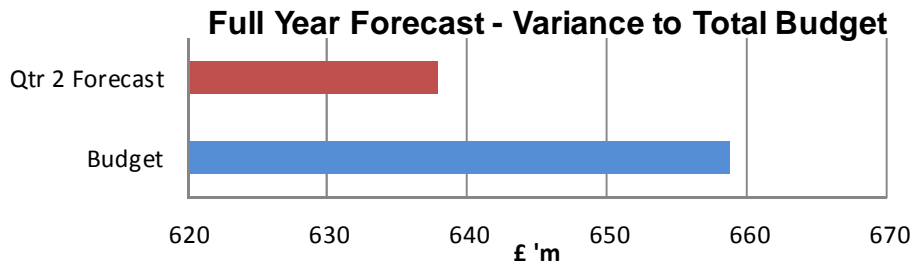


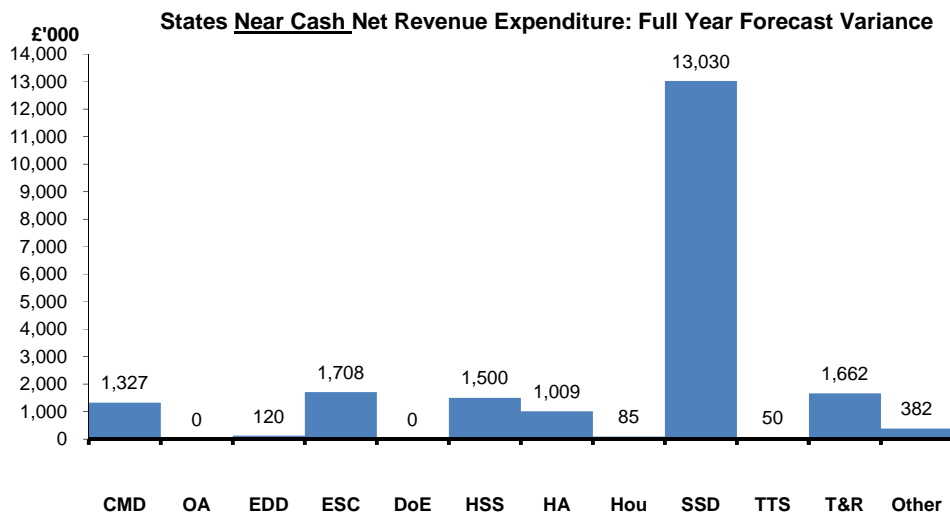
## INTRODUCTION

The full year general revenue income forecast as at June 2013 is £2 million below original budget. Near cash net revenue expenditure forecast (excluding central reserves, restructuring and depreciation) is £20.9 million better than forecast, with no departments forecasting an overspend. Further detail and explanation for the variances can be found in the report.

## NET EXPENDITURE – NEAR CASH



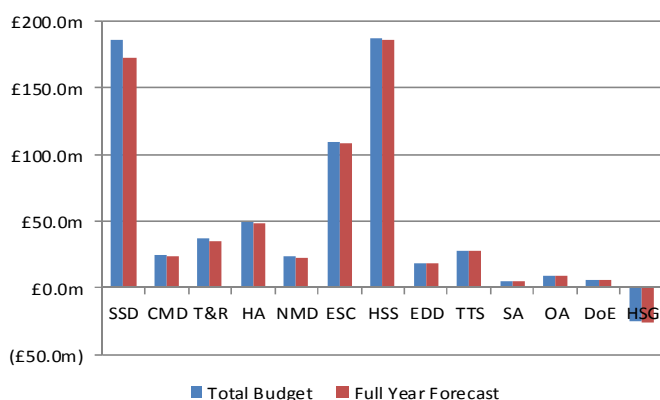
- The full year near cash net revenue expenditure forecast (excluding central reserves, restructuring and depreciation) of £638 million is £20.9 million less than budget.
- In addition to this there is £25.3 million in central reserves and restructuring provision which has not been allocated out to departments. However, of this, £20.8 million is earmarked pending the correct approval process, leaving a balance of £4.5 million available (See Appendix 1).



