States of Jersey

MEDIUM TERM FINANCIAL PLAN 2013-2015

Council of Ministers

I.J. Gorst	Senator	Chief Minister
B.I. Le Marquand	Senator	Home Affairs and Deputy Chief Minister
P.F.C. Ozouf	Senator	Treasury and Resources
A.J.H. Maclean	Senator	Economic Development
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A.E. Pryke	Deputy	Health and Social Services
A.K.F. Green M.B.E.	Deputy	Housing
R.C. Duhamel	Deputy	Planning and Environment
F. du H. Le Gresley	Senator	Social Security
K.C. Lewis	Deputy	Transport and Technical Services

J.D. Richardson	Chief Executive
L.J. Rowley	Treasurer of the States

Draft Medium Term Financial Plan 2013 – 2015

Proposition

The States are asked to decide whether they are of opinion: to receive the draft Medium Term Financial Plan 2013-2015 and, in accordance with the provisions of Article 8 of the Public Finances (Jersey) Law 2005 –

a. to approve the intended total amount of States' income for each of the financial years 2013 to 2015 as set out in Summary Table A.

b. to approve the total amount of States' net expenditure for each of the financial years 2013 to 2015 as set out in Summary Table A.

c. to approve the following amounts (not exceeding in the aggregate the total amount set out in paragraph (b) above) –

   i. the appropriation of an amount to a revenue head of expenditure for each States funded body (other than the States trading operations) being the body's total revenue expenditure less its estimated income for each of the financial years 2013 to 2015 as set out in Summary Table B, with, in relation to the head of expenditure of the Health and Social Services Department, the approval of £2,000,000 in 2013, £6,000,000 in 2014 and £6,000,000 in 2015 dependent, in accordance with the provisions of Article 16(4) of the Public Finances (Jersey) Law 2005, on the approval by the States of the transfer of these sums from the Health Insurance Fund to the Health and Social Services Department.

   ii. the amount to be allocated for Contingency expenditure for each of the years 2013 to 2015 as set out in Summary Table C.

   iii. the total amount, as set out in Summary Table D, that, in the Budget for the financial years 2013 to 2015, may be appropriated to capital heads of expenditure, being an amount that is net of any proposed capital receipts and other funding to be used for capital projects to which the amount may be appropriated, with £8,500,000 of the 2013 allocation, £4,743,000 of the 2014 allocation and £1,757,000 of the 2015 allocation dependent upon the approval by the States of the redemption of the States 9% Preference Shares in the JT Group Ltd. as set out in paragraph (f).

d. to approve the following, as set out in Summary Table F, in respect of each States trading operation for the financial years 2013 to 2015 –

   i. its estimated income.

   ii. its estimated expenditure.

   iii. its estimated minimum contribution to be made to the Consolidated Fund.

e. to approve, in respect of each States trading operation, the total cost of the capital projects that each is scheduled to start during the financial years 2013 to 2015 as set out in Summary Table G.

f. to approve, in accordance with Article 32(5)(a) of the Telecommunications (Jersey) Law 2002, the disposal by way of redemption of the States 9% Preference Shares in the JT Group Ltd with the redemption value of £20 million being applied, £15 million to the Capital Programme for 2013 to 2015 and the balance of £5 million for Economic Development Department to provide funding for the proposed Innovation Fund.

Note 1: The Medium Term Financial Plan seeks approval for the amount of capital expenditure in 2013, 2014 and 2015 for each year in total. The approval for the allocation of the capital to individual capital schemes will be sought for each year in the Budget report to the States. The capital schemes for 2013, 2014 and 2015 are therefore indicative and may change according to the needs at the time.

Note 2: The Medium Term Financial Plan assumes that funding of substantial elements of the forward capital programme for both the Housing Department and the Airport and Harbours Trading Operations will be funded from capital receipts, borrowing and other funding sources. Some of these funding sources rely upon the Housing and Ports Authority Incorporations and if these were not successful, or were delayed, the States is likely to have to identify some alternative means of funding.

