as a result of unspent Pandemic flu monies returned to the Fund.

Note:
In recognition of the intent of Senator Le Gresley's Amendment (P.123/2011 Amd 3), the Treasury Minister, with the support of the States, proposed to transfer a further £450,000 from the Consolidated Fund to the Tourism Development Fund.

General Note:
A number of minor textual changes and updating of summary tables have also been made to the document to reflect the above amendments and information from the debate itself.

1a FOREWORD FROM THE CHIEF MINISTER

This is the sixth draft Annual Business Plan under the Public Finances (Jersey) Law 2005 and my third, and last, as Chief Minister, and indeed as a States Member.

I became Chief Minister after a prolonged period of economic growth which brought prosperity to our island. However, even during the recent period of economic uncertainty, I believe we have taken the right steps to maintain sustainable public finances for the future.

I am pleased to say that Members found the political courage and resolve to see through the actions that were necessary. We used the Stabilisation Fund to support islanders through the downturn and to deal with the immediate deficit. The measures approved in last year's Budget to balance income and expenditure by 2013 are now in the process of being implemented and are beginning to bear fruit.

We have made the difficult decisions and now we can concentrate on implementing these decisions and thereby creating the right environment for the Island to flourish in the coming years.

One of the positive decisions which the States has made during my term of office is to move from a 3 year election cycle to a 4 year one. Together with the proposed move to put financial planning on a similar term this should enable my successors to make the long term, difficult decisions that may be necessary in future.

This draft Annual Business Plan sets out in detail how departments plan to spend the funds which are proposed to be allocated to them. We have been through challenging times and I believe we have put in place the right mechanisms to meet future challenges head on. The recent rejection of proposals for immediate reduction in grants to fee paying schools has created an additional challenge which will need to be dealt with in one way or another in the 2013 Annual Business Plan.

The public sector is taking a long, hard look at how it delivers essential services and this document details more than 300 individual savings ideas which will combine to help us meet the savings target of £65 million. This is the start of a process of continuing improvement which I believe will lead to more streamlined services, clear and coordinated financial planning and better value for the taxpayer.

One of my hopes for the next 10 years is that we continue to develop a robust, competitive, telecommunications infrastructure and explore alternative energy sources, particularly tidal power.

I hope we can consolidate and further develop our initial moves to cooperate with Guernsey. Joint working with Guernsey can deliver efficiencies and service improvements to the benefit of all Islanders. The encouraging progress over the past two years augurs well for the future.

I also fervently hope that the forthcoming review of the Ministerial system will lead to discernible improvements. It is rare to get a new system right first time and it is always prudent to review what is working well and what needs to be improved. I believe that now is the right time to take stock.

This draft Business Plan will help us to move forward with confidence into a future that will inevitably be uncertain. I strongly commend this document to the States and I would like to thank those members of staff who have worked on the draft Annual Business Plan and on the wider strategic, fiscal and economic issues.

Senator T A Le Sueur **July 2011**
Chief Minister

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

In June 2009 the States approved a new Strategic Plan for 2009 -2014. This sought to:

- **Deal with the current economic downturn** in order to reduce the impact of the global economic situation on Jersey's residents, communities and businesses; and
- **Develop a plan to secure the long-term future of the Island.**

Dealing with the Current Economic Downturn
We have successfully created a fiscal stimulus programme amounting to £44 million to boost the economy. Work continues to complete the remaining projects. The evidence is that our timely, temporary and targeted approach to supporting the economy has worked effectively by supporting Jersey businesses through the downturn.

Developing a plan to secure the long-term future of the Island
In December 2009, the Council of Ministers committed to produce a contingency plan to address the forecast structural deficit. This contingency plan was developed during 2010 to form the proposals in the 2011 Budget. These proposals secure the long term future of the Island and included a three part plan to close the gap between our spending and income and achieve balanced budgets by 2013.

The components of the three part plan are set out below:

- **Cutting spending through the Comprehensive Spending Review (CSR)**: to maximise cuts in spending and minimise the need for taxes without inflicting unintended damage on front line services;
- **Economic Growth**: to boost the economy to create and maintain jobs for Islanders and maximise tax revenues; and
- **Raising taxes through the Fiscal Strategy Review (FSR)**: to increase taxes only as much as is necessary to fund investment. Taxes should be collected in ways which are most efficient and least damaging to jobs and economic growth.

The following paragraphs set out the progress on delivery of the three part plan. They also explain how this 2012 Business Plan continues in the same direction, so as to achieve balanced budgets by 2013 as promised.

Part One: Cutting spending through the CSR
Our Final Accounts for 2010 and our monitoring in 2011 clearly show that we are on track to achieve this element of the three part plan.

The Council remains committed to delivering our target of £65 million of CSR savings. Given the recent decision in the States, "to maintain the grants of fee paying schools at current levels, pending publication of the forthcoming Education white paper, and subsequent amendment to include non fee paying schools", it is clear we have further work to do to identify all of the measures that Education, Sport and Culture will need to take to achieve their share. The timing of these measures is also under review. The Council, working with the Education Minister, has sought to mitigate the impact of the deferred savings in 2012 through alternative measures, including savings and reallocating growth. But it is important to highlight the need to review and deliver the deferred savings in the fee paying and non fee paying schools for 2013 and beyond.

The £65 million target remains challenging. Departments are actively engaged in delivering their share of savings. A comprehensive schedule of savings for 2012 is set out later in this report.

In addition to the departmental savings we are taking steps across the States as a whole to reduce staffing and procurement costs. We are undertaking a thorough analysis of our options for delivering £14 million of the £65 million target from staff terms and conditions. It is clear that pay restraint will be an important feature of our plans for bringing States spending into line with States income. This is an area in which we are investigating a wide range of options, including a review of overtime, sick pay and other allowances with a view to having a simplified and harmonised set of staff terms and conditions. More information is set out later in this report.

We are also working hard on changing our procurement practices, retendering to get better value for money and simply reducing our buying where we can to deliver savings of £6.5 million by 2013.

Part Two: Economic Growth
The second part of the plan promotes economic growth. The new Economic Growth Strategy sets out the Council of Ministers' approach to promoting sustainable growth in the economy. The strategy will develop new high value opportunities in:

- exploiting e-commerce and intellectual property;
- pioneering ICT and broadband technology; and
- exploring opportunities for renewable energy.

This growth strategy will ensure that Islanders continue to enjoy a high quality of life, job opportunities, efficient high quality public services and low tax rates.

Economic growth and diversification will go hand in hand, underpinned by the objectives of a flourishing and diverse financial services sector, raising the productivity of existing sectors and identifying new growth sectors. To achieve this in 2012 we will work with our partners and make the most of our joint resources. For example, we will work with Jersey Telecom to continue to develop a world leading telecommunications infrastructure for the whole island in order to create the conditions for future success.

This approach to economic growth will be supported by a new financial services policy, new skills and enterprise strategies and updated processes for licensing housing and work. We will lay the foundations for future growth by developing our competition framework, investing in infrastructure, keeping the island internationally competitive and maintaining economic and fiscal stability.

Part Three: Raising taxes through the Fiscal Strategy Review (FSR)
Our Fiscal Strategy Review in 2010 consulted on four main tax options:

- Income Tax;
- Domestic property rates;
- Goods and Services Tax; and
- Social Security contributions.

Income Tax
Our conclusion for 2011 was that maintaining the current rate of income tax at a low and stable 20% rate is important to the future success and competitiveness of Jersey. Our 2012 Business Plan maintains that strong, competitive position.

Domestic Property Rates
Our conclusion for 2011 was that, whilst an increase in domestic property rates scores well on economic grounds, the complexities of changing rates in Jersey outweighed the benefits associated with other tax raising measures.

Goods and Services Tax
With regard to GST, an increase from 3% to 5% was introduced with effect from 1 June 2011. There is little doubt that GST raises revenue in an efficient way that does minimal damage to the economy. In addition, we have found a way, through Income Support, of ameliorating the cost of GST on the lower paid. This would have been more difficult to achieve had we sought to raise additional income through domestic property rates. The 2012 Business Plan assumes no change to GST and in particular no increase beyond 5%.

Social Security Contributions

The Minister proposed an increase in employers' social security contributions of 2% and a further 2% for employees for those earning above the standard ceiling of c£44,000. The slight improvement in financial forecast in the audited 2010 Accounts allowed the Council of Ministers to give careful consideration as to the timing of this increase. Factors relevant to the timing of the increase include:

- the full implications of "20 means 20" are now being felt in terms of income tax;
- the Minister for Social Security is proposing an increase in employee contributions to create a welcomed permanent solution to the issue of funding long term care; and
- there is concern about middle-income earners bearing more of the burden.

The clear message is that we are sticking with the difficult task of closing the funding gap while easing the pressure on middle-income earners where possible. The proposals in the 2012 Business Plan are consistent with delivering the three part plan. No change is proposed either in domestic property rates, in rates of GST or in Income Tax. Furthermore, the proposed increase of 2% on employers' Social Security contributions together with no increase in employees' contributions is lower than first envisaged in the 2011 Budget. That is consistent with our general principle of not taxing more than we need to.

Other tax changes are being prepared for release in the Budget 2012. These proposals will consider increases to Impôts duties for fuel, alcohol and tobacco. If any increases are needed, they will be at a low level so as to maintain existing revenues given that consumption of certain commodities is declining each year.

Proposals for court fees and International Service Entities will be brought forward in the 2012 Budget.

Proposals to increase revenues from high net worth individuals so as to attract more to the Island and to ensure that Jersey remains an attractive and competitive location to live and work have been considered. The minimum contribution from all future high net worth individuals would increase from £100,000 to £125,000. The Treasury Minister has also lodged amendments to the tax laws for new wealthy residents. These measures will encourage high net worth individuals to bring their businesses to Jersey, creating jobs and boosting economic activity in the island.

If approved, the new regime will remove the distinction between income earned within and outside Jersey, when calculating the tax liability of a new wealthy resident. Under the new rules their income will be subject to tax at the rates of 20% on the first £625,000 of income and 1% on all income thereafter. All Jersey source rental income will continue to be taxed at 20%.

Other income tax proposals being considered in the 2012 Budget include;

- Administrative changes to clarify for the future the definition of serious ill health and orphaned or trivial pension;
- Repeal of the International Business Tax regime. This would be an administrative change to complete the transition to zero/Ten; and
- Taxation of Jersey property development profits on incorporated limited partnerships and separate limited partnerships.

Our three part plan is working. The latest financial forecast shows a small deficit in 2012 and a return to surplus in 2013 and beyond. This achieves the aim of balanced budgets by 2013 and will enable the proposed new Medium Term Financial Plan from 2013 to begin on a sound footing. There will be a small balance on the Consolidated Fund at the end of 2012, increasing in 2013 and 2014 and the improvement in the 2010 Financial Accounts could mean that £10 million can be left in the Stabilisation Fund.

Looking Forward

The prudent measures that the States has taken to cut spending, support economic growth and introduce new tax measures to balance budgets have put Jersey in a strong position. A balanced budget taken together with a very strong balance sheet provides an excellent position from which the States can plan for the future, starting with the proposals in this Business Plan.

This Business Plan lays the foundations for a number of projects and initiatives which we will need to deliver over varying timescales in future years. A number of these key initiatives are identified below.

In the short-term we will:

- Drive through the CSR savings;
- Support the transformation programme for housing;
- Support the Strategic Review of Health and work with the Minister for Health and Social Services and the Council to develop a sustainable and funded implementation plan to take forward the outcomes from the consultation of the Green Paper "Caring for each other, Caring for Ourselves";
- Support the launch and development of a new third sector forum;
- Support the outcomes of the Income Support Review;
- Establish SoJDC and its relationships with other States bodies so as to maximising the benefits for Jersey from active management of all our land and property; and
- Prepare the 2012 Budget so as to have the resources to meet the objectives in this Business Plan.

In the Medium-Term we will:

- Work with the new States and Council of Ministers to deliver an updated Strategic Plan;
- Implement the proposed new Medium Term Financial Plan (MTFP) in time for the next States and Council of Ministers. The new MTFP will encourage longer term planning horizons, give greater certainty and flexibility for departments to plan ahead and deliver improved value for money within an overall States spending limit. An allocation for growth funding will allow the States to be responsive to changing priorities without exceeding the agreed spending limits. A contingency allocation will mean that unforeseen events can be managed without additional unplanned calls on the public purse;
- Develop an integrated fiscal strategy which provides tax and funding options for the Island which are efficient and enable us to remain a competitive and attractive jurisdiction;
- Support the development of the Housing Transformation Programme; and
- Deliver the long term care proposals and associated funding measures which are so important for the older people of the Island.

In the Longer Term we will:

- Develop a Long Term Capital Plan that sets out the required States investment to maintain services and infrastructure to a suitable standard and describes the funding options;
- Support the implementation of the Housing Transformation Programme;
- Support the development of a combined Harbours and Airport Authority so as to maintain sustainable off-island transport links;
- Implement the States Property and Office Strategies; and
- Address the challenges to service delivery posed by an ageing population.

Summary

This Business Plan proposes the continuation of the three part plan to deliver savings, support economic growth and deliver a flexible tax strategy to enable a return to balanced budgets by 2013.

The Council has considered indicative States spending limit for 2014 which includes provision for a growth allocation, central contingencies, an uplift for pay and prices and which maintains the current level of capital investment. It will be for the new Council of Ministers to work up the proposals for future savings beyond 2013, such that any further growth priorities or additional capital investment can be funded.

The proposals in this Business Plan provide a sound and sustainable base for the next Council of Ministers and their development of a Medium Term Financial Plan. The strength of our public finances, with no borrowing and significant reserves, also puts us in a good position to compete with other jurisdictions for the growth and opportunities that will arise as the global recovery continues.
We have acted to amend our original Fiscal Strategy Review (FSR) proposals to reflect the increase in tax revenues in 2010 and produce a proposal which will make our Island more competitive and our proposals for a new 1(1)(k) regime further compliment this objective.

Furthermore, the new Economic Growth Strategy sets out how we can boost economic growth through productivity improvements and secure more and better paid jobs for Islanders. We must ensure that our plans are flexible, sustainable and they must enable Jersey to remain competitive as a leading international finance jurisdiction.

This Business Plan is also about investment. Investment that is funded and sustainable. We are in the midst of reviewing the future delivery of our Health and Education services. And, alongside the necessary investment in our infrastructure identifying measures to fund this investment must be our priority in the short and medium term.

Senator P F C Ozouf **July 2011**
Minister for Treasury and Resources

2. EXECUTIVE SUMMARY

The 2012 Business Plan is the last of this Council of Ministers, and follows the 2011 Budget when the proposals for a three part plan to return to balanced budgets by 2013 were put forward and agreed by the States.

The 2012 Business Plan updates that plan in respect of the detailed expenditure proposals for 2012 and the indicative States expenditure limits for 2013 and 2014 together with revised forecasts of the expected financial position for 2011 to 2014.

Alongside the expenditure proposals the 2012 Business Plan includes the specific CSR proposals for 2012, together with a summary of the proposals for 2011 to 2013 in the Business Plan Annex.

Expenditure Proposals 2012 to 2014

The Council of Ministers have sought to remain within the previously agreed indicative spending limits for 2012 and 2013 and have proposed an indicative spending limit for 2014. The revenue expenditure proposals include:

- A commitment to deliver £65 million CSR savings and user pays proposals together with provision for invest to save funding to support the planning and implementation of the proposals;
- Addressing the impact of P72/2011 “Grant Aided Schools: Grants” as amended through alternative savings and reallocation of growth in 2012, but highlighting the need to review and deliver the deferred savings for fee paying and non fee paying schools for 2013 and beyond;
- Investment in Health and Social Services to continue to provide real terms growth but also to address issues with recruiting and retaining nurses;
- Investment in backlog and ongoing infrastructure and property maintenance, in addition to the funds provided through the fiscal stimulus programme;
- A commitment to continue the investment in skills and training beyond the fiscal stimulus programme to get people back into work;
- Investment in developing tax policy and improving tax compliance and collection which will be offset by additional tax revenues in future years;
- Revised fiscal strategy proposals for social security increases above the ceiling to protect employees and the self-employed, but still achieve a reduction in the States’ contribution or supplementation to the Social Security Fund;
- Central provisions to enable urgent and unforeseen spending pressures to be addressed within the overall spending limits, including an additional contingency for specific unfunded items;
- Proposals for a further transfer to be made from the Health Insurance Fund in 2012, subject to Privy Council sanction, ahead of the outcomes from the Health Strategic Review and any proposals for alternative funding for healthcare in the future;
- An additional central contingency for emerging items such as Freedom of Information, HCAE Committee of Inquiry and Legal Aid funding for which costs are likely to be significant but can not be accurately budgeted at this stage;
- Provide new funding for a “growth allocation” for 2013 and 2014, consistent with the proposals for a Medium Term Financial Planning framework, to address new priorities and emerging pressures; and
- **Amendments to the expenditure proposals for 2012 were agreed for:**
    - **Chief Minister** (£18,400,100 – transfer of Human Resources, Information Services and PECRS Pre 1987 Debt from Treasury and Resources)
    - **Education, Sport and Culture** (-£15,000 – Prison!Me!No Way! to Home Affairs)
    - **Home Affairs** (£15,000 – Prison!Me!No Way! from Education, Sport and Culture)
    - **Treasury and Resources** (-£18,400,100 – transfer of Human Resources, Information Services and PECRS Pre 1987 Debt to Chief Minister)

Capital

- Acceleration of the St.Martin's School project to start in 2012 in line with the commitment made by the Treasury Minister in the 2011 Budget;
- Phillips Street Shaft is proposed as part of the Capital Programme from additional funding returned to the Consolidated Fund;
- Reprioritisation of schemes within Health and Social Services to address the most urgent projects at the General Hospital;
- Proposals for all vehicle replacement to be managed through Jersey Fleet Management to improve replacement planning and value for money opportunities;
- Final tranche of funding to enable the Police HQ relocation to be delivered;
- A review of the Social Housing Programme to reflect the fall in receipts due to the downturn in the housing market, but also the additional funding from the fiscal stimulus programme and monies approved by the Treasury Minister for the Pomme D'Or Estate scheme; and
- **Amendment was agreed in respect of £1,768,000 for Clinique Pinel (P.123/2011 Amd 10).**

Comprehensive Spending Review

The Council of Ministers remain committed to deliver £65 million of savings and user pays proposals as the first element of the three part plan to deliver balanced budgets by 2013. This Business Plan includes:

- Proposals to deliver over £20 million of savings and user pays reductions to cash limits in 2012, in addition almost £13 million being delivered in 2011. This means that by the end of 2012 just over £33 million will have been removed from States spending limits;
- Details of the individual department savings and user pays proposals for 2012 as an Appendix to the main report;
- A summary in Section 6 of the main report on the overall position and an update on the progress of the corporate savings projects for terms and conditions and procurement;
- As part of the Business Plan Annex, all the current CSR proposals for 2012 to 2013 are analysed by service area across each department;
- An update on the progress of the major corporate savings initiatives for terms and conditions and procurement to deliver £20 million by 2013;
- Proposals to mitigate the 2012 savings shortfall and highlighting the importance of delivering the CSR savings deferred from P72/2011 "Grant Aided Schools: Grants" as amended;
- An update on the proposals for the use of the Restructuring Provision; and
- Incorporating the other aspects of the Comprehensive Spending Review proposals for longer term planning, central contingencies and greater certainty and flexibility for departments in proposed changes to the Public Finances (Jersey) 2005 Law for a new Medium Term Financial Planning framework.

Financial Forecasts

The financial forecasts have been revised to inform the 2012 Business Plan process. The revised forecasts show that:

- Department underspending of £13 million in 2010 is being carried forward in 2011 in line with the flexibility in spending limits that the Council of Ministers is encouraging;
- Income tax revenues, which were £15 million above forecast in 2010, are expected to translate to a recurring improvement of around £10 million per annum, mainly in respect of personal tax;
- The revised forecasts and the improvement in the 2010 outturn would allow the Treasury Minister to propose a reduction in the 2011 transfer from the Stabilisation Fund as part of the 2012 Budget;
- The revised Fiscal Strategy proposals for social security increases above the ceiling will result in a reduction in expenditure of £7 million in States supplementation, compared with the original proposal of £16 million in the 2011 Budget;

- The expenditure proposals include central provisions for contingencies and additional provisions for a "growth allocation" from 2013 consistent with the new Medium Term Financial Planning proposals;
- The capital expenditure proposals are in line with the previously agreed indicative spending limits;
- There remains a significant range of possible outcomes within the forecasts increasing from +/- £20 million in 2011 to +/- £50 million by 2014;
- The States is on target to deliver a small deficit in 2012 and achieve a return to balanced budgets with a small surplus in 2013 in line with the Council of Ministers' three part plan;
- The Consolidated Fund would have a balance of £7 million at the end of 2012, increasing to £22 million by 2014; and
- The Stabilisation Fund would have a balance of £10 million if the proposal to reduce the planned 2011 transfer to the Consolidated Fund can be delivered in the 2012 Budget.

Fiscal Stimulus

The States approved the Fiscal Stimulus programme of £44 million as part of P55/2009 and the Business Plan provides a review of the programme drawing on the States report R67/2011.

- In excess of £50 million of applications have been received;
- The funding has been provided to a wide range of projects including skills and training, support for individuals, support for business, civil infrastructure and construction and maintenance works;
- The 2011 spend is primarily associated with lengthy construction projections and allows the economic effect of the stimulus projects to taper off rather than come to an abrupt end;
- Spend will continue in 2011 and into 2012 for skills and training as reported to the States by the Treasury Minister earlier this year. The projects at Highlands College, Advance to Work and Advance Plus will continue until September 2012 from fiscal stimulus funding. Proposals in this Business Plan seek to provide ongoing funding for these initiatives based on proposals from the Skills Board; and
- In total £40 million has been allocated and the scheme is now closed with £3.6 million returned to the Consolidated Fund. The remaining contingency balance of £0.4 million and any further unspent balances as schemes are completed will also be transferred to the Consolidated Fund.

3. STRATEGIC AND FINANCIAL PLANNING

3.1 States Strategic Plan

The Strategic Plan approved by the States on 10th June 2009 set out an aim of working together to meet the needs of our community by:

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

In setting these high-level objectives in the context of the current economic climate, the imperative is to balance the provision of high quality public services and future funding pressures with sustainable public finances. To this end, the Strategic Plan sets out a number of key resource principles which govern the financial framework within which public services are delivered to ensure that public expenditure is kept under control, namely:

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

3.2. Comprehensive Spending Review

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

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

The Comprehensive Spending Review (CSR), which is described in more detail in section 6 has identified £65 million of savings which the Council of Ministers is committed to deliver.

The overall scale of savings to be delivered will require complete commitment in achieving targets, with continuing consideration of the strategic options for reducing costs whilst maintaining high-quality core services.

3.3 Key Objectives

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

3.4 Current Business and Financial Planning Cycle

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

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

This Business Plan, which covers 2012, continues that process, building on the indicative spending limit agreed alongside the 2011 Budget. The principles established since the 2010 Business Plan, as part of the CSR, are now being proposed to be brought into legislation to formalise the new Medium Term Financial Planning process. This will allow departments greater certainty and flexibility in managing their finances. This is vital to achieve the necessary reduction in expenditure and focusing our essential services on the priorities set out in the Strategic Plan.

3.5 Proposed changes to develop Medium Term Financial Planning

The Minister for Treasury and Resources has lodged P97/2011 Amendment No.3 to the Public Finance Law (Jersey) 2005 which proposes a Medium Term Financial Plan that would extend the States budgeting period from one to three years. This would fit with the existing political cycle, where the next Council of Ministers will be elected for a three-year term.

These proposals do not require any changes to the Strategic Plan or States of Jersey Law and, if approved, would allow the resulting changes to be in place by November 2011, for the new States and Council of Ministers.

The key proposed changes are:

- States spending limits will be set for the length of a Council of Ministers' term of office;
- Minimum department spending limits will be set for the same time period; and
- There will be central allocations created for growth and contingency spend.

These changes would address some of the main concerns raised in the past by the Public Accounts Committee, the Comptroller and Auditor General, Scrutiny panels and the public over financial management.

Criticisms of the current annual process have been that it focuses decision making on the short term and makes no provision for unforeseen expenditure, which has led to urgent calls for additional funding and the perception that the States is overspending.