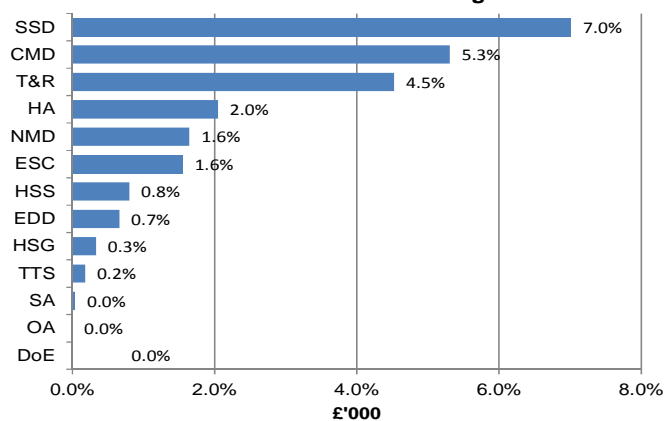
- The £20.9 million balance of underspends relating to departments comprises:
  - Social Security has forecast a £13.0 million underspend. £7.6 million relates to the impact of lower Income Support claimant numbers and revised unemployment assumptions. £2.0 million relates to lower than budgeted Residential Care claimant numbers and an increase in income per claimant. A further £1.0 million underspend has been identified on Back to Work projects due to slower uptake on schemes than anticipated. The balance of £2.4 million is made up of underspends on Employment Grants, Income Support contingencies and other minor variances. The intention is to request this total underspend as a carry forward and ring-fenced to contribute to the Long Term Care scheme, subject to States approval of P.099/2013.

- o Education, Sport and Culture have forecast a £1.7 million underspend. £929,000 relates to Schools and Colleges. Schools are encouraged to manage finances across years so as to respond to demographic changes. A £338,000 underspend has been identified in Higher Education based on the September 2012 cohort. Further underspends of £516,000 were identified across the Department.
- o Health and Social Services have forecast a £1.5 million underspend. £1.9 million of the underspend relates to delays in implementing White Paper projects and the allocation of contingency throughout the Autumn review. £995,000 of underspend has resulted from staff vacancies and other savings across pay groups reflecting targeted savings to meet CSR targets and the impact of On and Off Island Care. This is offset by a £1.395 million overspend due to the high cost community care packages, children's UK placements, children's respite and higher assessed additional health care needs for a number of on island placements.
- o Chief Minister's Department have forecast a £1.3 million underspend. £859,000 relates to underspends in Human Resources due to vacant posts and funding for long term modernisation projects which will continue in 2014. The remaining £441,000 relates to net underspends to be carried forward for projects continuing beyond 2013 (Household Expenditure Survey, Joint Safeguarding Board and Public Sector Reform).
- o Home Affairs have forecast a £1.0 million underspend. This relates to planned underspends on staff costs and supplies and services across the Department, to be requested for carry forward to manage the delivery of CSR savings and Police recruitment.
- o Economic Development, Housing, TTS, Non Ministerial Departments and States Assembly have forecast underspends totalling £637,000.
- o Treasury have forecast a £1.7 million underspend. £1.0 million relates to underspends in Corporate Procurement where funding was received from the Restructuring Provision in full for the Procurement Transformation Project spanning multiple years. This will be requested to carry forward into 2014. £300,000 of underspend on contingencies relating to large maintenance projects within Jersey Property Holdings. Further underspends of £400,000 were identified across the Department.