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FOREWORD

Chief Ministers Foreword

Jersey, like many places, is facing challenging economic times in an increasingly competitive global environment.

In the past three years we have made a number of difficult decisions to keep the Island on a sound financial footing. Whilst our economy has been affected by the global downturn, we now have the security of strong foundations from which to navigate a prolonged recovery period.

The Strategic Plan 'Inspiring Confidence in Jersey's Future' was approved by the States in May 2012, designed to steer the Island through these difficult times, ensuring every section of our community can play its part in building a successful future.

Our Strategic Plan highlighted the many of the issues Islanders told us are important to them and their families – population, health, education, jobs and using taxpayers' money wisely to support our economy. Our vision for Jersey's future was summed up in seven key priorities, which are:

1. Getting people into work.
2. Housing our community.
3. Promoting family and community values.
4. Reforming government and public service.
5. Managing population growth/immigration.
6. Reforming health and social services.
7. Introducing sustainable long-term planning.

This Medium Term Financial Plan is an important next step in Jersey's sustainable long-term planning and will provide a foundation for our future. Developing medium and long term financial plans to deal with taxation and funding strategies for long-term capital and revenue expenditure is vital in meeting the challenges of the economic downturn and the ageing population.

I wanted the Strategic Plan to form the basis of a partnership between government and the people of Jersey for the benefit of everyone in our community. Now, this Medium Term Financial Plan will ensure that we have the financial ability to achieve the goals of the Strategic Plan over the next three years. It is a change in the way that we do things with a focus on longer-term decision making and planning more efficiently for the Island's future.

Jersey has traditionally provided a good quality of life for its residents and a competitive climate for its businesses. We will continue to face a number of challenges in the coming years and we need to maintain a careful balance between our economic, social and environmental policies as we deal with those challenges.

I am confident that this three-year plan puts us in a strong position to build a successful future.

EXECUTIVE SUMMARY

Executive Summary

2011-2013

Over the last three years the world has faced one of the greatest periods of economic downturn and uncertainty experienced in modern times. In Jersey, on top of the original estimate of £100 million pounds tax loss as a result of moving to the zero/ten tax regime, the Island was facing up to a further £100 million pound deficit in its public finances by 2013 from the economic downturn. In addition, with a growing population of older people, the Island needed to prepare for unavoidable increases in demand for services, particularly health and social care.

To deal with this, Jersey's Council of Ministers put forward a three-part plan to tackle the projected deficit by:

1. Raising taxes by £35 million pounds to close the gap.
2. Boosting growth through a fiscal stimulus package.
3. Cutting spending by 10% within 3 years so as to generate savings of £65 million.

It is against this backdrop that the States is now developing a Medium Term Financial Plan for the three years 2013 to 2015.

Where Are We Now?

New tax measures have been implemented, significant progress has been made towards delivering savings targets of £65 million and the Council of Ministers remains committed to achieving a balanced budget by 2013. £44 million of fiscal stimulus funding has also been successfully applied to support the economy.

The fall in income from zero/ten has happened at the levels predicted and, thankfully, the effects of the economic downturn in Jersey have not been quite as bad as anticipated. Jersey now has a more typical mixture of funding sources from Income Tax, Company Tax, Consumption Tax and Duties which is much more sustainable for the future.

The States is making good progress with delivering CSR savings, there has been success in reducing police overtime, increased efficiency in tax administration, reducing fraud in social security and faster turn around times for vacant States' housing amongst many others. We still have savings to deliver, Education have been given more time to deliver their share following the States decision not to proceed with reducing grants to fee paying schools. Looking ahead we plan to make further savings from the reform of government as well as pursuing a number of approaches for further budget reductions. This will not be easy to achieve and will take planning and preparation during the course of the next two years.

Expenditure was planned to be above our income for the three years between 2010 and 2013. The Stabilisation Fund, which was built up during years when there was budget surplus, has been vital in funding the deficit during this time to protect Islanders from the full effects of the downturn.