The proposed Medium Term Financial Plan will encourage longer term planning horizons, give greater certainty and flexibility for departments to plan ahead and deliver improved value for money within an overall States spending limit. Allocations for growth funding will allow the States to be responsive to changing needs without exceeding the agreed limits, and contingency funding will provide confidence that unforeseen events can be dealt with without additional unplanned calls on the public purse.

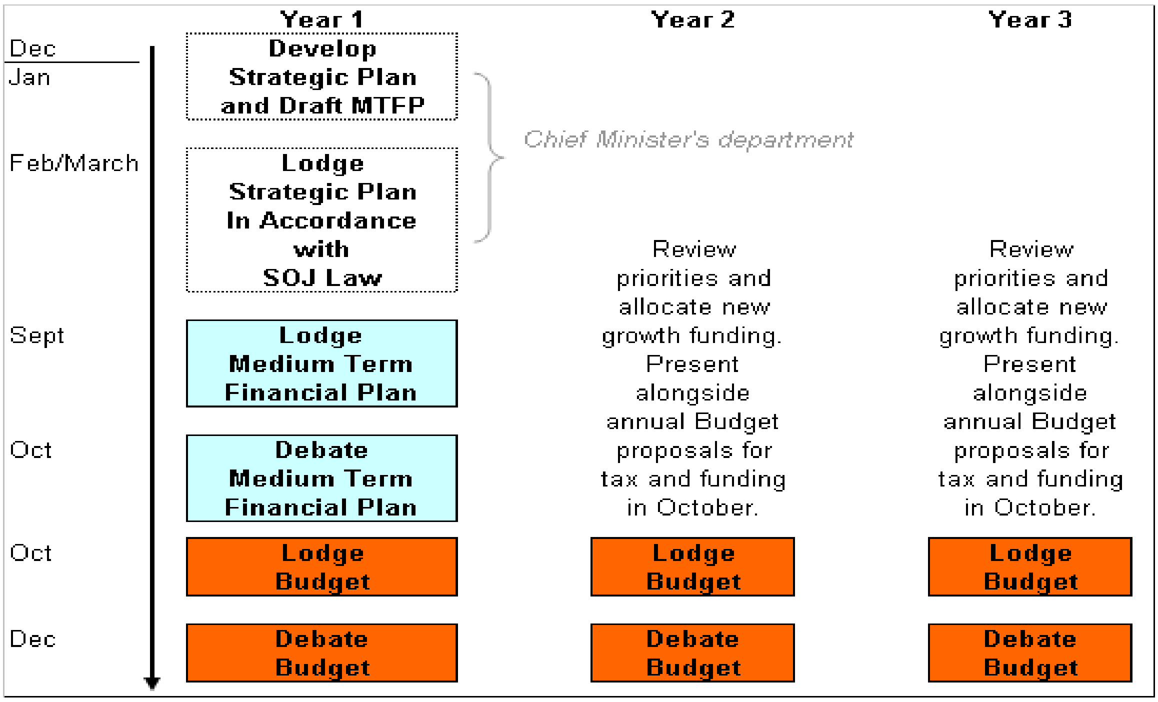
In addition, the amendment extends the remit of the Comptroller and Auditor General as agreed by the States in 2009.

The proposed amendment has been widely consulted on with States members and officers and the views of those who have contributed have been responded to and addressed.
The States have been discussing longer term financial planning for some years. It makes sense to go ahead now, as moving to a medium term financial planning framework will help to encourage more efficient

budget management. It will also enable departments to plan their Comprehensive Spending Review savings, and any associated restructuring, over a period of years.

The Minister is proposing that the current annual Business Plan and Budget are replaced with a debate on a Medium Term Financial Plan to determine the tax and spending envelope for a period of years. Then annual Budgets will propose tax, funding and variations to expenditure within overall limits.

Figure 3.1 Summary of Medium Term Financial Planning proposals

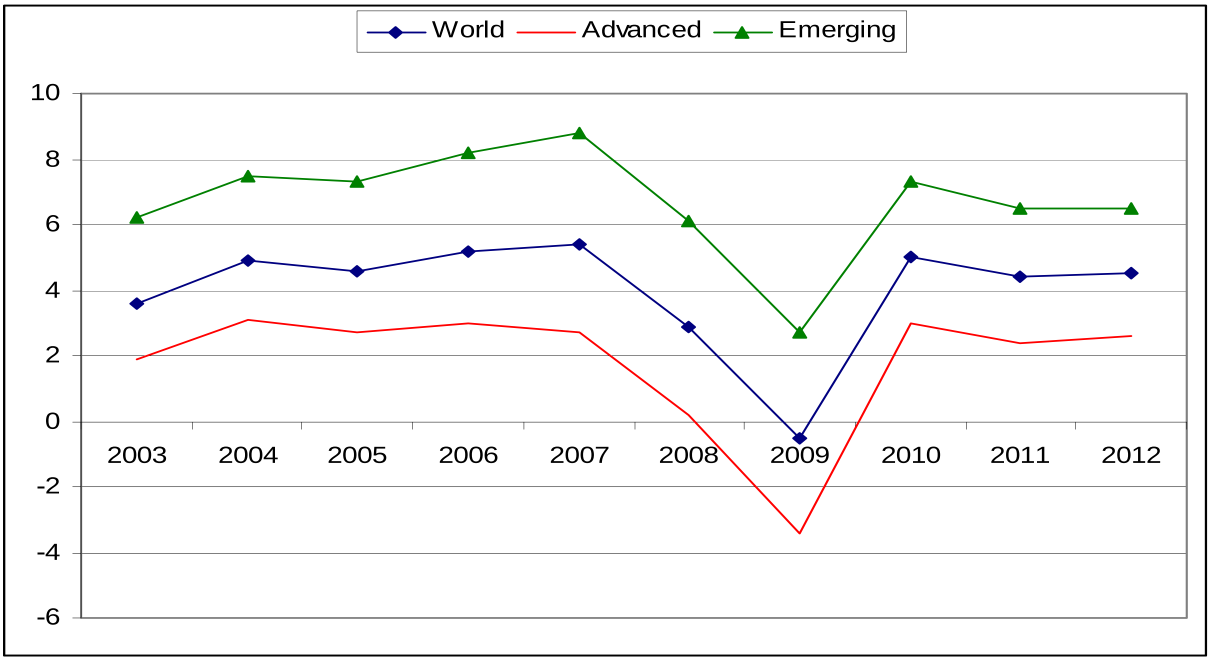


4. ECONOMIC OUTLOOK AND FINANCIAL FORECAST 2011 – 2014

4.1 Economic Outlook

The recovery forecast in the global economy has continued this year and as Figure 4.1 shows further growth is expected in 2012. However, this will be made up of two speeds - stronger growth in the emerging and developing economies and below average growth in the advanced economies. There remain significant risks to this outlook, not least the sustainability of debt in countries like Portugal and Greece and the impact of rising commodity prices and fiscal austerity on the global economy. The IMF state in their April 2011 World Economic Outlook that the risks on balance remain to the downside.

Figure 4.1: World economic outlook
% change in real GDP

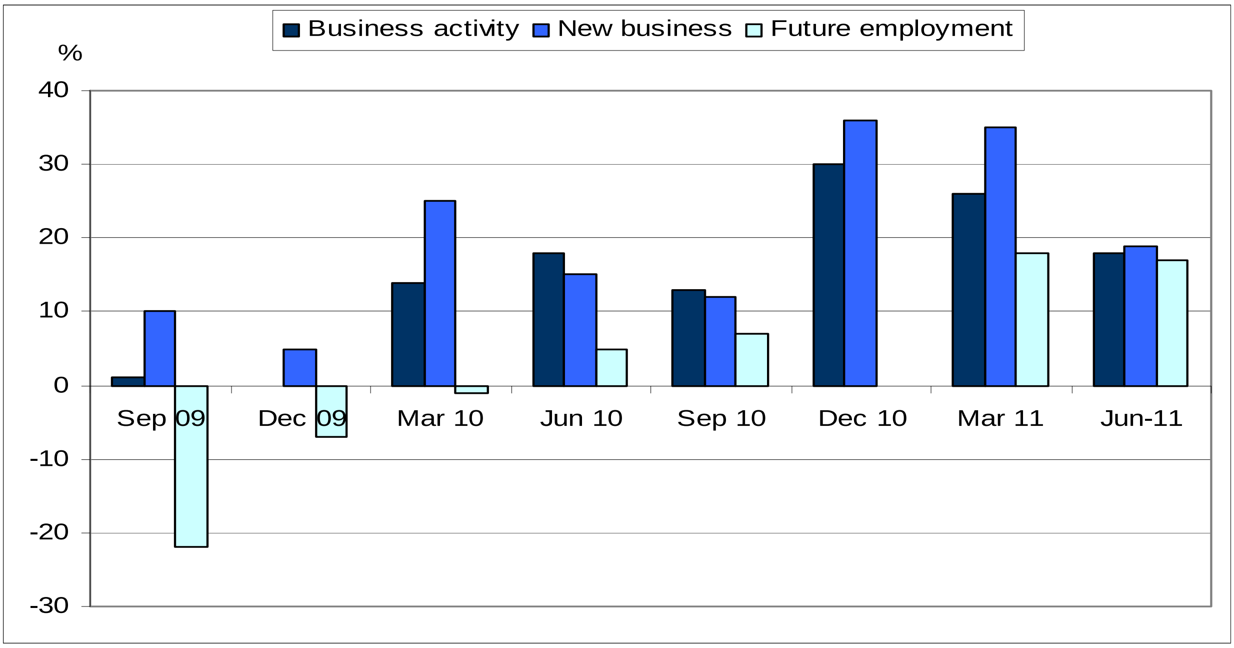


Source: IMF World Economic Outlook April 2011

The local economy continues to show remarkable resilience in the aftermath of the global great recession and is showing some signs of improvement, particularly in the finance sector. In the June 2011 Business Tendency Survey nine of the ten indicators remained broadly at the same level as March when there had been a number of improvements and expectations about future business activity improved marginally.

The finance sector remains particularly positive despite the larger than expected fall in profitability last year, with business activity and new business rising quarter–on-quarter. In addition expectations about employment are now the most positive since the survey began (Figure 4.2) and profitability is also reported to have improved for the second time since the survey started.

Figure 4.2: Finance sector continues to improve
weighted net balance* of respondents to June 2011 Business Tendency Survey



* balance = % of firms reporting increase less % reporting decrease
Source: States of Jersey Statistics Unit

The non-finance sector as a whole is yet to see business activity, new business and optimism improve. Nonetheless, retail sales volumes in the first quarter of 2011 were 5% higher than a year ago with volumes higher in both food and non-food stores. Visitor numbers, buoyed by more business visitors are also higher this year so far. The fortunes of the non-finance sector are closely linked to those of the finance sector and the more positive outlook in that sector bodes well for the other sectors in the economy.

Unemployment in Jersey remains high relative to historic levels (although well below that in the larger economies) and after being stable since the middle of last year edged slightly higher in April and May. Employment has also remained close to the highest level for at least 15 years, despite the significant global recession. The labour market tends to lag behind economic activity and remains weak with the Business Tendency Survey suggesting that non-finance firms continue to reduce employment.

It is encouraging that inflation in Jersey remains lower than in the UK, however the headline (RPI) rate is likely to increase over the coming months as a result of a number of temporary factors - the rise in GST, the possible increase in interest rates later this year and higher commodity prices. The latest forecasts from the Economics Unit suggest RPI inflation could temporarily reach 5% this year although underlying inflation will remain more subdued at 3.0-3.5%. It is important that higher inflation is not factored into wage and price decisions, or else these temporary price increases could become permanent, which would damage the Islands competitiveness, the local economy and job prospects.

It is recognised that this year RPI inflation will exceed likely increases in wages and salaries and that as a result household finances for many Islanders will be squeezed (although those on income support will have been compensated for the rise in GST). However, the new Economic Growth Strategy sets out how we can boost economic growth through productivity improvements and secure more and better paid jobs for Islanders.

The latest forecasts for economic growth are shown in Figure 4.3. These are unchanged since the 2011 Budget, with central expectations of a further fall in GVA of 3% in 2010, growth in 2011 of about 1% and of about 2% in 2012.

The Fiscal Policy Panel has published their annual report alongside this report which gives an independent assessment of the local and global economic outlook in more detail.

Figure 4.3: Jersey economic outlook
% change in real GVA

Source: States of Jersey Economics Unit

4.2 Update of Financial Forecast

Background
The last published financial forecast was produced for the 2011 Budget in October 2010. Since that time the 2010 Financial Report and Accounts have been produced and audited, a review of the forecasts of States revenues has been carried out and the Council of Ministers has prepared its expenditure proposals for this Business Plan. The latest forecasts of States revenues have also been able to take account of any revised economic assumptions both locally and globally.

Income Tax forecasts
The 2010 outturn shows an improvement of £14 million on the October 2010 forecast of States revenues, almost wholly relating to Income Tax Revenues.

The forecast for Net Income Tax was reduced in the 2011 Budget (in October 2010) to reflect the impact of a larger than expected fall in financial services profits, and other economic factors. By the year end, Income Tax was £15 million higher than the updated forecast. This is primarily a consequence of greater revenue from Personal Tax. Approximately £9 million of the variance came from higher 'shareholder' income than was forecast (at the time of the forecast in early September, a significant proportion of personal tax assessments had not yet been completed), while the remainder was due to a number of smaller variations on personal tax, none of which were significant on their own.

The Income Tax Forecasting Group (ITFG) has met a number of times to consider the revised forecasts. The ITFG provided initial forecasts to inform the Council of Ministers consideration of the tax and spending envelope. These forecasts were based primarily on the updated 2010 outturn figures. The ITFG concluded that to the extent that the 2010 income tax variation is thought to be permanent, it in turn increased the baseline from which the forecasts are calculated. An assumption has been made that £10m of this increase stays in the base going forward, while the rest is excluded. The justification for this is that while there is no reason to exclude the small variances from the baseline, the ITFG considered that substantial uncertainty around future shareholder tax revenue would make it imprudent to build all of the variance into the baseline (particularly given the short time the new regime has been in place and the announced changes to the system with regard to deemed distribution).

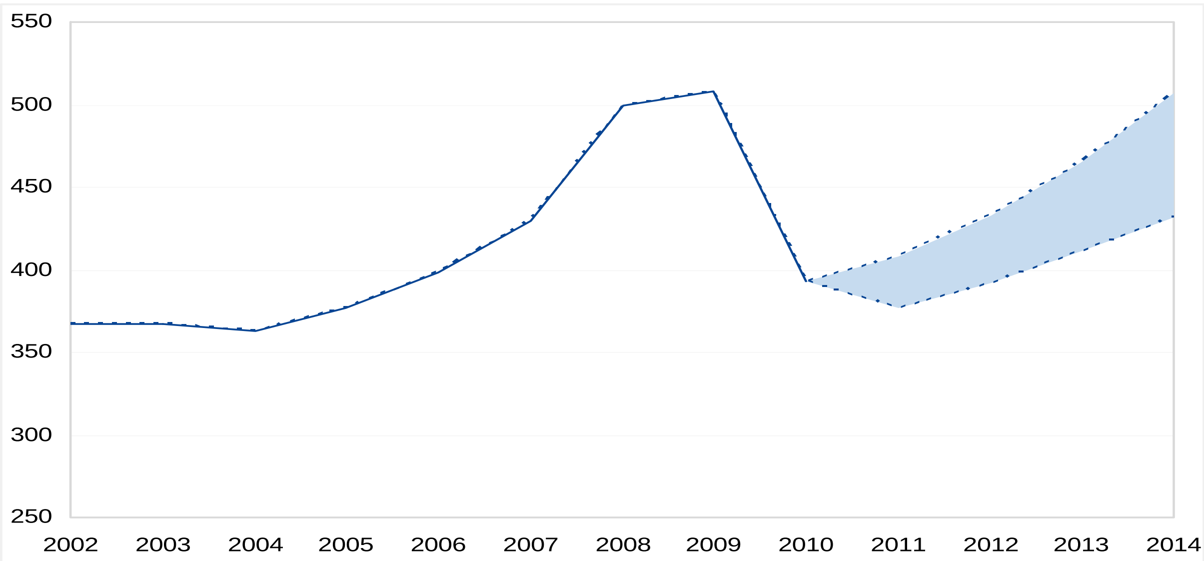
As the forecasts were produced very early in the year and before any information on current year's assessments was available, the ITFG made a decision to meet again in June. The Group had concerns over the levels of company tax revenues in 2011 as trading conditions have been difficult. A number of the larger taxpayers were contacted, including 10 of the largest banks, representing c.33% of total company income tax revenue in 2010. Indications are that those Income Tax Companies will see a fall in tax broadly equivalent to that assumed in the forecasting model. This therefore assumed that the remaining companies would be expected to pay a similar level as they did in 2010. By June, a significant proportion of the current year's company tax assessments had been completed and could be considered. These results suggest that the assumptions in the earlier forecasts of company tax revenues are fairly robust.

The other changes which have been considered relate to updated economic assumptions. The main change is to the forecast for interest rates, which have been revised downward. Real GVA assumptions have been revised slightly as a consequence of small revisions to inflation forecasts and revisions to GVA data.

In summary, the main variation to the income tax revenues is a forecast ongoing improvement of approximately £10 million per annum, primarily from personal tax. There are a number of other variables, but taken together they have no overall effect on the forecast.

The forecasts are presented as a range, and the judgement of the ITFG is that the probability that the outturn could fall in the upper half is about equal to the probability that it could fall in the lower half of this range. Therefore, should a point forecast be required for specific purposes, the ITFG believes that it would be reasonable to use mid-point of the range, provided that it is clear that this is all it is. The mid-point numbers (rounded to nearest £5m) for 2011-2014 are £390m, £415m, £440m and £470m. The range for 2011 is +/- 5% (c.£15m) of the mid-point, growing to +/- 9% (c.£40m) by 2014.

Figure 4.4 Forecast Range of Outcomes for Income Tax Revenues



Outturn 2010		Range of Forecast for States Income Tax Revenues 2011 £m	2012 £m	2013 £m	2014 £m
394	Range	375 - 405	395 - 430	410 - 465	430 - 510
394	Central	390	415	440	470

Forecasting tax revenue is notoriously difficult, even in jurisdictions with substantially more data and resource than Jersey. The forecast for 2011 have been produced early in the year and before a large number of tax assessments have been completed. These will be reviewed and updated again before the 2012 Budget. Further, there are additional uncertainties – with the introduction of 0/10, removal of deemed distributions and the uncertainty around the current global economy – that make forecasting at this time particularly uncertain.

Other areas of States Income

Goods and Services Tax revenue in 2010 was £3m lower than forecast. The principal reasons for this were: an increase in bad debt provisions at the year end; return values for the period after the forecast that were lower than expected and the impact of a small over-recognition of income in the prior year on current year revenues. With limited historic trend data the most recent figures are seen to be the most robust for forecasting. The forward forecasts therefore assume similar returns in 2011 onwards, taking account of the one-off adjustments in 2010, inflating for the increase to a 5% rate from June 2011 and the impact of forecast inflation in future years.

The forecasts for Impôts duties were close to outturn for 2010 with the main variation being an underachievement of the new vehicle emission duty. This trend is forecast to continue.

Stamp duty continues to be fairly depressed reflecting the current housing market and borrowing conditions. Assumptions are made within the period of the forecasts for an improvement in activity as economic growth returns and the possibility of greater flexibility in borrowing over time. The figures also reflect the increases in stamp duty for properties over £1 million from June 2011, as agreed in the 2011 Budget.

The forecast for Other Income in 2010 was reduced in the 2011 Budget to reflect lower than expected interest rates, which affects both the returns for investment income and European Union Savings Tax Directive (EUSD) Income. These areas did see marked drops but this was offset by a better than expected surplus in the currency fund (£1m) and receipt of more dividends than forecast (£1m).

With little immediate prospect of any significant increase in interest rates similar projections of Other Income are maintained for future years with the exception of European Union Savings Tax Directive (EUSD) Income where the initial forecast 2011 yield has been reduced to just over £1 million.

States expenditure

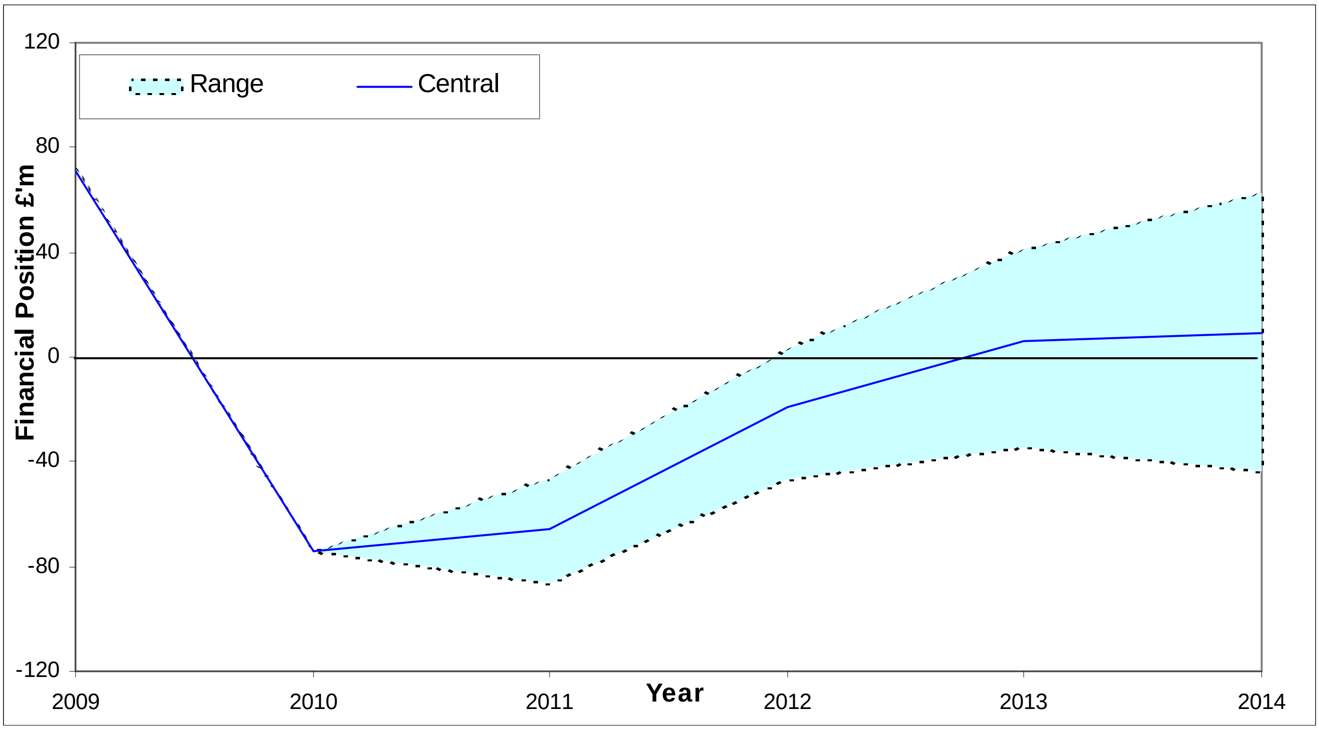
The 2011 Budget contained revised expenditure proposals for 2011 to 2013 and these spending limits have provided the envelope within which the Council of Ministers has sought to work for the 2012 Business Plan. No significant change to the 2011 expenditure is anticipated, except for the agreement to carry forward £13 million for departments from 2010 to 2011. The Council of Ministers is planning to manage within the approved 2011 spending limits and manage any spending pressures through the central reserves approved in the 2011 Business Plan. Delivering the 2011 spending limits by implication will require the delivery of the original £12 million CSR savings target for 2011. As part of the 2011 Budget proposals, the Council of Ministers also set a target for a £10 million underspend for 2011 against the spending limits agreed in the 2011 Business Plan which is currently on track.