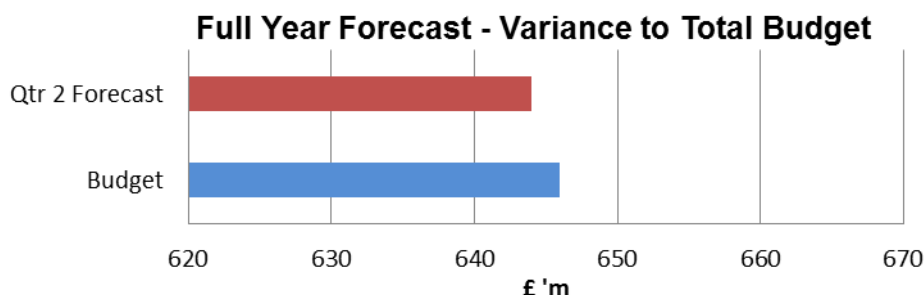
**Near Cash Net Revenue Expenditure  
Full Year Budget vs Forecast**



**Full Year Forecast  
Variance as a % of Total Budget**



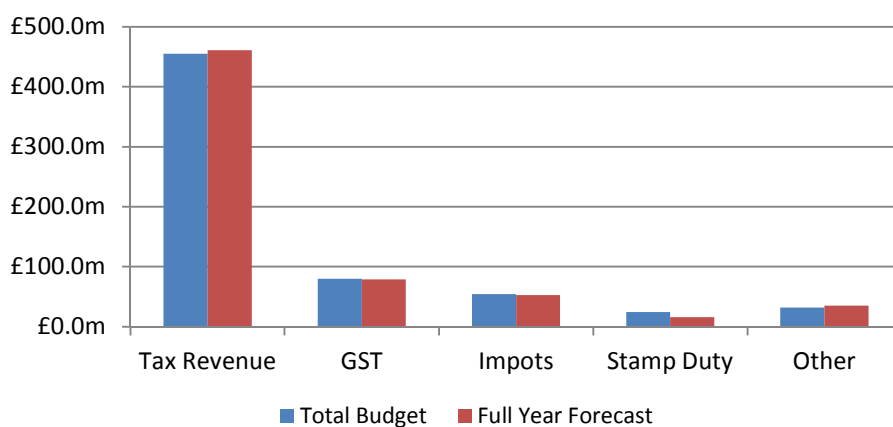
## GENERAL REVENUES



- The full year forecast of £644 million is £2 million less than the Budget for 2013.
- Income Tax is forecast to be £6 million better than the budget position. This is made up of £10.0 million adverse variance in Personal Tax and a £16.0 million favourable variance in Company Tax which includes a £10 million one off settlement.
- GST is forecast to be £920,000 lower than the budget.
- Impôts is forecast to be £1.5 million lower than budget.
- Stamp Duty is forecast to be £8.6 million lower than budget.
- Other income is forecast to be £2.99 million above budget with dividend income £3.1 million higher offset by minor adverse variances of £0.2 million. This variance excludes £4.5 million of dividend which is forecast in the MTFP.
- Income year to date variance is £17.9 million adverse, primarily due to a net decrease in Income Tax of £11.4 million comprising an overachievement in Company Tax (£6.8 million) offset by an underachievement in Personal Tax (£18.2 million). This is in part due to the order of tax returns being processed as tax returns can be submitted at varying times. This timing difference impact is expected to be eliminated by year end. Other Income is up on budget by £575,000 primarily due to Investment Income overachievement and GST by £47,000. This is offset by Stamp Duty (£5.1 million), Impôts (£0.9 million) and Island Rate income (£1.1 million).

## States General Revenue Income – Budget vs Forecast by Source

**General Revenue Income  
Full Year Budget vs Forecast**



## Tax Revenue

- £6 million favourable variance for 2013 Revenues made up of £10 million adverse Personal Tax and £16 million favourable Business Tax. A reforecast of Personal Tax was performed in June as a result of the year to date performance together with an expectation of reduced income due to the impact of the withdrawal of distribution rules and the economic situation. This was based on a sub-set of assessments in 2013 that can be compared to a 2012 equivalent assessment to extrapolate a full year position. The result is higher than 2012 but lower than the 2013 budget.

A reforecast of Business Tax was performed as at the end of February as returns were received. This was adjusted down based on appeals received in April. An additional adjustment of £10 million was made for one off income from a taxpayer in June.

## GST

- £920,000 adverse variance based on a reforecast performed in May on March quarter end data. The variance is principally due to a decline in revenue from the construction industry. This was offset by £500,000 of additional one off revenue from a single taxpayer.