The 2012 Business Plan is based on the indicative spending limits approved in principle, alongside the 2011 Budget. The proposed expenditure allocations would vary from the indicative limits in some areas:

- The revised FSR proposals for social security increases above the current ceiling will have the effect of generating £9 million less income to the Social Security Fund and therefore enable a £7 million reduction in States supplementation, rather than the £16 million reduction planned in the 2011 Budget;
- The Council of Ministers is proposing that increases in Income Tax Policy and Collection are offset against the additional tax revenues that will be generated. This would result in a £0.6 million increase in Treasury and Resources expenditure offset by, at least, equivalent additional tax revenues;
- There are a number of emerging funding issues relating to Freedom of Information, Committee of Inquiry for HCAE, Legal Aid and future pension implications of the Hutton report which require additional funding. At this stage it is extremely difficult to estimate and allocate funding to these issues but nevertheless the Council of Ministers intends to propose they be provided for by additional sums to be set aside within the Central Reserves, initially £4 million from 2012;
- A further increase in spending limits would be required as a result of the approval in June of P72/2011, which defers £7.9 million of the £65 million of CSR savings. However, the Council of Ministers in conjunction with the Minister for Education, Sport and Culture has sought to mitigate this situation in 2012 with a number of alternative savings and funding proposals (further detailed in Section 5 of this report and the Business Plan Annex). This is only a short-term funding solution and will necessitate a

- Proposals to continue the current skills and training projects, initiated by the fiscal stimulus, have been met from reallocating available funds in 2012. However, from 2013 the full year effect of £1.9 million would require an allocation from the restructuring provision if other alternative funding can not be identified; and
- Finally, the Minister for Treasury and Resources has lodged P97/2011 for a new Medium Term Financial Planning framework which proposes an annual Growth Allocation from 2013. An initial provision of £6 million in 2013 and a further £10 million in 2014 is proposed within the indicative 2013 and 2014 limits to enable the States flexibility to address changing priorities within overall limits.

Figure 4.5 Forecast Range of Outcomes for the Financial Position



Outturn		Range of Forecast for Financial Position			
2010		2011 £m	2012 £m	2013 £m	2014 £m
(74)	Range	(46) - (86)	3 - (46)	41 - (34)	62 - (44)
(74)	Central	(66)	(19)	6	9

It is important to emphasise that several elements of the forecast are taken as the mid-point of a range. This is particularly the case, and highlighted in the income tax forecasts, but is also relevant for other areas of States income. The forecasts of income support, benefits and supplementation are also mid-points of a range of forecast assumptions and trends. The extent of the range of forecasts within the overall financial position is illustrated in Figure 4.5. This also highlights the importance of maintaining an appropriate balance on the Consolidated Fund, recommended by the Fiscal Policy Panel to be £20 million, to retain the flexibility to deal with variations in the range of forecasts.

The forecasts at Figure 4.6 represent the best estimate of the States financial position within the range of assumptions.

Figure 4.6 - Revised Financial Forecast for 2011-2014 (June 2011)

2011 £m		2012 £m	2013 £m	2014 £m
		<---------- Forecasts		-------------->
	States Income			
390	Income Tax	**415**	**440**	**470**
65	Goods and Services Tax	**79**	**81**	**83**
53	Impôts Duty	**54**	**54**	**55**
21	Stamp Duty	**24**	**27**	**30**
24	Other Income	**23**	**21**	**23**
11	Island Rate	**11**	**11**	**12**
-	Budget measures	**3**	**3**	**3**
564	**States Income**	**609**	**637**	**676**
3	**Increase in CIF asset value**	**4**	**5**	**5**
567	**States Income plus increase in CIF value**	**613**	**642**	**681**
	States Expenditure			
592	Departmental Net Revenue Expenditure	**584**	**577**	**602**
9	Central Reserve/Contingency	**9**	**9**	**9**
	Additional Central Reserves/Contingency	**4**	**4**	**4**
6	Restructuring Provision	**10**	**2**	**3**
	Items offset by Restructuring Provision			
	- Net Impact of P72 Fee Paying schools	**-**	**6**	**5**
	- Skills & Training	**-**	**2**	**2**
13	Underspend Carryforward to 2011			
	Revised FSR Proposal - Social Security	**9**	**9**	**9**
	Growth Allocation	**-**	**6**	**16**
13	Net Capital Expenditure Allocation	**16**	**21**	**22**
633	**Total States Net Expenditure**	**632**	**636**	**672**
(66)	**Forecast Surplus/(Deficit) for the year**	**(19)**	**6**	**9**

Assumptions:

There are a number of assumptions behind the financial forecasts in Figure 4.6.

Income Tax

- *The income tax forecasts have improved from those in the Budget 2011. The forecasts draw on the improvement in the 2010 outturn, primarily on personal tax, and also reflect the current year assessments which suggest that company tax revenues will be down in 2011*
- *A further review of income tax forecasts will be prepared for the 2012 Budget.*
- *The Income Tax Forecasting Group (ITFG) have again stressed the high level of uncertainty in the forecasts and emphasised the wide range of possible outcomes (see Figure 4.4) from which the mid-point forecasts are taken.*

- *The income tax forecast model is used to apply the range of economic assumptions to the current data from the different income tax schedules to estimate a range of future tax revenues*
- *The range of the income tax forecast from optimistic to pessimistic is £30 million in 2011 to £80 million in 2014.*

Goods and Services Tax

- *The 2010 outturn showed a slightly lower (by £3 million) than expected return but included one off adjustments for accruals. After allowing for the one-off adjustment the 2010 outturn has been taken as the base for future forecasts.*
- *The future forecasts assume there will be some growth in these revenues as the economy recovers.*

Impôts Duty

- *The forward forecasts reflect the predicted trends in consumption, which include a drop off for some goods, but also include an assumption that there would be annual increases in duty at a level equivalent to the Island RPI, which for alcohol and tobacco is broadly consistent with States policies.*
- *There is an economic assumption that Impôts duties do not fluctuate significantly with the economic cycle.*

Stamp Duty

- *The forecast assumes that the activity levels seen in 2010 will continue with the possibility of some growth in the latter half of 2011 with prices predicted to pick up in 2012.*
- *The forecasts take into account the increase in stamp duty for properties over £1 million from June 2011, as approved in the 2011 Budget, and the estimated impact of the new Land Transactions Tax.*

Other Income

- *The impact of much lower interest rates and the reduction in cash balances arising from future deficits has had a significant impact on the investment income forecasts.*
- *The level of EUSD retention tax has been lower than expected in 2011 and is forecast to withdraw entirely during 2012.*
- *The assumptions from States advisors are for a slow recovery in investment returns.*

Island Rate

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

Budget Measures

- *The proposals in the 2011 Budget included a forecast that £3 million would be raised in the 2012 Budget. These measures are likely to include proposals for International Service Entity fees Impôts and minor changes to income tax provisions.*

Increase in CIF asset value

- *In 2010 a Common Investment Fund (CIF) was launched to provide a simple cost-effective way of pooling funds for investment purposes.*
- *Income previously recognised as investment income of the Consolidated Fund is now recognised as an increase in the CIF asset value and as an increased value of the Consolidated Fund forecast.*

Total States Net Revenue Expenditure

- *The forecasts for total States net expenditure have been updated for the proposals in this Business Plan and for the proposed spending envelope – this includes the revised FSR proposal, proposed additional provision for central reserves and the new growth allocation in 2013 and 2014, but excludes depreciation which is a non-cash item.*

Net Capital Expenditure Allocation

- *The forecast of capital allocations for 2012 to 2014 reflect the proposed programme.*
- *Amendment 10 for Clinique Pinel approved.*

Revised Forecast Surplus/(Deficit)

- *The financial position shows a return to balanced budgets by 2013 in line with the Council of Ministers three-part plan. The forecast relies on the delivery of the remainder of the £65 million CSR savings in 2012 and 2013.*

The figures should be thought of as indicative cumulative forecasts and are only as accurate as the assumptions they are based on. The forecast financial position is the midpoint of the central range of forecasts and in 2012 this range amounts to +/- £25 million.

4.4 Summary

The revised financial forecast shows that the States is still on track to return to balanced budgets by 2013, based on the current profile of CSR savings and the revised FSR proposals. The improvements in the 2010 outturn allow a reduced transfer from the Stabilisation Fund in 2011 to be proposed. This is despite the deferral of certain CSR savings, as a result of the approval of P72/2011, and other necessary increases in spending. The reduced transfer in 2011 will still provide a closing balance on the Consolidated Fund at the end of 2011 of £24 million. This balance will enable the States to manage a forecast deficit of £19 million in 2012, before returning to balanced budgets in 2013 and future years.

Figure 4.7 Revised Forecasts of Fund Balances for 2011-2014 (June 2011)

2011 £m	Consolidated Fund	<------------ Forecasts 2012 £m	2013 £m	------------> 2014 £m
54	**Opening Balance**	**24**	**7**	**13**
(66)	Forecast Surplus/Deficit for the year	(19)	6	9
36	Transfer from the Stabilisation Fund			
-	Other Fund adjustments	2	**-**	**-**
	Estimated Consolidated Fund Balance			
24	**Central scenario**	**7**	**13**	**22**

2011 £m	Stabilisation Fund	<------------ Forecasts 2012 £m	2013 £m	------------> 2014 £m
46	**Opening Balance**	**10**	**10**	**10**
(36)	Transfer to Consolidated Fund	**-**	**-**	**-**
	Estimated Stabilisation Fund Balance			
10	**Central scenario**	**10**	**10**	**10**

Assumptions:
Consolidated Fund

- *The transfers from the Stabilisation Fund enabled the Consolidated Fund to maintain a positive balance through the downturn in 2010 and 2011. The remainder of the proposed CSR savings are required to achieve a return to balanced budgets by 2013 and to maintain a positive balance on the Consolidated Fund.*
- *The Other Fund adjustments of £2 million represent the net position after the return of Pandemic Flu monies to the Consolidated Fund and the States approval (P123/2011 Amd 10) of additional funding for the Clinique Pinel scheme in 2012.*

Stabilisation Fund

- *The Stabilisation Fund was set aside to provide Fiscal Stimulus. This comprised £44 million for projects to stimulate the economy during the downturn and the balance of £114 million to fund the predicted deficits in 2010 and 2011.The forecasts assume that £104 million will be drawn down in 2010 and 2011, leaving a small balance of £10 million on the Fund.*

The forecasts are however the mid-point of a range of outcomes which in 2011 is +/- c.£20 million and by 2014 +/- c.£50 million. With a balance on the Consolidated Fund of only £7 million at the end of 2012 this highlights the need to control spending and to maintain flexibility within both the tax and funding proposals.

At the end of 2011 the Stabilisation Fund will have a balance of £10 million. It must be a priority of this and future Council of Ministers to follow the current fiscal framework and principles and strive to provide for future transfers to replenish the Stabilisation Fund in preparation for any future economic downturn.

5. REVENUE EXPENDITURE ALLOCATIONS FOR 2012

The Council of Ministers is proposing net revenue expenditure allocations for departments for 2012 and then States net revenue expenditure targets for the years 2013 and 2014.

5.1 2011 Budget and Indicative Expenditure Proposals 2012 and 2013

The States approved "in principle" overall spending limits for 2012 and 2013 in the 2011 Budget. These spending limits include commitments from previous decisions, further CSR savings, user pays and growth and forecasts of the necessary provisions for pay, prices and benefits.

5.2 2012 Business Plan process

The challenge for Ministers in this year's business planning process has been to review and update the proposals from last October with departments and to manage the outcomes of that review within the indicative spending limits agreed as part of the 2011 Budget.

The Council of Ministers asked departments to review the indicative spending limits in January and met in March to consider the overall tax and spending envelope. On the basis of the submissions from departments, and the initial financial forecasts, the Council of Ministers decided that the initial objective would be to continue to manage within the indicative spending limits.

A series of meetings and workshops took place in April and May which sought to achieve an allocation of available resources to the issues raised by departments and remain within the spending limits. A summary of the detailed variations between 2011 and 2012 are shown in figure 5.1 and 5.2.

5.3 Reconciliation to Indicative Expenditure Proposals

In most case the Councils of Ministers has been able, through a resource allocation process, to address the various issues that have arisen within the indicative spending limit for 2012. However, the proposed expenditure allocations would vary from the indicative limits from the 2011 Budget in some areas:

- The revised FSR proposals for social security increases above the current ceiling will have the effect of generating £9 million less income to the Social Security Fund and therefore enable a £7 million reduction in States supplementation, rather than the £16 million reduction planned in the 2011 Budget;
- The Council of Ministers is proposing that increases in Income Tax Policy and Collection are offset against the additional tax revenues that will be generated. This would result in a £0.6 million increase in Treasury and Resources expenditure offset by at least equivalent additional tax revenues;
- There are a number of emerging funding issues that have arisen out of recent States decisions relating to Freedom of Information and a Committee of Inquiry for HCAE. Further there are other potentially significant funding issues that have come to light since the indicative spending limits were set relating to Legal Aid and future pension implications of the Hutton report which require additional funding. At this stage it is extremely difficult to estimate the amount or timing of these issues or to allocate funding to particular affected departments. Nevertheless, the Council of Ministers intends to propose that these emerging issues be provided for by additional sums set aside within the Central Reserves, initially £4 million from 2012; and
- An increase in spending limits would be required as a result of the approval in June of P72/2011, which defers £7.9 million of the £65 million of CSR savings. However, the Council of Ministers, in conjunction with the Minister for Education, Sport and Culture, have sought to mitigate this situation with a number of alternative savings and funding proposals. In 2012 this has been achieved within the indicative spending limits, but there are consequences for 2013 and beyond which will need to be addressed and which are discussed at Sections 6 and 7.

5.4 Resource Allocation 2012

Departments raised a number of expenditure issues within the indicative spending limits. The issues from departments were categorised into spending pressure, new growth or previous unfunded growth issues. After initial challenge from officers and alternative funding options from departments the remaining issues were considered by Ministers and available funding was allocated within the spending limits. The available funding was prioritised for those items which were either already committed spending pressures or related to a new or existing States decision.

The 2011 Business Plan included proposals for an additional £5 million base budget for court and case costs based on increases in court and case costs in 2009 and 2010 which had to be funded in year, most recently from Article 11(8) funding in 2010 of £8 million. Ministers were advised that a further increase in funding is required because of the high level of exceptional cases, which are now forecast to continue during at least 2012 and 2013. The proposal is to maintain the existing increased provision in base budgets and to provide further funding managed through increases in base budget and a smoothing fund as part of central reserves, utilising the existing balances on the Criminal Offences Confiscation Fund (COCF). At this stage, future court and case costs from these exceptional cases are uncertain, but it is appropriate to use the significant balances on the COCF for this purpose.

The funding for the spending issues, apart from the COCF balances for court and case costs, has been reallocated from variations within the indicative limits, reallocating growth and an element of the pay provision. Minor allocations have also been made from the central reserve for one-off items such as the Electoral Commission and Jersey Heritage Trust, the later in lieu of potential lottery funding from 2013.

Details of the variations between 2011 and 2012 department cash limits are shown in Figure 5.1 and in the Annex in departments' detailed pages.

Figure 5.1 Net revenue expenditure movements from 2011 to 2012

Department	2011 Cash Limit from Budget 2011 £'000	Adjustments for one-off items in Budget 2011 £'000	2011 Cash Limit revised Starting point £'000	2012 Variations to Cash Limits: Commitments In Base £'000	Pay and Price Provision £'000	Benefit Provision £'000	Service Transfers £'000	Capital To Revenue £'000	2012 Cash Limit before CSR £'000
Chief Minister	5,093.9	-	5,093.9	(300.0)	54.3	-	(308.5)	-	4,539.7
- Grant to the Overseas Aid Commission	8,457.8	-	8,457.8	422.9	-	-	-	-	8,880.7
Economic Development	16,078.9	-	16,078.9	-	303.1	-	211.0	-	16,593.0
Education, Sport and Culture	100,157.4	-	100,157.4	(59.4)	325.1	-	-	-	100,423.1
Department of the Environment	6,749.1	-	6,749.1	(25.0)	(3.1)	-	-	-	6,721.0
Health and Social Services	167,639.2	-	167,639.2	3,330.4	996.4	-	(175.5)	-	171,790.5
Home Affairs	48,332.7	-	48,332.7	-	228.8	-	(954.0)	-	47,607.5
Housing	(20,928.5)	-	(20,928.5)	-	(683.1)	-	9.1	(2,369.0)	(23,971.5)
Social Security	169,897.0	5,979.5	175,876.5	(5,072.8)	100.7	4,088.3	(168.3)	-	174,824.4
Transport and Technical Services	28,431.6	-	28,431.6	2,100.0	184.3	-	-	(2,550.0)	28,165.9
Treasury and Resources	40,039.9	-	40,039.9	1,100.0	436.6	-	110.9	500.0	42,187.4
- Central Reserves	8,862.0	-	8,862.0	-	-	-	-	-	8,862.0
- Restructuring Provision	6,000.0	-	6,000.0	-	-	-	-	-	6,000.0
- Corporate Procurement Savings	-	-	-	-	-	-	-	-	-
- Central Pay Provision	-	-	-	-	8,432.5	-	-	-	8,432.5
- Corporate Terms and Conditions	-	-	-	-	-	-	-	-	-
Non Ministerial States Funded Bodies									
- Bailiff's Chamber	1,442.6	-	1,442.6	-	14.2	-	-	-	1,456.8
- Law Officers' Department	7,589.1	-	7,589.1	-	79.9	-	-	-	7,669.0
- Judicial Greffe	6,150.2	-	6,150.2	-	88.1	-	868.3	-	7,106.6
- Viscount's Department	1,502.1	-	1,502.1	-	7.7	-	-	-	1,509.8
- Official Analyst	601.7	-	601.7	-	4.2	-	-	-	605.9
- Office of the Lieutenant Governor	725.5	-	725.5	-	3.0	-	-	-	728.5
- Office of the Dean of Jersey	25.1	-	25.1	-	0.6	-	-	-	25.7
- Data Protection Commission	222.4	-	222.4	-	(0.1)	-	-	-	222.3
- Probation Department	1,609.9	-	1,609.9	-	4.9	-	407.0	-	2,021.8
- Comptroller and Auditor General	747.4	-	747.4	-	16.2	-	-	-	763.6
States Assembly and its Services	5,203.3	-	5,203.3	-	89.3	-	-	-	5,292.6
Departmental Savings - Unallocated	(3,903.0)	3,903.0	-	-	-	-	-	-	-
Total States Net Revenue Expenditure	606,727.3	9,882.5	616,609.8	1,496.1	10,683.6	4,088.3	-	(4,419.0)	628,458.8
Depreciation	37,073.0	(73.0)	37,000.0						37,000.0
Total States Net Expenditure	643,800.3	9,809.5	653,609.8	1,496.1	10,683.6	4,088.3	-	(4,419.0)	665,458.8

Notes to Figure 5.1

1. *The one-off items from the 2011 Budget relate to an additional target of £10 million savings, of which at the time almost £6 million was forecast in Social Security with the balance to be found across departments.*

2. *There are a number of commitments in base cash limits resulting from growth and savings agreed in previous resource allocation processes. These include additional funding for Health and Social Services, Overseas Aid and infrastructure and property maintenance. The figures also include the planned phasing out of transitional relief and automatic stabilisers for Income Support.*

3. *The pay provision reflects the initial provision for a pay award from January 2011. However, until such time as negotiations to identify the target of £7 million CSR savings from the Terms and Conditions Review are complete, then an equivalent provision should be held centrally.The provision for non staff inflation is set at 2.5% in line with the States anti inflation target for RPI(x).*

4. *The provision for uprating of income support, other benefits and annual supplementation is shown separately from non-staff inflation as it is based on a different set of assumptions and includes forecasts from the social security models which use current trends and employment assumptions, see Section 5.9.*

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

6. *Departments have been asked to examine their capital allocations and determine whether all the projects fit the GAAP definition of capital. Where these projects better fit the definition of revenue expenditure then transfers have been made to the department's cash limit.*

7. *Prior to 2011, a provision for internal debt servicing was made, which was a proxy for depreciation. The improvements made towards Resource Budgeting and the introduction of an asset register with approximate asset replacement schedules has given departments better information that allows them to forecast a depreciation budget requirement, as seen in Figure 5.2*

Figure 5.2 Net revenue expenditure movements from 2011 to 2012 (CSR Proposals) (As Amended)

Department	2012 Cash Limit before CSR £'000	2012 Variations to Cash Limits						2012 Cash Limit £'000	Depreciation £'000	Amendments £'000	2012 Cash Limit £'000
		CSR Part 2									
		Growth £'000	Savings £'000	User Pays £'000	Central Reserves and Provisions £'000	Resource Allocation £'000	Revised FSR Impact £'000				
Chief Minister	**4,539.7**	-	(150.0)	(11.0)	-	152.0	20.8	**4,551.5**	**-**	**18,400.1**	**22,951.6**
- Grant to the Overseas Aid Commission	**8,880.7**	-	-	-	-	-	-	**8,880.7**	**-**		**8,880.7**
Economic Development	**16,593.0**	-	(666.0)	(41.0)	-	-	12.4	**15,898.4**	**3.6**		**15,902.0**
Education, Sport and Culture	**100,423.1**	3,652.0	(2,434.0)	(413.0)	-	315.0	126.6	**101,669.7**	**176.3**	**(15.0)**	**101,831.0**
Department of the Environment	**6,721.0**	-	(306.0)	-	-	-	23.7	**6,438.7**	**147.1**		**6,585.8**
Health and Social Services	**171,790.5**	-	(1,415.0)	(630.0)	-	1,240.0	226.3	**171,211.8**	**2,587.6**		**173,799.4**
Home Affairs	**47,607.5**	1,304.0	(1,119.0)	-	-	90.0	93.7	**47,976.2**	**593.4**	**15.0**	**48,584.6**
Housing	**(23,971.5)**	-	(562.0)	(30.0)	-	-	6.0	**(24,557.5)**	**10,645.6**		**(13,911.9)**
Social Security	**174,824.4**	-	(1,500.0)	-	-	502.8	(6,992.6)	**166,834.6**	**-**		**166,834.6**
Transport and Technical Services	**28,165.9**	-	(1,257.0)	-	-	-	28.9	**26,937.8**	**13,727.4**		**40,665.2**
Treasury and Resources	**42,187.4**	1,022.0	(987.0)	(300.0)	-	1,022.0	60.2	**43,004.6**	**12,057.9**	**(18,400.1)**	**36,662.4**
- Central Reserves	**8,862.0**	(800.0)	-	-	4,938.0	(515.0)	-	**12,485.0**	**-**		**12,485.0**
- Restructuring Provision	**6,000.0**	-	-	-	4,000.0	-	-	**10,000.0**	**-**		**10,000.0**
- Corporate Procurement Savings	**-**	-	(3,000.0)	-	-	-	-	**(3,000.0)**	**-**		**(3,000.0)**
- Central Pay Provision	**8,432.5**	-	-	-	-	(1,106.7)	-	**7,325.8**	**-**		**7,325.8**
- Corporate Terms and Conditions	**-**	-	(7,000.0)	-	-	-	-	**(7,000.0)**	**-**		**(7,000.0)**
Non Ministerial States Funded Bodies											
- Bailiff's Chamber	**1,456.8**	-	(10.0)	-	-	135.0	7.1	**1,588.9**	**-**		**1,588.9**
- Law Officers' Department	**7,669.0**	-	(350.0)	-	-	475.0	23.5	**7,817.5**	**7.5**		**7,825.0**
- Judicial Greffe	**7,106.6**	-	(88.0)	(270.0)	-	30.0	9.7	**6,788.3**	**19.4**		**6,807.7**
- Viscount's Department	**1,509.8**	-	-	(56.0)	-	-	1.4	**1,455.2**	**19.5**		**1,474.7**
- Official Analyst	**605.9**	-	-	-	-	-	0.8	**606.7**	**45.0**		**651.7**
- Office of the Lieutenant Governor	**728.5**	-	(43.0)	-	-	-	2.2	**687.7**	**3.5**		**691.2**
- Office of the Dean of Jersey	**25.7**	-	-	-	-	-	-	**25.7**	**-**		**25.7**
- Data Protection Commission	**222.3**	-	-	-	-	-	1.0	**223.3**	**-**		**223.3**
- Probation Department	**2,021.8**	-	(64.0)	-	-	-	3.0	**1,960.8**	**25.1**		**1,985.9**
- Comptroller and Auditor General	**763.6**	-	(10.0)	-	-	-	-	**753.6**	**-**		**753.6**
States Assembly and its Services	**5,292.6**	-	(216.3)	-	-	200.0	3.7	**5,280.0**	**16.1**		**5,296.1**
Departmental Savings - Unallocated	**-**	-	-	-	-	-	-	**-**			**-**
Total States Net Revenue Expenditure	**628,458.8**	**5,178.0**	**(21,177.3)**	**(1,751.0)**	**8,938.0**	**2,540.1**	**(6,341.6)**	**615,845.0**	**40,075.0**	**-**	**655,920.0**
Depreciation	**37,000.0**							**37,000.0**	(37,000.0)		**-**
Total States Net Expenditure	**665,458.8**	**5,178.0**	**(21,177.3)**	**(1,751.0)**	**8,938.0**	**2,540.1**	**(6,341.6)**	**652,845.0**	**3,075.0**	**-**	**655,920.0**

Notes to Figure 5.2(CSR and other Proposals)

1. *The growth figure represents the proposals identified by the Council of Ministers as part of the CSR process which were necessary to address priorities in services.*

2. *The savings figure represents the reduction to the 2012 cash limits, in several cases the related savings have been delivered early in 2011 and are shown in that year in the CSR analysis at Appendix A, and Figure 6.4.*

3. *The User Pays figure represents areas of charging for services provided, as identified by departments as part of the CSR process.*

4. *The Central Reserves and Restructuring provision represents additional funding central to the control of States spending to allow pressures arising in year to be addressed and as a source of investment to allow pump priming of savings programmes. Additional central reserves are proposed in 2012 to provide a central contingency for a number of significant emerging issues for which at this stage the level of funding can not be finalised and allocated to departments.*

5. *Following the 2011 Budget, the Council of Ministers have reviewed the indicative spending limits with departments and conducted a resource allocation process to reallocate available funding and reprioritise growth to the spending pressures raised.*

6. *The impact of the revised FSR proposal for Social Security increases is a potential reduction in supplementation of £7 million, but an increase in States employer cost equivalent to 2% above the ceiling, up to a cap of £150,000, the impact of which is £650,000*

7. *Amendments to the expenditure proposals for 2012 were agreed for:*

    - ***Chief Minister** (£18,400,100 – transfer of Human Resources, Information Services and PECRS Pre 1987 Debt from Treasury and Resources)*
    - ***Education, Sport and Culture** (-£15,000 – Prison!Me!No Way! to Home Affairs)*
    - ***Home Affairs** (£15,000 – Prison!Me!No Way! from Education, Sport and Culture)*
    - ***Treasury and Resources** (-£18,400,100 – transfer of Human Resources, Information Services and PECRS Pre 1987 Debt to Chief Minister)*

    These transfers are net expenditure allocation and, as such, are inclusive of CSR proposals relevant to the service areas transferred.

5.4 Commitments in base cash limits

The cash limits approved in the 2011 Business Plan included certain commitments to spending and savings which were agreed in previous resource allocation processes or are underlying principles. These include; real growth in Health and Social Services and Overseas Aid, Social Security automatic stabilisers and residential care and infrastructure and property maintenance. These commitments were reviewed by Ministers as part of this year's process.

5.6 CSR proposals (See Section 6)

The CSR principles of longer-term planning, greater discipline over spending limits and delivering £65 million savings over 3 years were presented in some detail in the 2011 Business Plan. The proposed amendment to the Public Finances (Jersey) Law 2005 seeks to incorporate the longer term planning principles in legislation. Work has continued to deliver the £65 million savings and an update on the progress of the savings programme is detailed at Section 6.

Figure 5.2 illustrates that a further £23 million of CSR savings and user pays are being removed from department cash limits in 2012, some of these will be delivered early in 2011. In the short-term, the £7 million of corporate CSR savings for terms and conditions and £3 million for procurement required by 2012 are held centrally until such time as these can be allocated to departments. These corporate savings are currently offset against the central pay and restructuring provisions respectively.

Details of the 2012 CSR proposals for savings and user pays are included as an Appendix to the draft Business Plan and have been incorporated by each department in their detailed submissions for the draft Business Plan Annex.

5.7 Revised pay and price provisions

<u>Provision for Annual Pay Awards</u>
A central pay provision was included in the indicative spending limit for 2012. A provision of £7 million remains unallocated at this stage, until such time as any pay award for 2012 is negotiated, also recognising that a requirement for a £7 million terms and conditions CSR saving will also needed to be delivered as part of the negotiations.

Terms and Conditions Review

The target for the CSR Terms and Conditions Review is for savings of £7 million in 2012. Details of the progress on this review are provided at Section 6.5 of this report. The £7 million required saving is currently held centrally within the allocation to the Treasury and Resources department until the detailed allocations to departments are negotiated.

Non staff inflation

The provision for non-staff costs in 2012 is based on the States inflation target for RPI(X) of 2.5% per annum and departments are required to work within this provision and prioritise the allocation as appropriate.

5.8 Revised FSR proposals and the impact on Supplementation

As part of the 2011 Budget, proposals from the Fiscal Strategy were put forward to increase social security contributions. Increases above the current ceiling at a rate of 2% were proposed, which were forecast to generate £16 million of additional revenues to the Social Security Fund. This additional income was to be used to reduce the level of States supplementation by a similar amount and thus also reduce States spending. This assumption was included in the indicative States spending limits for 2012 and 2013.

Further consideration of this, in light of proposals to increase employee contributions for long term care, and also an improvement in forecast tax revenues have resulted in a revised proposal P110/2011 to be prepared by the Council and lodged by the Minister for Social Security. The revised proposal, which would only increase employers' contributions above the ceiling by 2% and also introduce a cap of £150,000 would reduce the net yield to £6 million. Although the revised proposal would reduce expenditure on States supplementation, the reduction is £9 million less than the original assumption in the indicative spending limits. There is also a small change in the cost to the States, as an employer, from the introduction of a £150,000 cap. These changes have been included in the proposed draft cash limits and draft States spending limits proposed for the 2012 Business Plan.

The current legislation requires the calculation of the States Grant to the Social Security Fund to be undertaken in respect of the current year. As the cost of supplementation is dependent on a number of factors, including the state of the economy, wage levels and the distribution of wages within the local labour market, it is very difficult to accurately forecast the total cost in advance of the year itself.

The proposed legislation introduces a new calculation for the States Grant. This allows for the additional contributions but also bases the value of the States Grant on the cost of supplementation from 2 years ago. This ensures that the cost of the States Grant will be known in advance of the year itself and will ultimately prevent the significant in year variations on States supplementation.

5.9 Update of Income Support and Benefits provision

The provisions for income support and benefits are calculated from a financial model managed by Social Security department. The model incorporates economic and employment assumptions, impacts of the transitional arrangements and trends from the latest income support and benefits figures to generate forecasts for income support and benefits. The provisions are no longer a simple uprating of existing benefits but take into account the many trends and assumptions calculated from the model.

The Social Security department cash limit, excluding the revised fiscal strategy proposals, varies only slightly from the figures included in the indicative spending limits for 2012 and 2013.

5.10 Central Reserves

The 2012 and 2013 indicative spending limits were initially amended in the 2011 Budget debate, to remove any increase in future years and maintain a level of £9 million per annum.

The Council of Ministers is proposing similar amounts for the One-Off, DEL and AME Reserves[1] for 2012. A small number of allocations to departments to address one-off pressures identified in 2012 are proposed as part of the resource allocation to remain within spending limits. An example is the proposal for funding the 2012 shortfall in grant to Jersey Heritage Trust, which by 2013 is intended to benefit from an improved and expanded Jersey lottery.

The Council of Ministers is also proposing that a proportion of the One-Off Reserve be earmarked as a Smoothing Fund to address the volatile nature of court and case costs, particularly those exceptional cases which have given rise to significant costs in recent years. The Smoothing Fund could then be called upon to supplement the level of court and case cost funding in base budgets as required. The Smoothing Fund will also seek to provide a safeguard against future costs from exceptional cases exceeding funds in the COCF.

The Council of Ministers is also aware of a number of current issues to be considered by the States in coming months where both the outcomes and the potential costs are uncertain. Specifically these include Freedom of Information, Committee of Inquiry (HCAE) and Legal Aid. In addition to these issues Ministers also recognise that additional flexibility may be required in relation to addressing the impact on pensions of the Hutton Report, the negotiation of higher education fees with the UK and the pressures in Health and Social Services relating to retaining and recruiting nurses. The impact of these issues are likely to be significant, but at this stage it is not possible to identify allocations to individual departments, so the proposal is to provide an additional allocation to the Central Reserves of £4 million in 2012. This sum is equivalent to the original proposed allocation for Central Reserves in 2012, in the 2011 Budget prior to amendment.

The principle of central reserves is to provide flexibility within spending limits to be able to manage urgent and unforeseen items without returning to the States for further expenditure allocations. Central reserves are provided as a final resort to spending pressures only after individual departments' own reserves and opportunity for reprioritisation have been thoroughly explored. Central reserves are allocated to the Treasury and Resources department with an agreed process for allocation.

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

The decision to allocate funding will therefore be by public Ministerial Decision of the Minister for Treasury and Resources, but only after the proposed consultation with Scrutiny and agreement with the Council of Ministers. Allocations are included in the six monthly budget report to the States and at the end of a year unspent balances can be returned to the Consolidated Fund.

5.11 Restructuring Provision

The purpose and management of the Restructuring Provision is described in more detail in Section 6.4. Initial funding of £6 million was provided in 2010, via P64/2010 as a stimulus to early CSR savings, providing funding for voluntary redundancies and procurement initiatives. Annual allocations have also been included in spending limits to provide invest to save funding to help deliver the £65 million CSR savings. Funding of £6 million was provided in 2011, increasing to £10 million from 2012 as the savings targets increased to 3% in 2012 and 5% in 2013.

[1] The structure and definition of the current Central Reserves are covered in the 2011 Business Plan

At this stage the corporate procurement savings project, whilst well advanced, is not yet in a position to provide detailed allocations to departments for the various contract savings being negotiated. Until that time the first call in 2012 for £3 million and in 2013 for a further £3.5 million is an offset in the Restructuring Provision against these procurement savings targets.

The Restructuring Provision may also be required as an offset to funding for the continuation of the current skills and training initiatives beyond September 2012, and for any remaining shortfall in the CSR savings in Education, Sport and Culture, deferred as a result of the approval of P72/2011. In both cases the proposals are to carry out further review to deliver savings or alternative funding to address any shortfalls.

5.12 Service transfers

Each year as part of their business plan review departments identify a number of changes to services and their delivery. This often means that the responsibility and budget for a service or part thereof needs to change from one department to another. The service transfers proposed for 2012 are summarised in Figure 5.1 and detailed in each departments' presentation within the Annex to this Business Plan.

5.13 Additional Funding Sources

Ministers are proposing that, as part of the proposition for 2012 States net revenue expenditure, a further grant of £6.1 million is required from the surplus on the Health Insurance Fund to Health and Social Services in 2012. This is the second year of interim funding, agreed in principle in P125/2010, in advance of options being considered for the future definition and funding of primary and secondary care health services. These proposals to fund various levels of Health and Social Services expenditure for 2013 onwards will be identified as part of the options for consultation arising from the Health and Social Services Strategic Review later this year.

The Council is awaiting Privy Council sanction of the Health Insurance Fund (Miscellaneous Provisions) (Jersey) Law 201- (P.125/2010) at which time the Minister for Social Security will lodge regulations for debate to propose the transfer of £6.1 million from the Health Insurance Fund for 2012.

An internal process has been established whereby the proposed grant from the Health Insurance Fund in 2011 is vouched to primary health care spending in Health and Social Services on a quarterly basis by internal audit. This is then signed off by the Treasurer of the States. This allows expenditure in 2011 to be earmarked against the proposed grant, in advance of Privy Council sanction. It is proposed that this process continue in 2012 to vouch and control the transfer of the proposed grant to the Health and Social Services department for a further year, subject to Privy Council sanction.

5.14 Capital to Revenue Transfers

A schedule including the capital to revenue transfers proposed for 2012 in line with GAAP definitions is included in the Capital Programme, Figure 8.3. One of the significant transfers from revenue to capital is the additional allocation of £1.8 million for infrastructure maintenance, agreed as part of the 2010 Business Plan, and which is now expected to primarily match capital definitions.

5.15 Depreciation

Depreciation is an important part of a department's cost base and must be taken into account in any decisions to account for the full cost of assets employed in a service. In previous business plans a proxy for depreciation in the form of internal debt servicing has been included, but from 2011, as part of the process to align budgeting with accounting under GAAP and the introduction of asset registers and asset replacement schedules initial forecasts of depreciation budgets have now been prepared by departments. In 2011 these initial forecasts were held centrally but this year the improved forecasts are now allocated to departments at Figure 5.2. These forecasts replace the previous provisions approved for Treasury and Resources and are included in individual departments' submissions to the Annex.

The revised forecasts show an increase in annual depreciation forecast which represents the effect of the recent round of property and infrastructure valuations.

The States are asked to approve these non-cash provisions, as in previous years, to allow the appropriate accounting for depreciation within the Consolidated Fund. As these allocations are non-cash they are not included in the forward financial forecasts.

5.16 Allocations for Non Ministerial States Funded Bodies

In accordance with Article 8 of the Public Finances (Jersey) Law 2005 the Council of Ministers has proposed 2012 expenditure allocations to each of the Non Ministerial States funded bodies. The proposed allocations are identical to the principles by which the Ministerial department allocations were calculated.

The Council of Ministers proposed allocations are included in Figure 5.1 and 5.2 and in Summary Table A of the report. Under the Finance Law the Council of Ministers is required to inform the States that all Non Ministerial States Funded Bodies have accepted the proposed allocations and submitted business plans accordingly.

5.17 Allocations for the States Assembly and its services

In accordance with Article 10 of the Public Finances (Jersey) Law 2005 the Council of Ministers has proposed a 2012 expenditure allocation for the States Assembly and its services to the Privileges and Procedures Committee (PPC). The Council of Ministers is required to propose to the States the expenditure allocation requested by PPC and can inform the States that this proposed allocation is broadly in line with that proposed by the Council of Ministers.

PPC proposed that the allocation includes 2% savings on all elements of the States Assembly budget except for States Members remuneration. The Council of Ministers accepted the view of PPC in terms of what savings were deliverable in 2012. The 2012 CSR savings include a saving of £92,000 arising from the decision of the States to reduce the membership of the Assembly from 53 to 51.

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

5.18 Allocations for the Overseas Aid Commission

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

The initial CSR review did not propose any change to this allocation and Ministers have confirmed this position as part of the resource allocation process for 2012.

The budget currently appears as a grant from the Chief Minister’s department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the Finance Law.

5.19 States Trading Operations

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

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

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

- Jersey Fleet Management.

The Finance Law requires that the income and expenditure accounts of these trading operations are laid before the States for approval within the draft Annual Business Plan together with any financial return required by the States. The finances of these trading operations are included in the report in Summary Table B and the details of their activities are included in the Annex to the draft Annual Business Plan.

For each trading operation the Treasurer, on behalf of the Minister for Treasury and Resources, has negotiated the financial return or other arrangements between the Consolidated Fund and the respective Trading Fund for 2012 and the arrangements for future years will be reviewed in future States business plans

Both Harbours and Airport have undertaken significant reviews as part of the CSR. These reviews have not only looked at options for reducing expenditure and maximising income but also focussed on the efficient management and operation of their assets. Jersey Airport's "safeguard" programme and the "safehaven" programme at Jersey Harbours will deliver the improvements identified for the CSR process.

5.20 Staffing

The Annual Business Planning process identifies variations in staffing and any additional posts requested outside of this process must be approved by the Minister for Treasury and Resources or Treasurer of the States. There is a current review of the staffing control mechanisms and the way in which posts are reported and controlled to ensure that this is as efficient and accurate as possible.

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

5.21 Summary

The Council of Ministers has sought to deliver proposals for 2012 expenditure within the indicative levels proposed in the 2011 Budget. This has been achieved with the exception of:

- two areas where the effect on the States financial position as a whole has remained neutral
    - revised FSR proposals for social security contribution increases to be offset by an increase in forecast tax revenues, and
    - increased income tax policy and collection resources to be offset by additional tax revenues to be earned
- a proposed increase to the allocation to central reserves to provide a contingency for a number of emerging items where the costs are likely to be significant e.g. Freedom of Information, HCAE Committee of Inquiry and changes to the funding of Legal Aid.

The Council of Ministers has also had to consider the impact of the States approval of P72/2011 as amended to defer almost £8 million of CSR savings by 2013. The Council, working with the Minister for Education, Sport and Culture has managed to mitigate the shortfall in savings of almost £3 million in 2012, but there are consequences for 2013 and beyond which are discussed at Section 6 and 7.

The Council remains committed to delivering £65 million of CSR savings as the first part of its three part plan to return to balanced budgets but this presumes the States will continue to support the savings proposals as they are identified and brought forward for implementation.

Departments will now be expected to manage within their cash limits using department reserves to address spending pressures and the flexibility of year end carry forwards to manage programmes of spend between years. The allocations to departments for revenue expenditure for 2012 must also provide for the financial implications associated with the capital and legislation programmes, which are also proposed in this Business Plan, and it is the responsibility of departments as part of the annual Business Plan review to ensure that these are provided for.

6. COMPREHENSIVE SPENDING REVIEW

6.1 Background

The Comprehensive Spending Review (CSR) is part of the three part plan which commenced in 2011 to address the structural deficit and return to balanced budgets by 2013, along with encouraging economic growth and the Fiscal Strategy Review. The CSR is about controlling public spending but it is also about introducing changes intended to extend the States planning horizons and give stability for departments to plan their services over a longer time scale.

The 2011 Business Plan identified in detail the various components and principles of the CSR but, in summary the objectives of the review have been to:

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

In addition to 3 year cash limits, the creation of central reserves to cater for in-year exceptional – and, hence, unbudgeted - spending pressures together with greater year end flexibility to provide improved certainty for departments in managing their budgets were fundamental principles that are now being put into place.

6.2 CSR Part 1 and Part 2

The CSR process started in January 2010 and progressed in two parts.

In Part 1, a minimum of £10 million of savings or user pays proposals were identified to be delivered in 2011. These proposals were worked up by departments, considered by Ministers and proposed in the 2011 Business Plan. The debate in September 2010 discussed the proposals and, although there were significant amendments, the States still approved £12 million of savings and user pays measures for departments. This £12 million was taken out of 2011 Cash Limits and departments have achieved these savings. Furthermore, the States approved £6 million additional funding last year as a Voluntary Redundancy provision which facilitated the achievement of staff related savings both in 2011 and later years. A total of 73 posts were lost due to this process.

In Part 2, a more detailed and extensive review was carried out by all departments of how to deliver a minimum of £50 million savings by 2013. This process also involved detailed external reviews of the major spending departments as well as Court and Case Costs and Terms and Conditions. The extent of the appropriate level of savings was discussed as part of the 2011 Business Plan debate and the Chief Minister committed during that debate to explore a higher level of savings and bring forward proposals alongside the 2011 Budget. At the Budget debate in December 2010, the States approved overall spending limits in 2012 and 2013 which included a minimum of £65 million of savings proposals by 2013. When the 2011 Budget was lodged, the 2012 and 2013 savings and user pays proposals were also made public. The original make up of the savings targets was as follows:

Figure 6.1: Original CSR Savings Targets

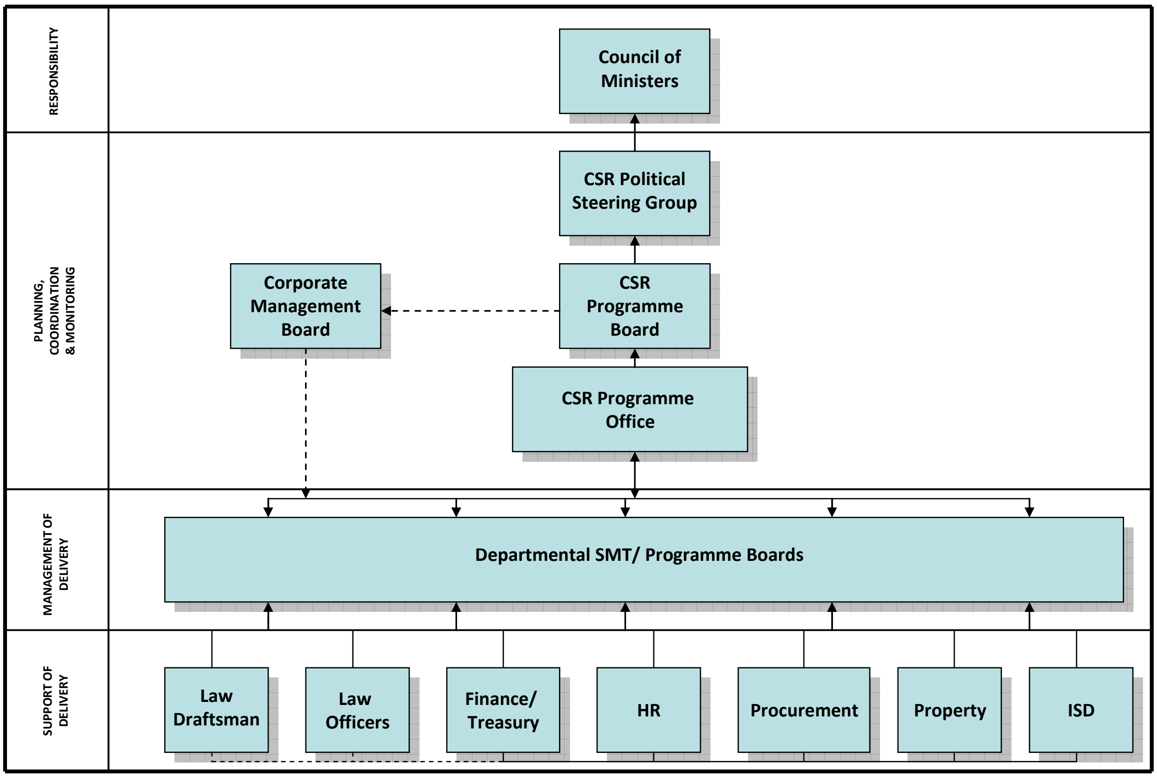
	£m
2011 Department savings	12.0
2012/13 Department savings	30.4
2011/12/13 User Pays	2.2
2012/13 Corporate Savings	6.5
2012/13 Staff Terms and Conditions	14.0
Total Savings by 2013	**65.1**

The initial proposals for 2012 and 2013 have now been further developed and progressed by departments and are incorporated as part of the Business Plan Annex and summarised in Section 6.5.

6.3 Governance of the CSR process

The Council of Ministers insisted that a robust governance structure for the CSR process was put in place to ensure all proposals were tracked and monitored so they could be sure of the progress being made. The structure implemented is shown in the diagram below:

Figure 6.2 Current CSR Governance Structure



The small central CSR Delivery Team assists and facilitates departments in developing their proposals and also tracks and monitors each of the over 300 separate proposals – some quite small and other projects in their own right. With the departments, a RAG (Red-Amber-Green) rating is agreed for each separate proposal based on a risk assessment including impact on staff, resources required, timeframe and achievability. These are reassessed regularly and reported to both the executive Programme Board and the Political Steering Group. The Council of Ministers has also received monitoring reports throughout 2011.

6.4 Restructuring Provision

The 2011 Business Plan included a £6 million provision to fund Restructuring Costs. During the CSR considerations throughout 2010, it became very clear that the scope of changes required would necessitate investment. Furthermore, the independent reviewers who provided valuable oversight and challenge to the CSR process last year, emphasised the need for funding of this nature to be identified.

Of the original 2011 budget, £5 million has now been approved with a further provision of £10 million in each of the next two years. Provisional indications show that a further £9.1 million and £5.1 million will be required by departments in 2012 and 2013 respectively in support the CSR process.

Figure 6.3 Approved and Indicative Allocations for Restructuring Provision

	2011 Approved £'000	2012 Indicative £'000	2013 Indicative £'000
Redundancy/Buy Out Payments	659	1,750	1,450
Funds in Support of Change	3,599	3,544	1,806
Investment Related to specific CSR savings	762	3,851	1,875
TOTAL	**5,020**	**9,145**	**5,131**

Although only half the provision has currently been identified in indicative bids, it is inevitable that, as 2013 proposals are developed, further funding will be required. Furthermore, the tough target for savings from the Terms and Conditions project may need additional financial support

6.5 2012 and 2013 Proposals

Proposals totalling a further £53 million in 2012 and 2013 have been developed since the end of last year but the recent States debate on P72 as amended (Grant Aided Schools: Grants) has now effectively reduced the total to £45 million. As the Council of Ministers' comment to P72 stated, the impact of the proposition was to defer £7.9 million of the savings proposals, which includes all the proposals relating to reducing the subsidy to the 5 main fee paying schools (Victoria College, Jersey College for Girls, De La Salle, Beaulieu and FCJ) as well as maintaining funding for non fee paying schools. Additional savings have been identified totalling £850,000 which reduces the overall CSR shortfall to £7.051 million in 2013.