## Impôts

- £1.5 million adverse variance with the most significant elements being Fuel at £970,000 adverse and Alcohol at £397,000 adverse. There are a number of factors currently impacting fuel consumption including: improved vehicle fuel efficiency, increased use of electric vehicles, increased use of public transport and economic conditions affecting vehicle use. Issues potentially affecting alcohol revenues are: increased stock purchases late in 2012 before the duty increased, discussion with traders indicates business is down in pubs with individuals prioritising spending more carefully.

## Stamp Duty

- £8.6 million adverse variance. The actuals for the first half of 2013 are down on forecast and down on the same period for 2012. Taking account of the lower outturn in 2012, actuals for the first half of 2013 and the revised economic assumptions, a significant reduction in the 2013 forecast compared to Budget/MTFP has been made. The 2013 actuals will continue to be monitored closely to assess whether there is any indication of an earlier recovery in the market.

## Other

- £2.99 million favourable variance. Dividend income from Jersey Post and Jersey Telecom are forecast to be £1.7 million and £1.4 million respectively better than budget. These are one off special dividends agreed after the budgets were set and are expected to be in line with expectations. This is offset by £0.2 million of minor adverse variances.

## STATES OF JERSEY SERVICE ANALYSIS

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

	Year to date			Full Year			Change in Fcast to Last Qtr £'000
	Actual £'000	Variance to Budget £'000	Variance to Prior Year £'000	Budget £'000	Forecast £'000	Variance to Budget £'000	
<b>INCOME - ANALYSIS OF GENERAL REVENUES</b>							
Income Tax	(259,656)	(11,425)	187	(454,965)	(460,965)	6,000	0
GST	(42,773)	47	54	(79,761)	(78,841)	(920)	(78)
Impots	(24,091)	(944)	(1,831)	(54,534)	(53,042)	(1,492)	(1,533)
Stamp Duty	(7,146)	(5,071)	(4,248)	(24,529)	(15,898)	(8,631)	(1,591)
Island Rate	(4,784)	(1,051)	(956)	(11,670)	(11,670)	0	0
Other*	(12,703)	575	379	(20,545)	(23,536)	2,991	460
<b>Total Income from General Revenues</b>	<b>(351,153)</b>	<b>(17,869)</b>	<b>(6,415)</b>	<b>(646,004)</b>	<b>(643,952)</b>	<b>(2,052)</b>	<b>(2,742)</b>
<b>NET REVENUE EXPENDITURE BY DEPARTMENT</b>							
Chief Minister's Department	10,583	1,196	(1,496)	25,511	24,100	1,411	(1,182)
Economic Development	7,867	47	(472)	18,175	18,055	120	1,082
Education Sport & Culture	54,038	1,055	(1,426)	110,155	108,450	1,705	981
Health & Social Services	92,008	(431)	(5,022)	190,730	189,230	1,500	1,500
Home Affairs	24,439	1,271	(695)	49,895	48,886	1,009	(21)
Housing	(7,382)	(1,861)	(2,290)	(15,830)	(11,591)	(4,239)	(117)
Department of the Environment	3,139	(169)	(45)	6,485	6,464	21	3
Social Security	83,201	5,712	(1,556)	185,693	172,663	13,030	976
Transport & Technical Services	18,229	(396)	(1,230)	43,890	46,548	(2,658)	874
Treasury and Resources	23,116	(3,642)	(4,989)	47,839	55,199	(7,360)	(530)
Other*	19,595	2,523	379	37,850	37,462	388	(279)
	<b>328,833</b>	<b>5,305</b>	<b>(18,842)</b>	<b>700,393</b>	<b>695,466</b>	<b>4,927</b>	<b>3,287</b>
<b>NET REVENUE EXPENDITURE BY TRADING OPERATION</b>							
Jersey Airport	(945)	217	681	(532)	(1,167)	635	2,399
Jersey Harbours	128	17	(1,031)	251	1,212	(961)	(1,376)
Jersey Car Parks	(122)	549	263	689	(370)	1,059	14
Jersey Fleet Management	(124)	(21)	(71)	(291)	(249)	(42)	(19)
	<b>(1,063)</b>	<b>762</b>	<b>(158)</b>	<b>117</b>	<b>(574)</b>	<b>691</b>	<b>1,018</b>