In relation to the overall funding position, the Council of Ministers, in conjunction with the Minister for Education, Sport and Culture, has sought to further mitigate this position with specific proposals with the result that, in 2012, the indicative spending limits have been achieved. This has been possible, partly due due to negotiation by the Education, Sport and Culture department with Universities UK in relation to fees for 2012, and also to updated assumptions on student numbers which has enabled £1.5 million of higher education growth funding from 2012 to be offset against the shortfall from the deferred savings.

This is only a short-term funding solution and the Council of Ministers remains committed to delivering the original £65 million CSR savings target. The Council will continue to work with the Education, Sport and Culture department to review the deferred savings, for fee paying and non fee paying schools, and examine all other possibilities, before bringing forward revised proposals in due course. At this stage, no increase in the overall spending limits is proposed, but the consequences of any shortfall in the deferred savings would need to be addressed in future proposals.

A summary of departmental and corporate savings together with user pays proposals is set out in Figure 6.4.

Figure 6.4 Summary of CSR Savings and User Pays proposals (As Amended)

Departments	Savings and User Pays Proposals			
	2011 £'000	**2012 £'000**	**2013 £'000**	**TOTAL £'000**
Chief Minister	140	366	785	**1,291**
Economic Development	346	707	964	**2,017**
Education, Sport and Culture	1,632	1,456	948	**4,036**
Environment	437	82	795	**1,314**
Health and Social Services	3,772	2,016	2,045	**7,833**
Home Affairs	1,014	1,064	1,668	**3,746**
Housing	550	328	679	**1,557**
Social Security	1,863	1,500	2,500	**5,863**
Transport and Technical Services	1,046	1,102	2,133	**4,281**
Treasury and Resources	1,186	803	1,450	**3,439**
Non Ministerial States Funded Bodies	427	891	404	**1,722**
States Assembly and its Services	171	103	130	**404**
Corporate Initiatives				
- Procurement	-	3,000	3,500	**6,500**
- Terms and Conditions	-	7,000	7,000	**14,000**
Sub Total	**12,584**	**20,418**	**25,001**	**58,003**
Savings from Education, Sport and Culture to be identified and, if any balance, found from Restructuring Provision			7,051	**7,051**
TOTAL	**12,584**	**20,418**	**32,052**	**65,054**

Note: 2011 savings include 2012 savings delivered in 2011 mostly through the VR Scheme. Figures also amended to reflect transfer of Human Resources and Information Services from Treasury and Resources to Chief Ministers Department.

The 2011 savings target of £12.1 million has been exceeded by nearly £500,000 due to 2012 proposals being brought forward into 2011. These relate mostly to posts lost through the voluntary redundancy scheme and broadly compensates for the saving in ESC relating to fee paying schools not being achieved which equated to £761,000 in 2011.

Savings and User Pays proposals

The individual savings and user pays proposals for 2012 are listed in Appendix A of the Business Plan and further detail is provided in the Business Plan Annex. Compared to the proposals published last year, this shows an increase of £800,000 in user pays schemes. Departments were initially requested to come forward with savings which reduced their expenditure budget amounting to the targets set. User pays charges would then be considered as well but it was acknowledged and recognised that these charges would affect the public or businesses at the same time as the Fiscal Strategy was also being implemented. The Council of Ministers wanted to ensure that the impact on the public and the economy was not considered excessive in this regard given that the savings target had been increased to provide what was considered a more appropriate balance between spending cuts and taxation.

Over 80 posts have been saved in 2011 due mainly to the VR scheme. In 2012, only 18 posts have been identified compared to over 60 included in the original 2012 proposals when they were published last year. The total post losses over the three year period is now estimated at 136, over 100 posts less than originally anticipated and this is mostly due to the fact that there are now no proposals relating to the non-fee paying education sector following the States approval of P72 as amended. In addition, departments have been reviewing how to deliver their savings and services in a different, reconfigured way and this has resulted in a reduced impact on job losses.

The loss of posts does not necessarily translate into redundancies as this is the absolute last resort. Every effort is made to manage the job loss through retirements, not replacing when a post falls vacant, redeployment and re-skilling before redundancy is considered.

Corporate Savings – Terms and Conditions

With over 50% of States spending on salaries and benefits, it was recognised that it would be unrealistic to assume that savings could be achieved without reducing staffing levels or impacting on the remuneration of employees. The independent review of States staff terms and conditions identified potential savings, including pensions, of between £32 million and £42 million, but savings of this level could not be achieved in the short term and could be damaging to the economy. The Council of Ministers proposed £14 million of savings as an achievable target by 2013, split evenly between 2012 and 2013.

Work is currently progressing in support of the 5 year strategy 2011-2015 as set out at the beginning of 2011. The first priority is a combined set of terms and conditions, plus revised pay structure, for manual employees and civil servants which will encompass the following:

- A single pay spine with fewer grades
- The consolidation or removal of allowances leaving only those critical for the business
- A standard working week subject to costing
- Broader job descriptions to aid flexibility and the implementation of an extended Hay evaluation system for manual jobs
- Pay progression
- A harmonised set of policies including: Overtime, Stand by and Call out, Disciplinary, Grievance, Maternity, Sick Pay, etc
- A single bargaining unit for Manual Workers, Civil Servants and possibly those who are linked to this group e.g. Teaching Assistants

In addition, work is underway on a new pay and career structure for Prison Officers which could be a model for other uniform groups. There is also an objective to move to a reduced number of bargaining groups in 2012 and the pension scheme is currently being reviewed by the actuary to ensure its sustainability into the future.

Although a pay freeze would achieve the 2012 savings target of £7 million, it is hoped that negotiations would be successful on some of the proposals outlined above such that a lower than inflation pay award might also be offered. Formal discussions with Civil Servants and Manual Workers on the new single package for pay, terms and conditions will commence this autumn. The savings target required in 2012 will be achieved in the Business Plan by not allocating £7 million of the central pay provision. Once negotiations have been completed and the final settlement known, budget transfers may be required to reflect the actual outcome.

Corporate Procurement Project

Savings targets of £3 million and £3.5 million in 2012 and 2013 respectively were agreed as part of the CSR process. Work is progressing to identify the separate workstreams which will deliver these targets together with the departmental budgets which will be affected by these proposals. Ahead of this, the Restructuring Provision will be reduced by those corporate procurement savings which cannot at this stage be allocated directly to departments. As these savings are delivered, department budgets will be transferred back to the Restructuring Provision to allow this to be utilised for supporting the delivery of CSR savings.

6.6 Growth

The CSR Growth allocations included in the 2011 Budget have been reviewed by departments and the Council of Ministers as part of the 2012 Resource Allocation process. The majority remain and are summarised below for information with full details in Appendix A:

Figure 6.5 Summary of CSR Growth Proposals (As Amended)

Departments	2012 Growth Proposals £'000	2013 Growth Proposals £'000	2012/13 Growth Proposals £'000
Chief Minister	374	75	449
Education, Sport and Culture	3,652	150	3,802
Home Affairs	1,304	186	1,490
Treasury	648	(400)	248
Departmental Total:	**5,978**	**11**	**5,989**

Note: Growth of 2% p.a. for Health and 5% p.a. for Overseas Aid was agreed in previous Business Plans

Note: Revised forecast assumptions for Higher Education have allowed the contingency originally provided in CSR growth for 2012 shown above to be removed. The Central Reserves will provide a safety net for significant variations in these assumptions.

Note: Figures also amended to reflect transfer of Human Resources and Information Services from Treasury and Resources to Chief Ministers Department.

7. STATES EXPENDITURE TARGETS 2013 to 2014

In December 2010 the States debated and approved indicative States spending limits for both net revenue and capital spending limits for 2013 as part of the 2011 Budget process.

The 2013 spending limits reflect the further stages of the CSR process and the savings and user pays proposals amounting to £32 million are included in the Business Plan Annex. At this stage, the department allocations for the corporate procurement and terms and conditions savings have not been determined and a new Council of Ministers will be responsible for proposing 2013 and future spending limits in due course.

The Council of Ministers is therefore proposing indicative total States net expenditure limits for 2013 and 2014 as planning targets which are consistent with current policies and decisions.

7.1 Proposed Total States Net Expenditure Targets for 2013

The total net expenditure targets proposed for 2013 are based on the assumptions used at the time of the 2011 Budget, updated for current information. The proposals include:

- a revision of the pay, price and benefit provisions based on latest economic trends, models and assumptions. In respect of the pay provision, there is also a requirement to deliver the corporate terms and conditions savings for 2013;
- the forecasts also provide for the effect of the new “certainty” calculation for the States grant to the Social Security Fund from 2012;
- an assumption that an alternative to the £6.1 million contribution to Health and Social Services from the Health insurance Fund is agreed as part of the proposals from Health’s Strategic Review from 2013;
- CSR targets for savings in net revenue expenditure of £65 million, but with almost £8 million deferred as determined by the States approval of P72/2011 as amended. The Council will continue to work with the Education, Sport and Culture department to review the deferred savings, for fee paying and non fee paying schools, and examine all other possibilities, before bringing forward revised proposals in due course;
- provision for central reserves and restructuring costs;
- provision for a growth allocation in 2013 of £6 million, consistent with the Medium Term Financial Planning framework proposals in P97/2011
- provision for a growth in Health and Social Services and Overseas Aid in accordance with current policies and priorities;
- an assumption that resource allocation will address other growth proposals and identify at least equivalent savings targets from 2014 onwards, consistent with current principles
- adjustments to the in principle capital programme within the overall spending limit from the 2011 Budget, as outlined at Figure 9.2, including:
    - revenue to capital adjustments;
    - reprioritisation of Health projects,
    - resource allocation to achieve an additional allocation to facilitate the Police HQ relocation and to provide additional funding for vehicle replacements, and
    - a review of the Social Housing Programme such that it can be accommodated within the available funding sources.

7.2 Proposed Total States Net Expenditure Targets for 2014

The 2014 States spending limits were not part of the proposals from the 2011 Budget. This is the first time that proposals for a 2014 States spending limit have been proposed. 2014 will be the second year of the three-year term of the new Council of Ministers to be elected in November. To provide a prudent planning target, consistent with current principles and policies, the Council of Ministers is proposing a 2014 overall States spending limit.

The proposals for 2014 include:

- a revision of the pay, price and benefit provisions based on latest economic trends, models and assumptions for 2014;
- the forecasts also provide for the effect of the new “certainty” calculation for the States grant to the Social Security Fund from 2012;
- an assumption that an alternative to the £6.1 million contribution to Health and Social Services from the Health insurance Fund is agreed as part of the proposals from Health’s Strategic Review from 2013;
- the specific provision for additional CSR savings for 2014 will be a consideration for the new Council, and will need to allow for any further growth priorities or additional capital investment to be funded.
- provision for central reserves and restructuring costs;
- provision for an additional growth allocation in 2014 of £10 million, consistent with the Medium Term Financial Planning framework proposals in P97/2011
- provision for growth in Health and Social Services and Overseas Aid in accordance with current policies and priorities;
- an in principle capital programme within the scale of the current spending limits but recognising that additional investment in States infrastructure and assets are likely and will be identified as part of work on long-term capital planning see Section 8.10

7.3 Developing Proposals for 2013 and 2014

As outlined at Section 3.5, the Minister for Treasury and Resources is proposing a new Medium Term Financial Planning framework. If approved, these proposals will change the way that future States spending limits are developed and agreed.

The proposals are for a Medium Term Financial Plan (MTFP) to be produced by the Council of Ministers, following on from the States Strategic Plan and will propose:

- States spending limits to be set for the length of a Council of Ministers’ term of office
- Minimum department spending limits will be set for the same time period
- There will be central allocations created for growth and contingency spend

The proposals for 2013 onwards will include the remaining components of the current CSR process to deliver savings of £65 million.

Essentially, the new process will focus on longer term financial planning both corporately and requiring departments to work within initial 3 year department cash limits. The first MTFP will therefore have as a base the indicative spending limits from this business plan for 2013 and 2014.

The new MTFP will include both revenue and capital allocations for the term of office and will be developed alongside the Strategic Plan. The current proposals are for the MTFP for 2013-2015 to be lodged for debate by the end of October 2012, followed by a Budget for 2013 to be debated by the end of December 2012.

7.4 Longer–term planning

Work is continuing to address a number of significant spending pressures identified in the Strategic Plan. The objective is to identify new sources of funding or alternative means of service provision to address these spending pressures.

An update on the progress of these major initiatives is provided at Section 8 of this report. This work is being expanded to consider all future capital requirements and the implications in terms of future funding. This work will be included in the MTFP proposals next year.

8. DEVELOPING LONG-TERM RESOURCE INITIATIVES

8.1 Introduction

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

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

A new strategic plan will be developed in 2012 and is likely to expand the list to include prioritisation of social housing provision and maintenance of transport links to Jersey. These will be considered by the new Council of Ministers in January 2012.

This section provides an update on initiatives where there has been a change in priorities or where a significant project has been initiated.

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

Changes in the demographic profile of Jersey will result in an increase in the number of older residents and a reduction in those of working age. This has key implications for the financial sustainability of pensions and the cost of delivering services to the elderly in the future – especially long-term care. It also places greater financial burdens on a diminishing number of people of working age.

The ageing population presents challenges, but also opportunities. Our continuing economic success depends upon making the most of the skills and experience of older workers. With fewer people of working age, maximising the participation and productivity of all elements of the labour force will be vital to deliver our continued economic prosperity.

The States has already agreed that, in future, people will receive their old age pension later, with changes in the pension age linked to improvements in post-pension age longevity.

This will require a shift in culture and attitudes towards the continued employment of the more experienced members of our workforce. It also requires investment in training to facilitate life-long learning and career changes at different stages of people's lives as well as adjustments to the Island's benefit system – our financial safety net – to ensure that those unable to continue working for health reasons continue to be supported with dignity.

Alongside measures to encourage and facilitate the employment of older workers, there will need to be statutory changes to promote flexible working and to prevent discrimination on the grounds of age.

These initiatives will form the back-bone of the next Strategic Plan, which should also include measures to encourage people to plan for their later years. This might include, for example, implementing a stepped reduction in their working hours and making greater provision for their retirement.

A scheme to provide for the current and future costs of long-term care is scheduled for debate by the States in July 2011 and the States has recently approved plans to increase the pension age in line with increases in post-pension age longevity.

Specific actions for 2012 will include:

- developing further the proposals for a statutory long-term care funding scheme, with a target implementation date of 2013;
- bringing forward the detailed legislation increasing the pension age, communicating widely the timeframe for the phased increases, and researching a number of initiatives that will encourage people to work longer; and
- using the latest review of the Social Security Fund by the Government Actuary's Department to consider proposals to safeguard the future of the Fund by examining the necessity to increase contribution rates over the coming five to ten years.

8.3 Implement Health and Social Services Strategic Roadmap to improve the health and social wellbeing of the population (Strategic Priority 11) – Health Funding

Jersey's Health and Social services strategy for the future has been spelt out in the recently released Green paper - 'Caring for each other, caring for ourselves'. This paper, and the much more detailed Technical Document that sits behind it, have been produced as a result of a very detailed review recently completed with support from KPMG. This identified that Jersey, in common with jurisdictions and countries across the world, faces substantial challenges in ensuring the availability of high quality health and social care for its citizens within a financially affordable sum.

Demographic change is dramatically increasing demand on all health and social care systems. Technological advances are allowing efficiency and quality improvements but also creating major new costs. Societal change is altering the relationship between services and service users, professionals and the public and between the state and individuals. The service ethos is shifting from treatment to prevention and the promotion of independence. Health, social care and third sector teams need to work closely with one another and with patients, service users and carers in the provision of services and in the management of demand; in the promotion of improved health and wellbeing; in ensuring equality of access to services and that people are cared for in the most appropriate place, living as productive and independent lives as possible.

Providing health and social care will inevitably cost more, as additional doctors, nurses and other care staff will be required to look after a growing number of older people. We will need to provide more drugs and treatments and will require bigger and different health and social care facilities to deliver these services. These challenges are substantial today and without immediate action they will become more acute in future years; therefore 'do nothing' is not an option if the people of Jersey are to receive care in the future that is safe, sustainable and affordable.

Jersey is experiencing many of the same challenges as all other health and social care systems internationally. But it also has some unique challenges, for example in the atypical mix of its medical workforce, the low intensity support provided in the community and the need for both a range of health and social care services to support operational viability, and bespoke care packages, which may be more challenging to provide cost effectively on island due to low volumes. All systems are reforming and changing to meet the challenges of demand, cost and quality. And all systems are spending increasing amounts year on year, both in real terms and as a proportion of GDP/GNI, on health and social care.

Changes are being planned and introduced already to address some of the quality and funding challenges, for example the Primary Care Development Plan where emphasis will be placed upon the improved management of chronic diseases; a Long Term Care fund that will seek to address some of the issues in providing appropriate support for the increasing numbers of older people; the children and young peoples framework plan and a number of productivity changes in hospital. However, the scale of challenges which Jersey faces in the next 10 years requires additional strategic service development. If the States acts now it can:

- limit the rate of increase of spend (although realistically expenditure will continue to grow in real terms due to demographic pressure)

- begin to reduce the levels of dependency of (mainly older) people such that they are supported to live independently, receiving effective care in lower cost settings
- mitigate the effect of increasing demand because of demographic changes, and at least postpone the date at which some capacity constraints are reached, particularly for residential and hospital based care

The 'enablers' for strategic change must be fully considered in order for benefits to be realised – including IT support and management capacity to implement change. It is clear that these changes, along with the opportunities identified in the Green paper, will be required in order for future services in Jersey to be safe, sustainable and affordable.

8.4 Maintain sewerage infrastructure (Strategic Priority 10)

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

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

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

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

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

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

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

1.	Review with cross departmental/ stakeholder team and update Liquid Waste Strategy	Current – September 2011
2.	Work with Scrutiny on review	Ongoing
3.	Funding model/organisation development	Current – December 2011
4.	Base costings refinement	Ongoing
5.	Consult with public and finalise options	March 2012 – September 2012
6.	Lodge and debate strategy	November 2012-March 2013

8.5 Disposal of inert waste (Strategic Priority 10)

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

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

- quarry restoration
- identifying and developing further land reclamation sites

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

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

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

The preliminary programme for this work is as follows:

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

8.6 Maintain States Property (Strategic Priority 10)

Work continues on delivering the strategic plan for States property and associated infrastructure assets. A new initiative, the States of Jersey Development Company (SoJDC) has been formed to maximise the management and return from States property assets.

Jersey Property Holdings continue to be responsible for the ongoing management of States property and they are pursuing the strategy of reducing the estate in size to make it more financially sustainable from an investment and maintenance perspective. Current initiatives in this area include a consolidation of central police service staff and a large scale review of all office accommodation occupied by States of Jersey personnel. Further information regarding the ongoing workstreams and timescales are contained in Section 10, the “Property Plan 2012”.

8.7 Address the future requirements for Social Housing

Section 8.2 above has already set out some of the challenges created by our ageing population. These demographic changes and the projected associated housing needs show a particular need to realign the social housing stock to ensure that significantly more of it is suitable for life long occupation. Such a change would ensure that with support and/or adaptation of their homes more people could remain living independently for longer, thus avoiding costly residential care costs.

That is though far from being the complete picture and it is note worthy that the lack of new social housing stock since 2008 together with pressures created by the economic climate has seen demand for social rented housing increase significantly across all unit sizes.

Assessing future demand for social housing is a process which is very sensitive to economic conditions and it is a fact that applications accepted onto the States rental waiting lists have increased in 2009 and 2010 with projections for 2011, based on activity in the first half of the year, suggesting that applications will be up again. Should this trend continue in the medium to long term then new applications will continue to exceed the level of turnover in the stock very significantly. Responding to this challenge will require significant growth in the social rented sector. Much of the evidence for this growth and the policies designed to deliver it have already been published within the new Island Plan which proposes to deliver up to 1,000 'affordable homes' from a mixture of rezoned and windfall sites over the next 10 years. Whilst it is proposed that a significant proportion of these homes will come from sites owned by the States, the majority will be reliant on developers building homes for sale on the open market. The uncertain housing market and what can be protracted planning and development processes may mean that significant numbers of homes will not be delivered within the next 5 years.

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

1.	The development of a sustainable financial framework for social housing provision within the Housing Transformation Programme. This is to include a new sustainable sector wide rent policy and a robust financial model for the current Housing Department which provides for full running costs and a means of funding borrowing for new development	2012 - 2013
2.	Delivery of the backlog maintenance programme for the States owned social rented stock ensuring that so far as is practicable existing homes meet the decent homes standard and are suitable for life long occupation	2012 – 2020
3.	That the use of existing States owned social rented housing sites is intensified where appropriate to provide more life long social rented homes	2012 – 2020
4.	That existing States owned sites not in social housing use are evaluated for development as social housing particularly to address the supply shortfalls likely to exist until the Island Plan policies begin to deliver significant numbers of new homes	2012 – 2017

8.8 Maintain off-island transportation links

It is absolutely vital that Jersey maintains a comprehensive network of external transport links for the benefit of residents, businesses and visitors. Regular, reliable, efficient and sustainable air and sea services are essential and we must also develop new routes and extend capacity where possible to existing routes.

Jersey Harbours and Jersey Airport represent the Island's strategic transport assets. We will continue to invest in both the infrastructure of our ports and in the development of new routes.

8.9 Coordination of service provision with the Third Sector

There is a well developed network of supporting agencies for our most vulnerable citizens in the Island. It is important, however, that there is a coordinated approach to provision of services that can compliment those that are directly provided by the States of Jersey to ensure that there is no gap or duplication. It is to this end that the Treasury Minister has agreed to fund a coordination role for two years to help all stakeholders understand the requirements of existing services in the future and areas which will need a more coherent approach. It will also help individuals and interested parties with more information and guidance. This is a vital part of our move to changing the way health and social services are provided in the future.

8.10 New Developments

A key initiative for the future is to lengthen the planning horizons for the States of Jersey, and the Medium Term Financial Planning framework is the first building block in achieving a longer term vision for the Island. In addition to this, several other important initiatives have been started that will help inform the way our Island will be managed and maintained in the future.

One key planning initiative is a view of capital requirements over a twenty year period. This long term capital plan will be used to show how all departmental priorities interlink and when new projects will be completed. Related to this are some of the major departmental initiatives that are attempting to capture how parts of the island will operate in the future. Work has started on Housing Transformation, Sustainable Transportation and on the Health Service roadmap. In addition, work has begun on prioritising investment in our off-island transportation links and on looking at how to sustain our on-island infrastructure so that it is fit for purpose.

9. CAPITAL PROGRAMME 2012 to 2014

Introduction

The States, in December 2010, approved an 'in principle' capital programme for the period 2012-2013. In January 2011, departments were asked to review the projects approved in principle for the 2012-2013 programme and table any bids that were either unavoidable funding pressures or higher priority than the projects included in the approved programme.

Following review and assessment the Council of Ministers is proposing the Capital Programme for 2012 and 'in principle' programme for 2013-2014.

To comply with the Public Finances (Jersey) Law 2005, the States is asked to approve the 2012 programme and approve 'in principle' the proposed funding allocations for the period 2013 - 2014.

9.1 2012-2014 Proposed Programme

As a result of a process of review and assessment of departments' proposals the following variations to the in principle programme in the 2011 Budget are proposed. These amendments can be seen in Figures 9.1 and 9.2.

Figure 9.1 Proposed 2012 Capital Programme (As Amended)

Description	2012 Capital Programme - from 2011 Budget	2012 Business Plan review	Revised 2012 Capital Programme
	£'000	£'000	£'000
Replacement Assets	2,506	(450)	2,056
Infrastructure Assets	6,956	0	6,956
Infrastructure Assets - Revenue to Capital Transfer	-	1,800	1,800
Vehicle Purchases	-	1,000	1,000
ICU - Infection Control	1,537	963	2,500
Outpatient Facilities - Infection Control and Capacity	1,922	(1,922)	-
Renal Dialysis - Infection Control and Capacity	844	(844)	-
Maternity Theatre SCBU - Patient Safety, Privacy & Dignity	1,494	-	1,494
Upgrade of Main Theatres - Infection Control and Reliability	1,429	(377)	1,052
Clinique Pinel Refurbishment	-	2,868	2,868
Police Station Relocation - Tranche 4	2,000	-	2,000
Upgrade Microsoft Desktop Technology	752	0	752
Web Development	170	(70)	100
Tax Transformation Programme & IT systems	-	600	600
Refurbishment Clinical Waste Incinerator	-	-	-
Sewage Treatment Works - Secondary Treatment Upgrade	-	-	-
Phillips Street Shaft	-	3,600	3,600
Social Housing Programme - funded from Other Sources	10,804	-	10,804
Total Proposed Capital Allocation	**30,414**	**7,168**	**37,582**
Other Funding Sources			
JPH Asset Disposals Receipts	(5,500)	-	(5,500)
Earmarked Social Housing Capital Receipts	(4,989)	-	(4,989)
Other Earmarked Social Housing Funding	(5,815)	-	(5,815)
Additional Consolidated Fund applied to Clinique Pinel *		(1,768)	(1,768)
Additional Consolidated Fund applied to Phillips Street Shaft *	-	(3,600)	(3,600)
Net Allocation	**14,110**	**1,800**	**15,910**

* Additional funding available from funds returned to the Consolidated Fund from unused Fiscal Stimulus and Pandemic Flu funding.

Note: Initial works of £500k at St Martin's School will begin in 2012 as agreed in response to the Amendment from Senator Le Gresley to the 2011 Budget and will be funded initially from the Central Planning Vote in 2012 and repaid from the proposed allocation for the main scheme in 2013.

9.2 Proposed amendments from previously agreed Capital Programme

Figure 9.2 Proposed "in principle" 2013-2014 Capital Programme

Description	2013 Capital Programme - Approved in 2011 Budget	2012 Business Plan Review	Proposed "in principle" 2013 Capital Programme	Proposed "in principle" 2014 Capital Programme
	£'000	£'000	£'000	£'000
Replacement Assets	1,621	22	1,643	2,423
Infrastructure Assets	6,956	-	6,956	6,956
Infrastructure Assets - Revenue to Capital Transfer	-	1,800	1,800	1,800
Vehicle Purchases	-	1,000	1,000	1,500
FB Fields Running Track Replacement	535	(535)	-	535
Les Quennevais Artificial Pitch Replacement	613	(613)	-	613
St Martin's School Replacement	7,732	-	7,732	-
Autism Support Unit, Haute Vallee School	-	-	-	1,066
Police Station Relocation - Tranche 4	-	1,000	1,000	1,000
Upgrade of Main Theatres - Infection Control and Reliability	2,274	(174)	2,100	1,837
The Limes refurbishment	-	700	700	-
Refurbishment Clinical Waste Incinerator	1,000	(300)	700	300
Sewage Treatment Works - Secondary Treatment Upgrade			-	3,100
Web Development	200	(100)	100	170
Tax Transformation Programme & IT systems	-	-	-	500
ERP - Upgrade / Replacement	1,000	(1,000)	-	-
Upgrade Microsoft Desktop Technology	663	-	663	-
Social Housing Programme - funded from Other Sources	14,055	-	14,055	13,702
Total Proposed Capital Allocation	**36,649**	**1,800**	**38,449**	**35,502**
Other Funding Sources				
JPH Asset Disposals Receipts	(3,300)	-	(3,300)	-
Earmarked Social Housing Capital Receipts	(4,307)	-	(4,307)	(3,773)
Other Earmarked Social Housing Funding	(9,748)		(9,748)	(9,929)
Net Allocation	**19,294**	**1,800**	**21,094**	**21,800**

Note: The Social Housing Programme 2012-2014 is cash neutral to the Consolidated Fund, as the Programme is funded from the capital receipts from the sale of Social Housing units (see Section 9.3 and the Business Plan Annex).

The funding allocation for the capital programme has been adjusted since the States approved the 2011 Budget, as listed in Figures 9.1 and 9.2. An explanation of these amendments is listed in below:

Amendments that effect both 2012 and 2013:

- Replacement Assets: As part of the 2011 Business Plan and Budget processes, departments identified the highest priority replacement assets. Funding remains for all of the high priority replacement assets with some timing differences.
- Infrastructure Assets – Revenue to Capital Transfer: The 2010 Business Plan proposed 2012 growth of £1.8 million revenue spend on infrastructure assets. GAAP defines the nature of these works as being capital, therefore in order to be compliant with GAAP there will be a budget transfer from revenue to capital of £1.8 million. Total capital spend on infrastructure assets will now be £8.8 million annually from 2012.

- Vehicle Purchases: A key assumption of the 2011 Budget process was that from 2012 all vehicles would be purchased by Jersey Fleet Management (JFM) and leased to departments. The 2011 Budget assumed that the JFM Trading Fund would be able to purchase these vehicles, however the Fund requires an injection of capital to ensure the initial purchase of these additional vehicles. With funding in place, a review of vehicle purchase and lease will take place to ensure this is the optimum solution.
- St Martin's School Replacement: The Treasury and Resources Minister had previously committed that St Martin's School replacement would be brought forward. Initial works in 2012 of £500,000 will be funded from the Central Planning Vote and repaid from the main scheme allocation proposed in 2013.
- Web Development: - Review of the project has indicated a reduced spend in 2012 and 2013, the sum of which will be deferred to 2014.

Amendments that effect 2012 only:

- Infection Control Unit (ICU) – The scope and total costs of the project remain unchanged, however the funding required from the Capital Programme as proposed in the 2011 Budget has increased from £1,537,000 to £2,500,000. The 2011 Budget assumed that £963,000 would be funded by a one off injection of money from a Special Fund administered by Health and Social Services (H&SS), however legal advice has indicated that the funds cannot be used for this project. These funds can however be utilised for The Limes refurbishment project (see below).
- Outpatient Facilities - Infection Control and Capacity, removed from the 2012 allocation, as the project will now be funded by a transfer from previous allocations.
- Renal Dialysis - Infection Control and Capacity, removed from the 2012 allocation, as the project will now be funded by a transfer from previous allocations.
- Upgrade of Main Theatres - Infection Control and Reliability: Review of the project has indicated a revised profile of spend. A portion of both 2012 and 2013 allocation will be deferred with the spend taking place in 2014.
- Clinique Pinel Refurbishment – H&SS have reviewed operational risks and have added this project to the programme. Clinique Pinel is a ward at St Saviours Hospital that provides assessment, treatment and respite for people suffering from mental health problems.
- Tax Transformation and IT systems – Following a review of system priorities, funding of £600,000 is recommended in 2012 for a change that will help to deliver CSR savings.
- Phillip's Street Shaft – This scheme is the final part of the St Helier Surface Water Link and Cavern project to provide an overflow connection for the Bath Street/Beresford Street area, thus reducing the risk of sewage flooding in the central areas of St Helier during times of heavy rainfall. The flash floods in Beresford Street and the surrounding areas (August 2010), and the opportunity to sink a shaft on the Ann Court site and connect to the Cavern before the Ann Court site is developed have altered the prioritisation of this project. The funding of this one-off project will be met from funding returned to the Consolidated Fund.
- P123/2011 Amd 10 – Agreed additional funding of £1,768,000 for Clinique Pinel, using monies returned to the Consolidated Fund from unused Pandemic Flu allocation.

Amendments that effect 2013 only:

- The Limes: H&SS have prioritised spend and added the refurbishment of this nursing care home to the Capital Programme. H&SS are utilising a one off injection of monies from a Special Fund administered by H&SS to part fund this project (see ICU above).
- FB Fields Running Track Replacement – To replace the running track surface and upgrade field facilities to meet UK Athletics full certification. This project will now take place in 2014, as it is required for the 2015 Island Games.
- Les Quennevais Pitch Replacement – To resurface the artificial playing area at Les Quennevais. This project has been delayed to 2014.
- Police Station relocation – The project team reviewed the relocation options and have submitted a revised plan which totals £22 million (all phases). The allocated sum,(including 2012) is £20 million, and therefore additional funding of £1 million in both 2013 and 2014 is required to fund the revised plan.

- Refurbishment of the Clinical Waste Incinerator: £0.3 million of the £1.0 million budget has been deferred to 2014.
- Enterprise Resource Planning (ERP) system – £3.3 million in phasing has been removed from the future Capital Programme, previously held for the JD Edwards upgrade as this project was assessed this as a lower priority than other projects within the programme.

As a result of the above amendments, the Council of Ministers proposes the 2012 and 2013-2014 'in principle' Capital Programme as shown in Figures 9.1 and 9.2 and shown in Summary Table C

9.3 Capital Programme for States Trading Operations 2012-2014

Article 22 (1) (a) of the Public Finances (Transitional Provisions) (No. 2) (Jersey) Regulations requires capital expenditure proposals of designated States Trading Operations to be approved by the States as part of an annual Business Plan.

For 2012-2014 States Trading Operations comprise Jersey Harbours and Jersey Airport as part of the Economic Development department and Jersey Car Parking and Jersey Fleet Management in the Transport and Technical Services department.

A summary of the capital expenditure proposals for the States Trading Operations for 2012 is shown at Summary Table D and further details including an "in principle programme for 2013 and 2014 is included in the Business Plan Annex.

9.4 Housing Social Works programme 2012-2014

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

The full extent of the Housing Social Works programme is dependant upon the achievement of the required level of capital receipts, an anticipated £38 million over the next three years and should these disposals not occur then the programme would need to be amended accordingly or other sources of funding identified.

The Housing and Treasury and Resources Departments are also exploring options to fund the building of new social housing properties from borrowings, with repayment through additional rental income over a twenty-five year period. Further details of the individual housing schemes are provided in the Annex to the draft Annual Business Plan 2012 within the Capital Programme section.

The downturn in the housing market has had a negative effect on both the number of properties sold and the value that is obtained for each property, therefore reducing capital receipts available to fund the Housing Programme. Whilst this has been partly replaced by £8.1 million of Fiscal Stimulus funding further action for urgent schemes has necessitated other funding proposals. The Pomme D'Or Estate scheme will receive £3.2 million in funding as agreed by the Treasury and Resources Minister as a result of the Report and Proposition P177/2010 from Deputy Green.

10. PROPERTY PLAN 2012

The primary focus of activity for Jersey Property Holdings in 2012 is to progress a phased programme of rationalisation and consolidation of the States office portfolio, in order to reduce the cost to the Public of property ownership; to enable greater efficiency of occupation; and to release latent asset value for alternative use.

These objectives are mutually supportive, as rationalisation of the estate will result in the release of disposal proceeds, deliver surplus sites with the potential for housing development, and, by reducing the size of the gross built area maintained, reduce property operating costs.

The planned change initiatives will be conducted in the context of continuing to maintain fit for purpose, safe, legally compliant, and affordable accommodation for all States Departments, reducing departmental operating costs to deliver CSR savings, and continuing the refinement of systems, procedures and skills training to develop the appropriate resources required to deliver the planned operational benefits.

10.1 Disposal Programme and Improved Asset Utilisation

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

Success criteria:

- *(i) Improved asset utilisation and reduced property operating costs;*
- *(ii) The concentration of States' administration into fewer geographic locations and the development of new working environments which support more collaborative and efficient ways of working;*
- *(iii) The release of surplus or high alternative use value properties to provide funds to support capital investment, with a strong focus on progressing sites which may be developed for social rented or private sector housing.*
- *(iv) The introduction of a "charging mechanism" to recover the full cost of property from occupying Departments, including a notional rent for freehold and all leasehold premises thereby encouraging the release of under-utilised property assets.;*

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

10.1.1 Disposal Plans

There is a clear and compelling need to reduce the total amount of the property occupied by States' Departments. The primary focus of attention for JPH in 2012 will be to continue to develop and implement plans to cut the size of the States' property portfolio to that which is both financially sustainable and efficient.
In addition during the course of 2012, JPH will progress the disposal of a number of States sites approved in previous years these include:

<u>Former Jersey College for Girls</u>
Disposal of the former Jersey College for Girls would represent a major opportunity for the public to provide land for essential housing, stimulate regeneration of the surrounding area, restore an historic building, remove the cost burden of maintaining a building which has been vacant for several years and provide a significant capital receipt for reinvestment elsewhere.

JPH will work with other property professionals as required in the second half of 2011 to prepare a detailed planning application as this will add the maximum value to the proposed disposal.

The 2011 States Business Plan, which was agreed in September 2010, assumed that the sale of JCG would be achieved and receipts received in 2011, however due to the work required to obtain a new planning consent for the whole site it is unlikely that this disposal will proceed until 2012.

Further disposals
In 2012 JPH will bring forward further properties for disposal in connection with the implementation of the Office Rationalisation Programme and the review of departmental property estates.

JPH is continuing to progress the delivery of a number of key strategic property programmes that will provide primarily new or significantly regenerated assets. These initiatives may result in a reduction in the flow of disposals receipts as funds are hypothecated to future projects. They will, however, significantly improve the States building stock without drawing further funds from the Consolidated Fund. The replacement stock will be designed to facilitate enhanced service delivery in a more efficient manner, resulting in the opportunity for increased productivity and lower operating costs.

10.1.2 Office Rationalisation Programme

JPH has, in previous property plans, reported the results of a comprehensive review of the States office portfolio and identified that these premises are largely outmoded, inefficient, and fragmented. They fail to deliver appropriate working environments for the vast majority of States employees, and no longer offer good value to the Public in terms of both asset utilisation and operating costs.

Background – Current Office Estate

Objectives

The overriding objective flowing from the first stage review is that the States office portfolio should be reduced in size and consolidated into significantly fewer locations, resulting in four key tangible benefits:

- The enabling of new ways of working and cultural change to take place by providing appropriate modern working environments.
- The encouragement of greater collaborative working and the elimination of duplicate administrative resources by the co-location of currently disparate departments.
- A reduction in overall property maintenance, facilities management and utilities costs.
- The release of assets for disposal, thereby generating capital receipts for reinvestment and the provision of sites for housing development.

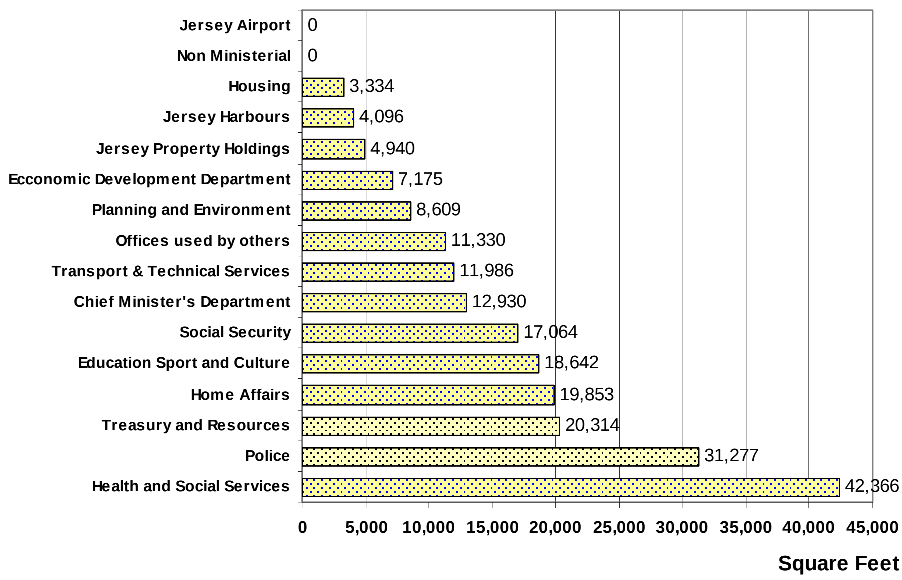
Analysis of the 69 locations which make up the office estate demonstrates that it may be segmented into three main categories:

- Key Primary Offices: These are offices located in buildings which are considered to be core properties to be retained.
- Location Dependent Offices: These are offices located either within or in close proximity to buildings which contain operational functions to which the office use is related and dependent.
- Location Independent Offices: These are offices which could potentially be moved to new offices and consolidated to generate efficiencies.

Benefits summary

The gross internal area (GIA) of offices which could be consolidated is approximately 420,000 sq ft. It can be demonstrated that subject to modern space standards being accepted, this can be accommodated in a reduced area of circa 200,000 sq ft giving a total space saving of up to 220,000 sq ft (54%). This represents a 32% reduction in the overall office estate and could deliver significant savings in property operating costs.

The following chart shows the extent to which space savings (in square feet) could be achieved, by Department, if the maximum number of offices which could be consolidated were to be moved into new efficient offices. The assumption is based on all departments accepting the new space standards.



Annual Revenue Savings

The annual revenue savings which can be generated from moving the offices suitable for consolidation to new offices and adopting new space allocation standards is estimated to be in the order of £1,800,000 due to the reductions in maintenance of the old estate.

However, the States is currently under investing in maintenance and re-decoration works, which are costs that would be required going forward. The under-investment in maintenance represents accelerated depreciation which is effectively eroding the value of assets and increasing backlog maintenance costs.

Avoided capital costs

In addition, there will be avoided costs which result from not having to make significant capital investment in the aging properties to be replaced in order to deal with the “back log” maintenance identified by the D&K[2] condition survey, and refurbishment and improvement works required over the next 10 years to deal with the current functional obsolescence.

All of the savings estimates exclude any non property operational savings which might result from the new accommodation.

Implementation Plans

Over the last two years, Jersey Property Holdings (JPH) has developed a major initiative to deliver the projected operational savings and improved working arrangements for States departments.

Due to the size and complexity of the estate, the rationalisation programme has been split into major projects listed below. Each will be supported by a comprehensive business case.

Phase 1 - Police accommodation relocation
Phase 2 - Migration of South Hill offices
Phase 3 - Consolidation of Locational Independent Offices
Phase 4 - Consolidation of Health and Social Services premises
Phase 5 - Rationalisation of Education, Sport and Culture

Whilst there are clear synergistic linkages between each of the proposed phases, they are designed to be capable of being progressed independently, thus allowing the overall programme to be paused or ceased at any stage.

In the latter part of 2010 and in 2011, Jersey Property Holdings has worked to develop the detailed case for Phases 1 and 2 of the office rationalisation programme, in particular meeting the requirements of providing

[2] Drake and Kannemeyer completed a full condition survey of the States property portfolio in 2008

new accommodation for the States of Jersey Police. The other phases will be dependent on the development and agreement of an overall strategy and, crucially, the implementation of the organisational and funding requirements to deliver a complex multi-faceted organisational change programme.

In 2012, JPH will focus on the implementation of Phases 1, and 2 which includes the following:

a) The re-provision of office and operational accommodation currently located at Summerland, and the Rouge Bouillon site for the police service.
b) The vacation and disposal of South Hill (including the relocation of the TTS, and Planning departments). A business case is in the process of being developed.
c) The relocation of the ambulance station to the current Police HQ site at Rouge Bouillon. This is subject to the development of a business case and an overall masterplan for 'blue light' services on the Rouge Bouillon site.
d) A review of the space utilization at Morier House with a view to introducing a greater level of open place working thereby releasing space for co-location of other states office requirement.

Timeline and Funding

The office rationalisation programme is a long term organisational change initiative which will take several years to deliver. Phase 1 and 2 projects represent early opportunities to deliver significant benefits and it is expected that considerable progress will be made on the police relocation project and the vacation of South Hill over the next 18 months.

JPH estimates the costs associated with developing organisational arrangements, feasibility and planning to be in the order of £500,000 to £600,000. It is anticipated that new development will be funded from receipts obtainable from the disposal of vacated sites.

Working in conjunction with Treasury in 2012, JPH is evaluating the opportunity to introduce a charge in the form of an 'asset rental', which reflects either the market value of the asset, or the cost of its replacement amortised over its useful life. JPH will also consider the future potential of applying a service charge representing the cost of maintaining that property to an adequate level as a charge to occupying departments.

This proposal is entirely consistent with the move to the resource accounting and budgeting principles that underpin GAAP.

10.2 Addressing Estate Condition Issues

Objective 2: Addressing under funding of maintenance and capital works

Success criteria:

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

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

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

Strategic plan Priority 10 and 13

10.2.1 Backlog Maintenance Works

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

An allocation of funding from the Fiscal Stimulus programme enabled an early commencement of essential remedial works in the fourth quarter of 2009 and these projects continued throughout 2010. A further tranche of backlog maintenance funding of £4 million for 2010 and £3 million in 2011, extended the programme of works to address a range of items including rockface repairs, compliance works to educational buildings, the provision of disabled facilities and urgent works to the General and Acute Hospital.

This Business Plan [figure 9.1] proposes the allocation of a further £3.5 million in 2012 to continue these essential works the majority of which will be focused upon the General and Acute Hospital.

10.2.2 Maintenance Structural Under-funding

It was recognised in previous Business Plans that the funding available to maintain States buildings is insufficient to provide for a comprehensive maintenance programme. Consequentially JPH funding across the estate is strictly in accordance with the following criteria in descending order of priority:

1. Compliance with Statutory Requirements
2. Contractual Obligations
3. Operational Continuity
4. Preservation of Property Assets
5. Refurbishment and Redecoration

The States approved an increase in JPH's base budget revenue funding of £750,000 for 2010 and £1,250,000 in 2011. However as part of the CSR process, JPH has had to make savings which has had an impact on their ability to deliver the increased maintenance programme as planned. This Business Plan recommends a further increase of £1,000,000 in 2012.

Despite these increases in the budget for property maintenance, as demonstrated in previous plans there remains a significant shortfall in the level of annual maintenance expenditure required to keep the estate in a median "steady state" condition. Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. In addition to a managed reduction in the size of the estate, JPH is continuing to work with the States Strategic Procurement team to ensure that value is maximised through effective procurement.

Where a business case can be demonstrated, JPH will consider utilising external resources to deliver transactional activities to enable in-house staff to focus on strategic initiatives that deliver corporate and departmental property savings.

10.3 Property Asset Valuation

A full valuation of land and building assets, is due for the 2012 accounts and as with the previous valuation in 2007 and the 2010 interim valuation this will be managed by JPH .

Both previous valuations were conducted in accordance with FRS15 and RICS requirements. The proposed move from UK GAAP to IFRS may offer some challenges dependent upon the level of componentisation required to meet international accounting standards.

In order to meet the accounting dead lines JPH will need to have completed a number of activities in the second half of 2011 including:

- Establishing the agreed 'rules' for IFRS valuations in a local context and obtaining the acceptance by the States external audit
- If valuations include componentisation of building assets JPH will need to identify the component assets and prepare a draft asset register for inclusion in the tender documents
- Reconciliation of the register of assets with the JPH Technology Forge property system with sign off by Treasury as compliant for IFRS purposes
- Commencement of the tender process with expressions of interest invited for a full valuation
- The valuation will include visits to all buildings in the portfolio - this is logistically complex for operational buildings and may extend over a lengthy period of several months

The level of resources - both in house officer time and externally funded surveying resource - needs to be accurately assessed and included in the 2012 revenue budget as JPH does not have a dedicated revaluation budget and displaced work may need to be outsourced.

JPH will also consider the incorporation of other activities, such as a condition survey or insurance surveys, to obtain economies of scale.

10.4 Financial targets

10.4.1 Income

JPH relies on its three major income streams of rents, facilities management recharges and professional fee income to support management and maintenance expenditure.

Rental income is derived from a mix of internal charges to occupying Departments and leases of premises to third parties. In some instances, the latter source is artificially suppressed as a result of historic agreements with mainly charitable bodies who occupy property at a below market or peppercorn rent. JPH will work with sponsoring departments to ensure the true market rentals are identified and a mechanism established to charge the full equivalent market rent, and where appropriate require the sponsoring department and occupying organisation to make a compelling case for an increase in funding to meet its demonstrable property requirements.

JPH is also susceptible to loss of income resulting from States policy decisions that utilise land holdings at below alternative use value and from the declining economic situation. A further risk area for JPH is the need to recover fees for professional services against a reduced capital programme.

10.4.2 Revenue Expenditure

JPH revenue expenditure is predominantly salary and associated costs, maintenance and facilities management/utility costs. As salary costs are relatively fixed and facilities management costs driven by external providers, such as utility costs, which are recovered from the occupier, the only area of ‘discretionary’ spend is maintenance.

The budget sum available to maintain the property portfolio is insufficient when compared with benchmarked standards. This lack of funding has forced JPH to prioritise its maintenance budget to ensure health and safety and other statutory activities are addressed, leaving an inadequate sum for asset preservation and reactive maintenance. This situation is not sustainable and will result in a shortened life cycle of the asset and a diminished value.

10.4.3 Capital Investment

JPH relies on the capital programme to provide funds to reinvest in its property portfolio. Over the last ten years, the proportion of capital funding allocated to building works has diminished both in real terms and as a proportion of the capital programme.

The capital programme proposed in Section 9 for 2012 - 2014 provides an average of £8.2 million per annum for future property investment. This is some £2m less than the annual depreciation charge to JPH. If this imbalance continues, the value of States property assets will diminish.