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

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

Reconciliation Near Cash to IFRS Budget	£'000
MTFP 2013 Department Net Revenue Expenditure	626,224
Carry Forwards	22,125
Additional Budget	12,263
Revenue to Capital	(1,876)
Near Cash	658,736
Non-Cash Depreciation	41,657
Total Department Net Revenue Expenditure	700,393

## STATES OF JERSEY SERVICE ANALYSIS – (continued)

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

Departments	<u>Year to Date Reconciliation</u>			<u>Full Year Reconciliation</u>		
	Variance actual expenditure v budget			Variance forecast expenditure v budget		
	Near Cash	Non Cash	Total	Near Cash	Non Cash	Total
Entity	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000	Variance Fav/(Adv) £'000
Chief Minister's Department	1,146	50	1,196	1,327	84	1,411
Economic Development	47	0	47	120	0	120
Education Sport & Culture	1,016	39	1,055	1,708	(3)	1,705
Health & Social Services	(432)	1	(431)	1,500	0	1,500
Home Affairs	1,297	(26)	1,271	1,009	0	1,009
Housing	173	(2,034)	(1,861)	85	(4,324)	(4,239)
Department of the Environment	(180)	11	(169)	0	21	21
Social Security	5,712	0	5,712	13,030	0	13,030
Transport & Technical Services	854	(1,250)	(396)	50	(2,708)	(2,658)
Treasury and Resources	810	(4,452)	(3,642)	1,662	(9,022)	(7,360)
Other	2,509	14	2,523	382	6	388
Departmental Cash Limits	12,952	(7,647)	5,305	20,873	(15,946)	4,927

## STATES OF JERSEY ASSET POSITION

As at 30th June 2013 the Strategic Reserve was valued at £706,540,653.

The Strategic Reserve has shown consistent growth over the last two years. Performance is examined below.

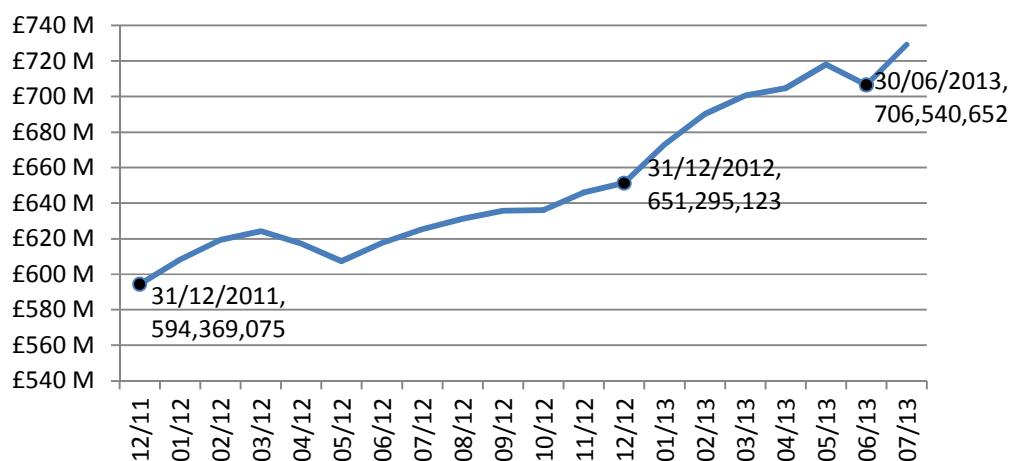
31 December 2012 valuation: £651.3m (Growth to 30<sup>th</sup> June 2013: £55.2 million)

31 December 2011 valuation: £594.4m (Growth to 30<sup>th</sup> June 2013: £112.1 million)

At 30<sup>th</sup> June 2013 the Strategic Reserve was within its strategic range:

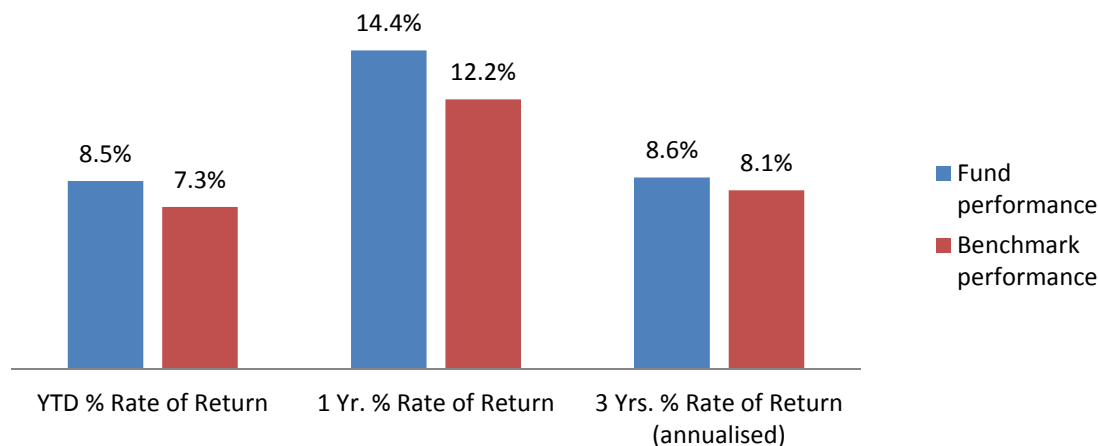
Over the last 2 years, the Strategic Reserve has seen consistent growth.

**Movement in the value of the Strategic Reserve**



Since inception of the Common Investment Fund (June 2010) performance of the Strategic Reserve has been in excess of benchmark.

## Strategic Reserve: Fund Performance



As at 30 June 2013 the Common Investment Fund was valued at £1,791,137,041.

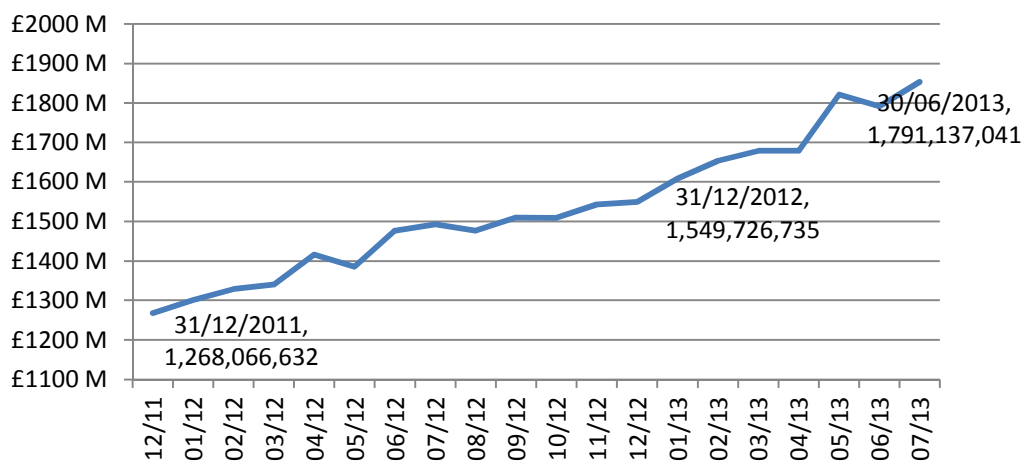
The Common Investment Fund has shown consistent growth over the last two years. Performance is examined below.

31 December 2011 valuation: £1,268.1m\*

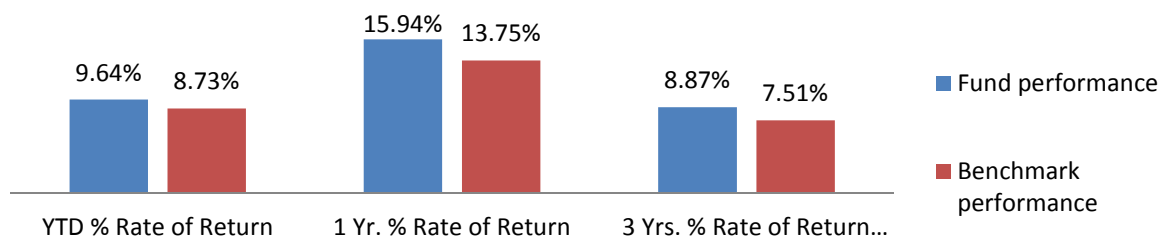
31 December 2012 valuation: £1,549.7m\*

\*Please note some of the increase in value is attributable to additional capital contribution as well as performance.

**Movement in the value of the Common Investment Fund**



**Common Investment Fund: Fund Performance (net of fees)**





## APPENDIX 1 - CENTRAL RESERVES AND RESTRUCTURING COSTS

Date		Total Budget £	Forecast £	Earmarked £	Balance of Budget Not Allocated from Central Funding £
<b>Central Contingency</b>					
01/01/2013	Opening Balance (Pay Provision)	5,900,300			
	Carry Forward - AME	2,000,000			
	Carry Forward - Emerging Items	4,000,000			
	Carry Forward - Smoothing Reserve	2,859,917			
	Carry Forward - Smoothing Reserve from Depts	536,602			
	Carry Forward - One Off (Insurance)	4,502,509			
	Carry Forward - One Off (AME)	4,000,000			
	Carry Forward - One Off	5,600,214			
	Carry Forward - One Off (MTFP Commitments)	530,000			
	Carry Forward - One Off (Dept Unrequested)	535,887			
	Carry Forward - One Off	200,000			
	States Training Needs - CMD	(360,000)			
	Project Omega	(653,958)			
	Pay Award 1% Non Consolidated + 1% Consolidated	(5,846,895)			
	Project Omega	0			
	McKinsey - Financial Services Sector Review - EDD	(250,000)			
	Band of the Island of Jersey	(20,000)			
	Cadet and Military Officer	(26,000)			
	Island Plan/Masterplanning		(100,000)		
	Environmental Protection		(200,000)		
	Countryside Infrastructure		(50,000)		
	ESC Infrastructure Contingency to JHT		(315,000)		
	Doctors Pay 2013		(140,000)		
	Third Sector Forum			(35,000)	
	Freedom of Information 2013 - 2015			(797,000)	
	Nurses Pay Award 2013			(1,800,000)	
	Hospice Building			(500,000)	
	Committee of Inquiry			(800,000)	
	Project Omega Balance Forecast			(3,848,551)	
	London Office - International Division			(463,000)	
	Smoothing Reserve			(3,396,519)	
	AME - Balance			(6,000,000)	
	Emerging Items			(2,403,000)	
	<b>Central Reserves</b>	<b>23,508,576</b>	<b>(805,000)</b>	<b>(20,043,070)</b>	<b>2,660,506</b>
<b>Restructuring Costs</b>					
01/01/2013	Opening Balance - Restructuring	5,098,000			
	Opening Balance - Procurement Savings	(3,451,300)			
	Carry Forward - From Restructuring	2,137,050			
	Carry Forward - From Central Reserves	3,083,000			
	HSS - Support for Lean Projects	(82,000)			
	HSS - CSR Support	(117,000)			
	CMD - HR System Replacement PM Costs	(144,000)			
	CMD - Data Centre Migration	(105,000)			
	T&R - Procurement Transformation Programme	(800,000)			
	T&R - Taxes Transformation Programme	(19,900)			
	CMD - CSR Delivery Team	(410,000)			
	CMD - Organisational Development/Change Leader	(200,000)			
	CMD - Employee Relation Support	(100,000)			
	ESC - FCJ Funding	(306,300)			
	CMD - Law Drafting	(29,000)			
	Public Sector Reform	(2,685,000)			
	<b>Restructuring Costs</b>	<b>1,868,550</b>	<b>0</b>	<b>0</b>	<b>1,868,550</b>
<b>Central Reserves and Restructuring Costs</b>		<b>25,377,126</b>	<b>(805,000)</b>	<b>(20,043,070)</b>	<b>4,529,056</b>