10.4.4 Disposal Plan

Targets for receipts from disposals of surplus property, for reinvestment in the general capital programme, were set at £21 million to 2011, with a further £5.5 million in 2012 and £3.3 million in 2013.

JPH believes that these are achievable, but increasingly challenging, targets. To develop a modern and efficient office estate, funds from the disposal of current office accommodation will need to be ‘ring fenced’ for reinvestment. The balance of the disposal receipts will, therefore, need to be generated from underperforming operational or non-core assets. Some of those properties proposed for disposal in the coming years will, inevitably, be seen as contentious.

JPH has generated disposal receipts against the targets set in successive Business Plans as set out in Figure 10.1 below.

Figure 10.1: Disposal Receipts and Targets 2006 - 2015

		Gross Receipts £000s		Transfers Out* £000s		Net Receipts £000s		Target Net Receipts £000s	
Year	Status	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
pre 2007	C/Fwd Funds	2,597	2,597	0	0	2,597	2,597	0	0
2007	Actual	1,936	4,533	(375)	(375)	1,561	4,158	1,700	1,700
2008	Actual	1,805	6,338	(528)	(903)	1,277	5,435	2,300	4,000
2009	Actual	5,025	11,362	(530)	(1,433)	4,495	9,929	4,000	8,000
2010	Actual	1,986	13,348	(510)	(1,943)	1,476	11,405	4,000	12,000
2011	Estimated	3,977	17,325	(2,050)	(3,993)	1,927	13,332	9,000	21,000
2012	Forecast	35,980	53,305	(21,700)	(25,693)	14,280	27,612	5,500	26,500
2013	Forecast	90	53,395	0	(25,693)	90	27,702	3,300	29,800
2014	Forecast	560	53,955	0	(25,693)	560	28,262	0	29,800
2015	Forecast	8,000	61,955	(8,000)	(33,693)	0	28,262	0	29,800

**Transfers Out represent budgets that have been hypothecated to specific capital projects rather than allocated to the Consolidated Fund for general allocation.*

10.4.5 Comprehensive Spending Review

JPH is required to deliver savings in line with the States CSR targets, which are based on gross expenditure of £8.2 million (2011). For JPH this means that ‘pass through’ costs, such as recharged utility costs, form part of the gross expenditure profile, against which savings are targeted.

JPH has identified the following areas as capable of delivering its CSR savings in the timescale:

<u>2012</u>

- Consolidation of the design function (£200,000)
- Charging for non-core estates management functions (£100,000)
- Increasing rents to market levels to remove subsidies (£200,000)

<u>2013</u>

- Further increases in rental charges combined with rationalisation of existing property stock (£750,000)

11. LEGISLATION PROGRAMME 2012

11.1 Criteria for allocation of drafting time

A request for drafting time is assessed according to the following criteria -

- Its relevance to the strategic aims and objectives proposed in the States Strategic Plan
- Whether or not the financial and staffing resources required within the States for its implementation are sustainable within the framework of the States Strategic Plan and
- Its financial impact on the private sector.

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

11.2 The 2012 Legislation Programme

A single allocation of time is proposed for legislation needed by all departments in order to implement their comprehensive spending review changes required to take effect in 2012 and 2013.

Much of the initial drafting time in 2012 will be spent on projects commenced in the second half of 2011.

Given that a new States Assembly will be in office for 2012, the programme proposed is essentially indicative only of the new projects that might commence in the year. As in recent years, the Council of Ministers will continue to keep the legislation programme under rolling review, adding, deferring or removing projects according to rate of progress, readiness to proceed and changing priorities.

The proposed programme is detailed at Summary Table F of this report.

11.3 The programme from May 2010 to April 2011

Projects were added to the programme for the preparation of legislation - to provide for the establishment of the Depositor Compensation Board; to provide for security interests in intermediated securities; Regulations to facilitate the conduct of business with the Single European Payment Area; to revise the arrangements for detention of young offenders; to provide for charging for services, etc. provided by the Minister for Health and Social Services; to provide for the welfare of animals in transit; to amend the Public Finances (Jersey) Law 2005 and to amend the TIEA Regulations and associated taxation Regulations.

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

- **Agriculture** - to facilitate the export of bovine embryos; for the prevention and control of diseases in oysters
- **Financial services development** - to facilitate company mergers
- **General business development** - to update existing, and introduce new, unregistered rights in intellectual property; to enable e-gambling in Jersey
- **Health** - to require warning notices on packs of tobacco
- **International** - new powers in respect of freezing of assets associated with terrorism
- **States Assembly** - changes to the constitution of the Assembly and arrangements for the conduct of public elections
- **Taxation** - to introduce arrangements for implementation of double taxation agreements; to implement the 2011 Budget
- **Social -** to provide for the taking of the census in 2011; to establish rights to freedom of information

12. REVIEW OF FISCAL STIMULUS PROGRAMME

12.1 Background

Following advice from the Fiscal Policy Panel (FPP), the States approved Proposition P55/2009 to fund a discretionary Economic Stimulus Plan (known as Fiscal Stimulus) and to allocate £44 million from the Stabilisation Fund to the Consolidated Fund, to provide funding for the proposed discretionary stimulus programme.

The overarching objective of Fiscal Stimulus was to put additional money back into the economy by providing a package of new (discretionary) initiatives that would provide an extra stimulus to the economy and support employment and businesses in Jersey through the downturn.

The Council of Ministers agreed that the overall objective of supporting demand in the economy broke down into three objectives:

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

12.2 Evaluation Process

The Fiscal Stimulus Steering Group (FSSG) chaired by the Chief Executive of the States and comprising the States Treasurer and the States Economic Advisor, supported by a Fiscal Stimulus Programme Manager was set up to oversee the programme.

All States departments were asked to submit business case proposals, which could include sponsoring third party associated projects. Projects were reviewed by the Programme Manager, and evaluated against the Fiscal Stimulus criteria by an independent Evaluation Team. A scoring mechanism was developed to review and compare projects and a target score was set for acceptance of a project for Fiscal Stimulus consideration.

As advised by the FPP, each project was measured against criteria of 3 T's, and assessed in terms of the overall economic impact and the ability to obtain value for money. The 3 T's are summarised as :

- **Timely:** Action should start immediately, and spend should happen when the economy is in recession;
- **Targeted:** Policy should hit the intended target whether it is to support activity and employment in the Island, support those adversely affected by the downturn or implement projects which have intrinsic benefit;
- **Temporary:** There should be no negative long term implications for the public finances.

When a project was evaluated as having met the target score for acceptance, the Programme Manager would further review the validated business plan and submit both the business plan and an accompanying report to the FSSG. The project would then be reviewed and considered by the FSSG for Fiscal Stimulus funding.

Successful projects were authorised by the FSSG and funds allocated via Treasury and Resources Ministerial Decision. Project managers were asked to report regularly on the progress, cost control and performance indicators of the projects, and to return any unspent monies at the conclusion of the project to the Consolidated Fund. This process resulted in the delivery of the highest priority discretionary projects.

Fiscal Programme updates have been sent to the Corporate Services Scrutiny Panel on a quarterly basis.

12.3 Results

In previous Business Plans, updates of progress have been provided. This report provides greater detail of all Fiscal Stimulus projects.

The Programme has been very successful, with a package of initiatives which have provided an extra stimulus to the economy and supported individuals, employment and businesses in Jersey through the downturn. It involved five main areas of funding (six including Programme Management) and the following is a brief summary of each Fiscal Stimulus project.

Skills & Training

Highlands Additional Spaces – Fiscal Stimulus has funded:

- An additional 93 spaces in 2009-2010;
- An additional 156 spaces in 2010-2011;
- An additional 200 spaces in 2011-2012, of which 40 spaces are for students who enrolled in a two year course in September 2010.

Careers Strengthening – Fiscal Stimulus has funded:

- Additional careers support on job fairs, CV workshops, careers advice and targeted training;
- Additional support has lead to an overall 400% increase in advisor appointments for those seeking careers support.

Advance to Work: A full-time work experience and off-the-job training option for young jobseekers between the ages of 16-19.

- 285 young people have been on placement with 200 companies;
- 116 have managed to secure employment since participation on the course.

Advance Plus: Similar to Advance to Work, it is a more concentrated programme of vocational training and work experience for adults 20+ years of age.

- Advance to Administration and Advance to Retail courses have been completed and further courses on Hospitality, Book Keeping, Finance & Accounting are planned;
- Courses have been over subscribed and there is a high success rate in achieving employment following attendance on these schemes.

Re-introduction of Apprenticeship in the States departments

- 7 apprentices were recruited to various craft areas in the Transport and Technical Services department, including 2 greenkeepers/gardeners. Two trainee chefs were also recruited to the Health and Social Services department;
- 12 trainee Business Administrators were recruited across various states departments;
- A total of 21 apprenticeships/trainees were recruited by States departments.

Support for Individuals

Fiscal Stimulus funding has allowed the Citizens Advice Bureau (CAB) to deal with an increase in debt problems caused by the downturn in the economy.

- CAB helped 237 clients in 2010 with debts problems of £3.7 million.

Support for Business

Support for Business initiatives, including business engagement, procurement, capital investment, inward investment, export development, offshore networks, incubator, business angels and enterprise grants.

- Provided information, advice or support on stimulus matters to 900 companies;
- Over 200 companies directly engaged with stimulus activities;
- An additional 53 Enterprise start-up grants were allocated.

Support for Tourism: Investment in the Marketing & Promotion of Jersey to the UK through TV, radio and magazines, after year on year reductions in forward bookings following the downturn in the UK economy and the negative effect of the ash cloud period on the industry.

- Tour operators and hoteliers have reported an immediate effect on sales, when funding was deployed;
- Report from a hotelier that "without the additional monies made available to Tourism for marketing the Island the 2010 season would have been disastrous".

Support for the Finance Industry: Has involved a number of projects including industry marketing and promotion, review of international tax, opening a 3rd representative office, opportunities for inward investment and legislative clearance to influence/defend Jersey's current business model, protect consumers, and develop identified opportunities for new business.

<u>Infrastructure</u>

Victoria Avenue resurfacing Phases 2&3: Essential road maintenance work between La Rue de Galet and West Park includes strengthening the road, renewing the existing kerbs and improving the drainage, widening and improving the central reservation for pedestrian safety, improving visibility at junctions and other safety features.

- Improved traffic flow along Victoria Avenue with improvements to pedestrian safety;
- Highway now has further 15 years life, (reducing need for ongoing patching);
- Replace 25 year old lighting with new energy efficient lights.

Promenade & Cycle Track: Replace 600m section of the promenade and cycle track between La Rue du Galet and First Tower, including repairing & improving surface water drainage.

Railway Walk foul Sewer upgrade: Laying of new GRP foul sewer along Railway Walk.

- Reduced Risk of Sewer collapse, all badly damaged pipework replaced or relined;
- Replace existing hydrogen sulphide damaged concrete pipe;

West Park to Cheapside Resurfacing: Repairs and resurface of this Class 1 protected route, which forms an integral part of the St Helier road network.

- Works corrected areas of structural failure of the sub-base alongside People's Park and failure of the surface course along Cheapside;
- Road now strengthened resulting in reduced need for patching and the associated disruption caused.

St Peters Arsenal Pumping Station: Emergency works upgrade.

Queens Road Surface Water Separation: Laying of new surface water sewer along Rouge Bouillon between the bottom of Queens Road and the top of Midvale Road.

- Separation of clean water from sewage pumped to Bellozanne;
- Reduction in future pumping costs and treatment costs at Bellozanne (reduced volumes).

Rozel 1, 3 and 4 rising main replacement.

- Replace current uPVC pipes with higher class material to bring up to best practice and modern day standards;
- Reduced risk of rising main burst causing a pollution incident for which the States could be prosecuted.

Cheapside Urban Renewal: Regeneration of the Cheapside area.

- Wider pavements, new lighting, trees, bins and seating. New and safer road junctions and pedestrian crossing facilities, improved parking and access for local businesses.

St Aubin's Fort Pier Remedial works: Fiscal Stimulus funding enabled the scheme to proceed through its early phases, such as detailed design, planning permission and environmental survey. Additional works are funded by Harbours.

Construction and Maintenance works

Backlog Maintenance : – Jersey Property Holdings (JPH) – States building maintenance.

- The funds allocated to JPH for backlog maintenance addressed Health and Safety and other high priority maintenance issues across a large range of States buildings, including:
  Overdale Hospital, General Hospital, Piquet House, States Nursery, Bellozanne, Arts Centre, Various toilets and cafes, Indoor Markets, Various storage buildings, Haut de la Garenne, Jersey Arts Trust Building, Opera House, Various Youth Clubs, Cyril Le Marquand House, Magistrates Court, Supported Living Homes at Don Terrace, Alzola, Southview, The Haven, 2 Roseville Villa, Tevielka, Old Mill House, 7 Pomona Road, 2 Khartoum Villa – Beach Road, 16 Clairvale Road

Former La Pouquelaye school building: Repairs to the former La Pouquelaye School.

- To render building fit and safe for shared use by the Centre Point Trust (CPT) and the Parish of St Helier (PoSH);
- Relocation of CPT will allow the disposal of the buildings at the former Jersey College for Girls Site, where CPT was previously located.

Housing Backlog Maintenance:- Maintenance programme for heating/roofs/windows.

- 289 properties have had ageing windows and or doors replaced and benefited from thermal improvements;
- 187 individual properties have had their roofs, rainwater goods and loft insulation brought up to standard;
- 528 properties have had their aging fossil fuel heating systems replaced, at the end of the 2010. 1,009 fossil fuel systems scheduled to be replaced in 2011.

St Marks Shelter Project will provide the required increase in standards for both shelter clients and for staff and will provide housing for an additional 3 people.

Le Squez: New build development.

- Construct 49 new rental homes (36 flats 1&2 beds, 13 houses 2&3 beds).

Jersey Hospice Development: Fiscal Stimulus funding relates to the first two phases of a seven phase project to extend and modernise the facilities at Jersey Hospice.

- The new facility will increase the capacity of the inpatient unit by 100%;
- The day centre will also be a far better equipped facility that has the ability to provide the service to a larger number of clients;
- Fiscal Stimulus funding has been matched £1 for £1 by Jersey Hospice, which has enabled works to take place earlier than forecast;
- The project gave a significant boost to the construction industry by way of releasing a project which would not have proceeded during the economic downturn, in the absence of matched funding from the Fiscal Stimulus Fund.

Durrell: Redevelopment of Durrell's Visitor Centre.

- Provide a new gateway to the wildlife park with a café, enhanced retail outlet and upgraded car parking;
- Fiscal Stimulus funding is matched £1 for £1 with funding from Durrell Wildlife Trust;
- The project gave a significant boost to the construction industry by way of releasing a project which would not have proceeded during the economic downturn, in the absence of matched funding from the Fiscal Stimulus Fund.

Rosewood House (St Saviour's Hospital): Refurbishment of Rosewood House ward, which provides 52 inpatient beds for older people with mental health problems.

- Remedial works on McKinstry ward (Overdale) to enable half the patients at Rosewood to be decanted to McKinstry while construction works were in progress on Rosewood House ward;
- Refurbishment of Rosewood House ward to provide a high quality care facility, to improve the poor standards in which these vulnerable patients are cared for.

Beaulieu Convent School: A grant to refurbish the second and third floors of the Beaulieu Convent Main House to provide special educational learning needs facilities. 30% of the funding has been provided by the Convent.

St Matthews Glass Church: A contribution of £125,000 for the restoration of the main entrance and bell tower to be matched £1 for £1.

- This contribution has allowed Phase 1 of the £1.3 million project to commence;
- Increased the public awareness of the restoration project due to Fiscal Stimulus involvement has lead to increased public donations.

Opera House refurbishment: Refurbishment project to increase utilisation of areas of the Opera House.

- Create a new studio to be used for small performances, specialist activities and workshops for schools;
- Create a corporate entertainment space and additional 3rd floor alterations to increase Opera House revenues;
- Turn workshop into office space, including a number of spaces for Education, Sport and Culture.

12.4 FSSG allocation of Fiscal Stimulus funds

In excess of £50 million of applications have been received for Fiscal Stimulus funding. The FSSG has allocated £41.1 million of funds to projects of which £3.2 million of this has been returned to the programme by departments, due either to projects that were no longer viable or projects that have been completed under budget. Therefore the net allocation of funds for the Fiscal Stimulus programme recommended by the FSSG was £37.9 million.

12.5 Allocation of Fiscal Stimulus funds by the T&R Minister

At the start of 2011 the Programme Manager received a Skills and Training application from Education, Sport and Culture (ESC) for 2011/2012 funding of four projects (Highlands Additional Places, Advance to Work, Advance Plus and Careers Strengthening). These projects had received Fiscal Stimulus funding in 2009/2010 and 2010/2011 and were a major contribution in assisting individuals affected by the downturn by providing a more highly educated and skilled workforce. This submission met the Fiscal Stimulus criteria with the exception of 'Timely', and therefore fell outside the criteria for approval by the FSSG.

Subsequently, the Treasury and Resources Minister made a 'Statement on a matter of Official Responsibility' to the States Assembly (February 2011) that he intended to vary the timeframe for Fiscal Stimulus allocations as set out in P55/2009 to extend the funding of the programme for Skills and Training projects in 2012. MD-TR-2011-066 allocated £2,162,000 to Skills and Training for 2011-2012.

12.6 Allocation of Funds

Table 12.1 details Fiscal Stimulus spend by both category of spend and individual project. Project spend has been updated to include forecast by the individual project managers. The allocation summary also indicates the funds to be returned to the Consolidated Fund and a small project contingency balance to be held until all schemes are complete.

12.7 2011 & 2012 spend

The Fiscal Stimulus spend in 2011 is primarily associated with lengthy construction projects that started in 2010 but ran into 2011. It also allows Fiscal Stimulus activity to taper off in 2011 rather than come to an abrupt end in 2010, thus smoothing out economic activity.

Spend will also occur in 2012, as the FSSG has allowed Fiscal Stimulus spend on a couple of smaller projects (as they draw to conclusion) for which the project has a 2-3 year lifespan. In addition there is £1.5 million in Skills and Training as allocated by the Treasury and Resources Minister (MD-TR-2011-066).

12.8 Economic Report

During the programme, the FSSG have reviewed and considered economic reports and advice before making recommendations. The Economic Advisor (who is a member of the FSSG) has advised that no further discretionary stimulus should take place in 2011 than previously authorised if policy is to be consistent with:

- The original agreement by the States to use the Stabilisation Fund to support the economy through discretionary fiscal stimulus;
- The subsequent advice of the FPP to undertake discretionary stimulus in a timely manner and at the right point in the cycle;
- Using the Stabilisation Fund in a counter cyclical manner as set out in the fiscal framework under which it was established.

12.9 Conclusion

Proposition P55/2009 allocated £44 million to fund a discretionary Economic Stimulus Plan (known as Fiscal Stimulus) and a report was issued in June 2011 (R67/2011) formally closing the Fiscal Stimulus Programme to new applications. Spend will continue on individual projects until each is complete.

Fiscal Stimulus spend will occur in 2012 for Skills and Training and also in a number of smaller projects that have a 2-3 year life span, as these projects draw to conclusion.

The FSSG, supported by the Programme Manager will continue to oversee the operational and closure phases of each project within the programme. The FSSG will continue to meet, to overview governance of the Programme.

<u>Note:</u>

As highlighted during the Business Plan debate (September 2011), the latest Fiscal Stimulus contingency balance will enable a further £450,000 to be returned to the Consolidated Fund following the closure of the Fiscal Stimulus programme. Any further underspends as projects are completed will also be returned to the Consolidated Fund.

Figure 12.1 – Summary of Fiscal Stimulus Allocations (June 2011)

	Programme Forecast
Skills and training	**£**
Additional places at Highlands	2,884,645
Careers Service Strengthening	345,192
Advance to Work/Youth training initiative	1,929,851
Training scheme for 20+	663,555
States Apprenticeships Scheme	899,256
	6,722,499
Support for individuals	
Additional Citizens Advice Bureau debt adviser + mortgage protocol	41,300
	41,300
Support for business	
Tranche 1 - various initiatives to support local business	392,484
Support for tourism	479,078
Support for the Finance Industry	2,747,000
	3,618,562
Civil infrastructure works	
Victoria Avenue Resurfacing - Phases 2 and 3	3,671,665
Promenade and cycle track	280,086
Railway Walk foul sewer upgrade	445,474
West Park to Cheapside resurface	318,179
St Peters Arsenal Pumping Station	1,362
Queens Road Surface Water Separation	331,182
Rozel 1, 3 and 4 rising main replacement	497,552
TTS - Urban Renewal (Cheapside)	244,000
St Aubins Pier - significant repairs	150,000
	5,939,500
Construction and maintenance works	
High priority compliance maintenance backlog	1,363,246
Repair of former La Pouquelaye school for CPT and POSH	387,878
Continuation of maintenance programme-heating/roofs/windows	5,024,630
Re-provision of Shelter at 80 St Marks Road [1}	464,107
Continuation of capital programme - rebuild of Le Squez	8,137,962
Jersey Hospice Redevelopment	2,600,000
Durrell development work	1,500,000
Refurbishment of Rosewood House and Clinique Pinel	2,243,623
ESC Beaulieu - support for learning	578,000
ESC Glass Church	125,000
Opera House at full bid amount	1,033,493
	23,457,939
Estimated costs of programme management	244,124
Unused Fiscal Stimulus funding returned to the Consolidated fund	3,600,000
Remaining Fiscal Stimulus Project Contingency (June 2011)	376,076
TOTAL	**44,000,000**

SUMMARY

TABLES

SUMMARY TABLE A

Total States Net Revenue Expenditure Allocations 2012 (As Amended)

States Funded Bodies	2012 Gross Expenditure Allocation	2012 Income Allocation	2012 Net Expenditure Allocation
	£'000	£'000	£'000
Ministerial Departments			
Chief Minister	24,163.6	(1,212.0)	22,951.6
- Grant to the Overseas Aid Commission	8,880.7	-	8,880.7
Economic Development	17,660.0	(1,758.0)	15,902.0
Education, Sport and Culture	119,966.0	(18,135.0)	101,831.0
Department of the Environment	10,356.4	(3,770.6)	6,585.8
Health and Social Services	195,771.4	(21,972.0)	173,799.4
Home Affairs	50,380.5	(1,795.9)	48,584.6
Housing	26,957.9	(40,869.8)	(13,911.9)
Social Security	170,491.0	(3,656.4)	166,834.6
Transport and Technical Services	59,527.8	(18,862.6)	40,665.2
Treasury and Resources			
- Department allocation	43,411.6	(6,749.2)	36,662.4
- Provision for Central Reserves	12,485.0	-	12,485.0
- Provision for Restructuring costs	10,000.0	-	10,000.0
- Corporate Procurement Savings Target	(3,000.0)	-	(3,000.0)
- Central Pay Provision	7,325.8	-	7,325.8
- Terms and Conditions Savings Target	(7,000.0)	-	(7,000.0)
Non Ministerial States funded bodies			
- Bailiff's Chambers	1,768.7	(179.8)	1,588.9
- Law Officers' Department	9,501.2	(1,676.2)	7,825.0
- Judicial Greffe	7,745.7	(938.0)	6,807.7
- Viscount's Department	2,157.7	(683.0)	1,474.7
- Official Analyst	710.2	(58.5)	651.7
- Office of the Lieutenant Governor	782.7	(91.5)	691.2
- Office of the Dean of Jersey	25.7	-	25.7
- Data Protection Commission	313.3	(90.0)	223.3
- Probation Department	2,290.9	(305.0)	1,985.9
- Comptroller and Auditor General	753.6	-	753.6
States Assembly and its services	5,383.6	(87.5)	5,296.1
Net Revenue Department Expenditure Allocation	**778,811.0**	**(122,891.0)**	**655,920.0**

Adjustments to reconcile to Financial Forecast:

Depreciation	*(40,075.0)*	*-*	*(40,075.0)*
Revenue Expenditure for Financial Forecast	*£ 738,736.0*	*£ (122,891.0)*	*£ 615,845.0*

The Gross Expenditure Allocation includes both DEL and AME expenditure. Departmental pages in the Annex split the allocations across these classifications. The Gross Expenditure Allocation also includes estimates of depreciation for each department, which is a non-cash item, and is therefore not part of the Financial Forecast but shown as AME expenditure.

The provision for Central Reserves and Restructuring costs are allocated to Treasury and Resources department and will be managed in accordance with the developed procedures. In 2012 the provision is held centrally until such time as the savings for the corporate Terms and Conditions review are negotiated

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

SUMMARY TABLE B

Summary of States Trading Operations 2012

	Gross Expenditure Total	Income Total	Net Expenditure	Financial Return
	£	£	£	£
Jersey Airport	29,173,400	(28,457,300)	**716,100**	-
Jersey Harbours	14,800,000	(14,530,000)	**270,000**	200,000
Jersey Car Parking	7,220,200	(6,330,700)	**889,500**	2,311,300
Jersey Fleet Management	3,662,600	(3,935,300)	**(272,700)**	-
	54,856,200	(53,253,300)	**1,602,900**	2,511,300

Trading Funds of the States Trading Operations 2012

	Opening Balance	Surplus/ (Deficit) for year	Add back: Depreciation	Less: Capital Expenditure	Plus: Other Balance Sheet Movements	Additional Funding for Other States Depts	Loan Repayments	Closing Balance
	£	£	£	£	£		£	£
Jersey Airport	10,080,516	(716,100)	8,470,000	(1,438,000)	(693,884)		(2,333,369)	13,369,163
Jersey Harbours	10,481,122	(270,000)	3,360,000	(12,369,000)				1,202,122
Jersey Car Parking	12,314,130	(889,500)	1,933,900					13,358,530
Jersey Fleet Management	367,536	272,700	957,700	(2,443,000)		1,000,000		154,936
	33,243,304	**(1,602,900)**	**14,721,600**	**(16,250,000)**	**(693,884)**	**1,000,000**	**(2,333,369)**	**28,084,751**

SUMMARY TABLE C

Proposed Capital Programme for 2012 – 2014 (As Amended)

Description	2012 £000	2013 £000	2014 £000
Replacement Assets	2,056	1,643	2,423
Vehicle Purchases	1,000	1,000	1,500
Infrastructure Assets	6,956	6,956	6,956
Infrastructure Assets - Revenue to Capital Transfer	1,800	1,800	1,800
Police Station Relocation - Tranche 4	2,000	1,000	1,000
ICU - Infection Control	2,500	-	-
Maternity Theatre SCBU - Patient Safety, Privacy & Dignity	1,494	-	-
Upgrade of Main Theatres - Infection Control and Reliability	1,052	2,100	1,837
Clinique Pinel Refurbishment	2,868	-	-
Phillips Street Shaft	3,600	-	-
Upgrade Microsoft Desktop Technology	752	663	-
Web Development	100	100	170
Tax Transformation Programme & IT systems	600	-	500
St Martin's School Replacement	-	7,732	-
The Limes Refurbishment	-	700	-
Refurbishment Clinical Waste Incinerator	-	700	300
FB Fields Running Track Replacement	-	-	535
Les Quennevais Artificial Pitch Replacement	-	-	613
Autism Support Unit, Haute Vallee School	-	-	1,066
Sewage Treatment Works - Secondary Treatment Upgrade	-	-	3,100
Social Housing Programme - Funded from Other Sources	10,804	14,055	13,702
Total Proposed Capital Allocation	**37,582**	**38,449**	**35,502**
Other Funding Sources			
JPH Asset Disposals Receipts	(5,500)	(3,300)	-
Earmarked Social Housing Capital Receipts	(4,989)	(4,307)	(3,773)
Other Earmarked Social Housing Funding	(5,815)	(9,748)	(9,929)
Additional Consolidated Fund applied to Clinique Pinel *	(1,768)	-	-
Additional Consolidated Fund applied to Phillips Street Shaft *	(3,600)	-	-
Net Allocation	**15,910**	**21,094**	**21,800**

* Additional funding available from funds returned to the Consolidated Fund from unused Fiscal Stimulus and Pandemic Flu funding

SUMMARY TABLE D

Proposed Trading Organisation Capital Expenditure for 2012-2014

Trading Organisation	Project	2012 Total Allocation £'000	2013 Total Allocation £'000	2014 Total Allocation £'000
Jersey Airport				
	Monopulse Secondary Surveillence Radar (Airfield)		1,600	
	X-rays for Hand Baggage	338		
	Minor Capital Assets	300	300	300
		638	1,900	300
Jersey Harbours				
	Gorey Pierhead	3,000		
	Duke of Normandy Re-Fit		250	
	Pilot/Workboat		1,000	
	Minor Capital Assets	365	365	350
		3,365	1,615	350
Jersey Car Parking				
	Car Park Upgrades/Extensions			2,100
Jersey Fleet Management				
	Vehicle and plant replacement	1,443	1,323	1,091
Total Capital Expenditure to be Financed from Trading Funds		**5,446**	**4,838**	**3,841**

SUMMARY TABLE E

Total States Net Expenditure Allocations 2012-2014 (As Amended)

States Funded Bodies	2012 Expenditure Allocation	2013 Expenditure Allocation	2014 Expenditure Allocation
	£'000	£'000	£'000
Ministerial Departments			
Chief Minister	22,951.6		
- Grant to the Overseas Aid Commission	8,880.7		
Economic Development	15,902.0		
Education, Sport and Culture	101,831.0		
Department of the Environment	6,585.8		
Health and Social Services	173,799.4		
Home Affairs	48,584.6		
Housing	(13,911.9)		
Social Security	166,834.6		
Transport and Technical Services	40,665.2		
Treasury and Resources			
- Department Allocation	36,662.4		
- Provision for Central Reserves	12,485.0		
- Provision for Restructuring Costs	10,000.0		
- Corporate Procurement Savings	(3,000.0)		
- Central Pay Provision	7,325.8		
- Terms & Conditions Savings Target	(7,000.0)		
Non Ministerial States funded bodies	22,027.7		
States Assembly and its services	5,296.1		
Net Revenue Department Expenditure Allocation	**655,920.0**	**657,516.2**	**698,035.8**
Capital Expenditure Allocation	**37,582.0**	**38,449.0**	**35,502.0**
Total States Net Expenditure Allocation	**693,502.0**	**695,965.2**	**733,537.8**

Adjustments to reconcile to Financial Forecasts:			
Net Revenue Expenditure Allocation	*655,920.0*	*657,516.2*	*698,035.8*
Depreciation	*(40,075.0)*	*(42,671.1)*	*(47,690.7)*
Net Revenue Expenditure Allocation (as shown in financial forecasts)	***615,845.0***	***614,845.0***	***650,345.0***
Capital Expenditure Allocation	*37,582.0*	*38,449.0*	*35,502.0*
JPH Asset Disposals Receipts	*(5,500.0)*	*(3,300.0)*	*-*
Earmarked Social Housing Capital Receipts	*(4,989.0)*	*(4,307.0)*	*(3,773.0)*
Other Earmarked Social Housing Funding	*(5,815.0)*	*(9,748.0)*	*(9,929.0)*
Additional Consolidated Fund (Clinique Pinel)	*(1,768.0)*		
Additional Consolidated Fund (Phillips Street Shaft)	*(3,600.0)*	*-*	*-*
Net Capital Expenditure Allocation (as shown in financial forecasts)	***15,910.0***	***21,094.0***	***21,800.0***
Total States Net Expenditure Allocation (as shown in financial forecasts)	***631,755.0***	***635,939.0***	***672,145.0***

Note:

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

SUMMARY TABLE F - Legislation programme for 2012

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

Business as usual: These are ongoing items of routine, but essential business

Comprehensive spending review implementation
Work will continue, with all departments, on legislation necessary to implement the Comprehensive Spending Review.

1.1 Chief Minister's Department
If the Civil Partnerships (Jersey) Law 201- is adopted in 2011, it is likely that some closing work on subordinate legislation will be required.
If the Control of Housing and Work (Jersey) Law 201- and the Register of Names and Addresses (Jersey) Law 201- are adopted in 2011, it is likely that closing work on subordinate legislation will be required.

Business as usual: sanctions Orders, implementation of TIEAs, double taxation agreements and conventions on taxation, PECRS maintenance

1.2 Economic Development Department

Financial services business development and regulation
Work is expected to continue on implementation of a new Limited Liability Partnerships Law and on the preparation of the second phase of security interests legislation; 25 days are set aside for routine amendments needed to keep financial services and companies legislation up-to-date.

General business regulation
Work will start or continue on a new Licensing Law
Work will start or continue on the implementation of a new Gambling Law (if the Law is adopted)
Work will start or continue on legislation to establish a Financial Services Ombudsman
Work will start or continue on a new Order to set the threshold for involvement of the Jersey Competition Regulation Authority in a merger or acquisition.
Business as usual: ongoing amendments required to keep financial services regulatory legislation up-to-date.

Intellectual property
Work will start or continue on a Plant Varieties Law; some closing work may also be needed on the laws related to registered intellectual property rights (Patents, Registered Designs, Trademarks)

Shipping
Business as usual: ongoing maintenance of Shipping legislation.

Aviation
Work may start on legislation to establish a new aircraft register.

Sea Fisheries
Work is expected to continue on the extension of the Sea Fisheries Law to aquatic resources. 25 days are set aside for routine amendments required to keep sea fisheries management legislation up-to-date.

1.3 Education, Sport and Culture
No major projects are expected.
Business as usual: ongoing maintenance of grants legislation.

1.4 Health and Social Services Department

Work is expected to continue on a Regulation of Care Law 201- (expected to start in the second half of 2011),on subordinate legislation facilitating the revalidation of doctors, on subordinate legislation under the Medicines Law regarding prescribing and on subordinate legislation to implement the Poisons (Jersey) Law 201- (if adopted).

1.5 Home Affairs
Some closing work may be required to implement Laws adopted in 2011.
Indicative: a review and update of the Police Procedures and Criminal Evidence codes of practice; new legislation to regulate the use of fireworks; anti-discrimination legislation; a review and update of proceeds of crime and anti-money laundering legislation.

1.6 Housing
Work will start or continue on legislation required to implement the housing transformation project.

1.7 Planning and Environment
Work is expected to continue on projects (started in the second half of 2011) regarding the eradication and control of diseases in animals.
Business as usual: work required to implement Jersey’s Protocol 3 obligations
Indicative: amendments of Agricultural Land (Control of Sales and Leases) (Jersey) Law 1974 (Rural economy strategy); new Law to regulate the slaughter of animals; new Law to allow exploitation of wind/tidal resources (if principle adopted by States); update existing legislation regarding cattle identification; new legislation to regulate the use of pesticides; revisions of Planning and Building Law; new legislation to promote plant health.

1.8 Social Security
Work is expected to continue on amendments to the Employment Law for family friendly policies and on subordinate legislation required to implement a Law providing for long term care (if adopted).
Work will start on phase 2 of a review of social security (phase 1 expected to be complete in 2011).
Business as usual: annual updates of income support and employment legislation.

1.9 Transport and Technical Services
Work is expected to continue on the development of a new Streetworks Law. No other major projects are anticipated.
Business as usual: Road Traffic Orders and Entertainments on Public Roads Orders.

1.10 Treasury and Resources
Work will start or continue on a second phase of amendments to the Public Finances Law (if the principle is adopted).
Business as usual: annual Budget legislation.

1.11 Non-Ministerial
No major projects are anticipated (PPC).
Business as usual: ongoing amendments to standing orders as required by the States Assembly.

APPENDIX A
(As Amended)

CSR PROPOSALS

2012

Summary of 2012 Savings Proposals

Ref	Proposal	2012 Proposals	
		£'000	FTE
CHIEF MINISTER			
CMD - S1	Review of Central Policy Unit and loss of Assistant Emergency Planning post	99	2.0
CMD - S2	50% cut in hired services budget, resulting in a loss of 50 law drafting days	25	-
CMD - S3	Reduced role of consultants in Economics Unit	15	-
T&R - S9 *	ISD - Technical delivery of telecoms, consolidation of existing Data Centres, plus central licence management	112	-
T&R - S10 *	ISD - Streamlined support model for corporate systems & services (includes the full year impact of 2011 saving)	54	-
T&R - S11 *	HR - Staff reduction by implementing technology improvements (includes the full year impact of 2011 saving)	50	1.0
	Sub Total	**355**	**3.0**
ECONOMIC DEVELOPMENT			
ED - S1	Reduction in business grants, integration of Jersey Enterprise and Jersey Business Venture & outsourcing of the combined entity through a contract for services to deliver medium-long term reduction in expenditure.	194	-
ED - S2	Relocation of EDD from Liberation Place to lower cost accommodation, plus other savings on overheads	147	-
ED - S3	Increase in grant to Jersey Finance Limited to fund the recurring cost of the 3rd overseas office	(90)	-
ED - S4	Reduction in grant to Jersey Financial Services Commission	63	-
ED - S5	Reduction in finance industry development through reprioritisation of legislative development	50	-
ED - S6	Retirement of the UK Marketing Representative and a reduction of Quality Milk Payments	100	-
ED - S7	Reduction in grant to the Gambling Commission	80	-
ED - S8	Closure of weighing office, reduction in Trading Standards non-staff costs & Jersey Consumer Council grant.	16	-
ED - S9	Merging of Strategic Development with Regulatory Services to achieve efficiency savings	90	-
ED - S10	Reductions in cost of administrating Jersey Apprenticeship Scheme	10	-
ED - S11	General efficiency savings	6	-
	Sub Total	**666**	**0**
EDUCATION SPORT & CULTURE			
ESC - S1	Reduce sports grants to clubs, individuals and governing bodies	160	-
ESC - S2	Introduce devolved model of pitch management	80	-
ESC - S3	Introduce new model of delivering holiday activity clubs	80	1.0
ESC - S4	Restructure the customer services team following the introduction of an online booking system at Fort Regent	23	0.6
ESC - S5	Continuation of Property Occupancy Charge to fee paying provided schools	80	-
ESC - S6	Cease grant to independent preparatory schools	270	-
ESC - S7	Higher Education - assessment of 'Household Income'	200	-
ESC - S8	ESC procurement savings through re-negotiation of contractual arrangements	150	-
		1,043	**1.6**
ENVIRONMENT			
DoE - S1	Reorganisation of the fisheries section (full year impact of 2011 saving)	22	-
DoE - S2	New organisational structure (full year impact of 2011 saving)	16	-
DoE - S3	Environmental Protection Review - Agricultural Inspector (full year impact of 2011 saving)	14	-
DoE - S4	Historic Buildings Grant and Awareness budget	30	-
	Sub Total	**82**	**0**

* These proposals, previously shown as Treasury and Resources, have been transferred in accordance with P.123/2011 Amd 10

Note: Although no change to savings proposals was agreed in the Business Plan debate, the transfer of Information Services and Human Resources to Chief Minister's Department has affected the presentation of savings

Summary of 2012 Savings Proposals

Ref	Proposal	2012 Proposals	
		£'000	FTE
HEALTH & SOCIAL SERVICES			
HSS - S1	Introduce systems to manage procurement (Procure to Pay System)	250	-
HSS - S2	Review Service Level Agreements (UK & Jersey) with providers	150	-
HSS - S3	Reduction in Energy Consumption	130	-
HSS - S4	Rationalisation of Management Posts	91	-
HSS - S5	Review Occupational Therapy Services, less essential SLA annual increases and other efficiency savings	100	-
HSS - S6	Review process pathways in the hospital to improve efficiency	175	-
HSS - S7	Joint initiatives with Guernsey	150	-
HSS - S8	Rationalisation of H&SS Estate	110	-
HSS - S9	Redesign of Children's Respite Services	65	-
HSS - S10	A&E - appropriate use of service	50	-
HSS - S11	Workforce efficiencies review	50	-
HSS - S12	Redesign of Special Needs residential services	50	-
HSS - S13	Better price negotiations for the purchase of care services	15	-
	Sub Total	**1,386**	**0**
HOME AFFAIRS			
HA - S1	Police - Reduce 2 FTE Posts	114	2.0
HA - S2	Police - Review Training (Probationer and other)	100	-
HA - S3	Police - Renegotiate Forensic Medical Examiners Contract	100	-
HA - S4	Police - Further reduce Police overtime	80	-
HA - S5	Police - Outsource Prisoner Transport/Court Security	75	-
HA - S6	Police - Loss of CID Allowance	50	-
HA - S7	Police - CCTV running costs	40	-
HA - S8	Police - Reduce travel and subsistence costs	30	-
HA - S9	Police - Create a vehicle pool	20	-
HA - S10	Police - Reduce policing at special events	20	-
HA - S11	Police - Reduce recruitment advertising costs	18	-
HA - S12	Jersey Fire & Rescue Service - Reduction in staff costs	54	-
HA - S13	Create new Prison Officer Grade	200	-
HA - S14	Prison - Reduce senior officer post	49	1.0
HA - S15	Reduction in prisoner activity/education due to reduction in prison population	45	-
HA - S16	Changes in Prison working practices	30	-
HA - S17	Jersey Field Squadron - Military Liaison Officer staff reduction	39	1.0
	Sub Total	**1,064**	**4.0**
HOUSING			
HSG - S1	Reduction in servicing of wet heating systems through the conversion to electrical systems	76	-
HSG - S2	Offer properties to capable applicants with limited decoration vouchers. Maintain refurbishment levels for vulnerable customers only	100	-
HSG - S3	Reduction in heating repair calls following roll out of electric heating systems	100	-
HSG - S4	Reduction in general overheads	7	-
HSG - S5	Remove grant to 'Prison, Me? No Way!'	15	-
	Sub Total	**298**	**0**
SOCIAL SECURITY			
SS - S1	Limit uprating of Income Support: review of Special Payments: and benefit fraud initiative.	1,260	
SS - S2	Reduction in staff costs including reducing use of overtime and temporary staff.	94	
SS - S3	Reduction in Employment Services costs, reducing the budget to the Public Sector Scheme which is closed to new applicants and other savings with grant aided bodies.	107	
SS - S4	Reduction in non-staff administrative costs.	30	
SS - S5	Reduction in Health & Safety Inspectorate staff costs and grant.	9	
	Sub Total	**1,500**	**0**

Summary of 2012 Savings Proposals

Ref	Proposal	2012 Proposals £'000	2012 Proposals FTE
TRANSPORT & TECHNICAL SERVICES			
TTS - S1	Savings due to new EfW being fully operational and the reorganisation of the Solid Waste Section (of which £63,000 is the full year impact of 2011 savings)	361	3.0
TTS - S2	Review of sludge disposal	10	-
TTS - S3	Retendering of the bus contract	225	-
TTS - S4	Park and gardens staff reorganisation (of which £43,000 is the full year impact of 2011 savings)	57	-
TTS - S5	Reduction in Overtime	26	-
TTS - S6	Reorganisation of the cleaning section (full year impact of 2011 saving)	8	-
TTS - S7	Liquid Waste efficiencies including energy audit	70	-
TTS - S8	Reduction in Plant and Vehicle Hire across the Department	149	-
TTS - S9	Harbours - Review of seasonal posts and SLA requirements	60	-
TTS - S10	Efficiency savings in bus printing and accommodation	55	-
TTS - S11	Consolidated Engineering Services efficiencies	52	-
TTS - S12	DVS reorganisation (full year impact of post reduction in 2011)	19	-
TTS - S13	Corporate efficiencies	10	-
	Sub Total	**1,102**	**3.0**
TREASURY & RESOURCES			
T&R - S1	Savings identified by the Taxes review	151	2.0
T&R - S2	Reduce annual payment into States self-insurance fund	47	-
T&R - S3	Loss of post in Shared Services (full year impact of 2011 savings)	45	-
T&R - S4	End of contract resource in performance reporting	60	1.0
T&R - S5	Restructure management accounting support	28	-
T&R - S6	Reduction in Audit Contract days	10	-
T&R - S7	Financial planning - efficiency savings	3	-
T&R - S8	Architects - consolidation of the design function (full year impact of 2011 saving)	126	-
T&R - S12	Restructure of procurement team	33	1.0
	Sub Total	**503**	**4.0**
NON-MINISTERIAL			
Bailiff's Chambers			
NM - S1	Improved procurement processes and efficiencies	10	-
Law Officers' Department			
NM - S2	Reduce amount paid to external providers	350	-
Judicial Greffe			
NM - S3	Savings resulting from Court & Case Costs review	61	-
NM - S4	Departmental staff efficiencies	27	-
Office of the Lieutenant Governor			
NM - S5	Removal of senior post and reduction in housekeeping hours	43	1.0
Probation			
NM - S6	JPACS - Assistant Probation Officer post and a Case Management post	64	1.5
Comptroller and Auditor General			
NM - S7	General savings in non-audit expenditure.	10	-
	Sub Total	**565**	**2.5**
STATES ASSEMBLY			
SA - S1	Remuneration savings due to 2 less States Members from end of 2011	92	-
SA - S2	General admistrative efficiency savings	11	-
	Sub Total	**103**	**0**
	DEPARTMENTAL TOTAL	**8,667**	**18.1**
CORPORATE SAVINGS			
	Procurement	3,000	-
	Terms and Conditions	7,000	-
	GRAND TOTAL	**18,667**	**18.1**

Note: Although no change to savings proposals was agreed in the Business Plan debate, the transfer of Information Services and Human Resources to Chief Minister's Department has affected the presentation of savings

Summary of 2012 User Pays Proposals

Ref	Proposal	2012 £'000
CHIEF MINISTERS		
CMD - UP1	Increase in consent fees for property purchase.	11
	Sub Total	**11**
ECONOMIC DEVELOPMENT		
ED - UP1	Charging of services from Jersey Enterprise including attendance at Jersey Enterprise events	22
ED - UP2	Introduction of charge for Regulation of Undertakings licence process	12
ED - UP3	Increase charges for services provided by the States at the abattoir to be levied to increase cost recovery	7
	Sub Total	**41**
EDUCATION SPORT & CULTURE		
ESC - UP1	Remove the inequity in nursery education by bringing public provision in line with private provision	276
ESC - UP2	Introduce charges for the Jersey Instrumental Service	84
ESC - UP3	Increase sports income	53
	Sub Total	**413**
HEALTH & SOCIAL SERVICES		
HSS - UP1	Patient Transport: Review PTS provision	46
HSS - UP2	A proposal to move smoking cessation support services into a community setting	94
HSS - UP3	Introduce an A and E charging mechanism.	94
HSS - UP4	Review the thresholds for travel to the UK for elective surgery	94
HSS - UP5	Consider the re-introduction of prescription charges by H&SS	78
HSS - UP6	Surgical specialties: non-urgent cosmetic procedures	32
HSS - UP7	Income generation initiatives within Community and Social Services	31
HSS - UP8	Recovery of costs from Private Patients and insurance companies for Road Traffic Accidents	161
	Sub Total	**630**
HOUSING		
HSG - UP1	Increased parking income from letting out more spaces.	30
	Sub Total	**30**
TREASURY & RESOURCES		
T&R - UP1	Savings will be achieved through User Pays for non-core Estates Management	100
T&R - UP2	Increasing rents that are currently subsidised to market levels and rationalising office space	200
	Sub Total	**300**
NON-MINISTERIAL		
Judicial Greffe		
NM - UP1	Increased income from Stamp Duty	270
Viscounts		
NM - UP2	Increased income from Stamp Duty	56
	Sub Total	**326**
	TOTAL	**1,751**

Summary of 2012 Growth Proposals

Ref	Proposal	2012 £'000
CHIEF MINISTER		
T&R - G4 *	Equipment and support to maintain levels of resilience, bandwidth and security and the renewal/replacement of servers	324
T&R - G5 *	PECRS Pension Costs	50
	Sub Total	**374**
EDUCATION SPORT & CULTURE		
ESC - G1	ICT Strategy	652
ESC - G2	Skills Strategy	200
ESC - G3	Higher Education - Current Budget Shortfall	800
ESC - G4	Higher Education - Potential Budget Shortfall	1,200
ESC - G5	Teachers Terms and Conditions	800
	Sub Total	**3,652**
HOME AFFAIRS		
HA - G1	Establishment of a Police Authority	100
HA - G2	Filling of Essential Vacancies	320
HA - G3	Sex Offenders Legislation - Additional staff for Probation and Children's Services (transferred to that department in 2012)	184
HA - G4	Sex Offenders Legislation - Court and Case Costs (transferred to the Judicial Greffe in 2012)	700
	Sub Total	**1,304**
TREASURY & RESOURCES		
T&R - G1	One off funding for ITRS compliance	100
T&R - G2	Recruit additional officers for tax investigation and collection	248
T&R - G3	One off funding for Property Valuations required to meet GAAP compliance	300
	Sub Total	**648**
	TOTAL	**5,978**

* These proposals, previously shown as Treasury and Resources, have been transferred in accordance with Amendment 10

Note: Although no change to growth proposals was agreed in the Business Plan debate, the transfer of Information Services and Human Resources to Chief Minister's Department has affected the presentation.

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