The Audited Accounts for 2011 show that the States of Jersey now has a strong balance sheet and that the funding gap has been closed faster than expected. Instead of a budgeted operating deficit of £72 million at the end of 2011, the actual was £12 million. This was largely because of higher revenue from Personal Tax of £19 million and Company Tax of £10 million. In addition, Departments carried forward £16 million and there were unapplied central contingencies of £14 million and funding for other spending pressures.

Most Governments currently have an inherited mountain of debt. In contrast to the indebtedness of most other nations the Island has assets in excess of £3 billion, rather than liabilities. Jersey has a strong balance sheet. Having used up the Stabilisation Fund, there is the need to strike the right balance between increasing public spending to meet the needs of Islanders and support the economy, whilst maintaining a competitive tax regime in the best economic interest of Jersey.

What Is Planned for the Next 3 Years?

The Council of Ministers' Strategic Plan, which was approved by the States in May 2012, has set out the priorities for Jersey over the next three years. These priorities include developing a strong, sustainable economy, improving healthcare and housing, getting people back to work, supporting family and community values and reforming the public sector.

To achieve these aims an important change has been put in place, namely the move to a 3-year planning framework, or Medium Term Financial Planning. For the first time the States of Jersey is setting minimum Budgets for all Departments 3 years in advance and moving away from short-term decision making. This change is intended to provide flexibility, deliver efficiencies and move to longer-term thinking within a more certain financial framework that will ultimately benefit the Island. This Medium Term Financial Plan is one example of our move to longer term planning.

Key Features of the Medium Term Financial Plan

States Income 2013 - 2015

It is against the backdrop of the actions that were taken to deal with the projected deficit that this Medium Term Financial Plan has been developed.

The tough decisions taken earlier are now paying off as this Plan does not contain any proposed changes to the current system of taxation.

The planning assumption is that Zero/ten will remain and GST will stay at 5%. No new taxes are planned during the period of this Plan However, in 2011 the States Assembly agreed proposals for Long Term Care Charges and associated benefits. These charges are planned to be implemented in 2014.

The projected increase in States income from £624 million in 2012 to £711 million in 2015 shown in the Table below is produced from the States Income Tax Forecasting Model, using the Economic Adviser's forecast of the economy and the Taxes Office' latest assessment data.

The additional income will arise from existing tax policies with a tighter approach being taken to collection. Taxation will remain low, broadly based and levied in a sustainable and internationally competitive way.

	Budget	Forecast	MTFP Proposals (July 2012)		
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
States Income					
Income Tax	*416,000*	430,000	450,000	470,000	500,000
- Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance			7,600	7,600	7,600
Goods and Services Tax	*80,047*	77,700	79,761	81,955	84,508
Impôts Duty	*54,500*	51,117	52,939	53,002	53,111
Stamp Duty	*24,029*	22,869	24,529	27,702	28,962
Other Income	*26,582*	31,585	20,545	21,926	24,764
Island Rate	*11,185*	11,330	11,670	12,032	12,453
States Income	***612,343***	**624,601**	**647,044**	**674,217**	**711,398**
States Expenditure					
Departmental Net Revenue Expenditure (Revised)	*596,034*	596,034	626,224	643,510	654,738
Central Allocations (Revised)	*19,811*	22,085	7,547	26,089	36,419
Total Net Revenue Expenditure (excl: Depn)	***615,845***	**618,119**	**633,771**	**669,599**	**691,157**
Forecast Surplus/(Deficit) for the year (Revised)	***(3,502)***	**6,482**	**13,273**	**4,618**	**20,241**
Net Capital Expenditure Allocation	*15,910*	13,636	12,566	4,559	20,043
Forecast Surplus/(Deficit) for the year after Capital	***(19,412)***	**(7,154)**	**707**	**59**	**198**

States Expenditure 2013 - 2015

The States Strategic Plan sets out bold and ambitious targets for service improvement. To reform health, social services and housing, get people into work, grow the economy and continue with an education service of a high quality, there has to be investment. This Plan provides the necessary resources to deliver those priorities.

Health and Social Services

The ways in which health care and social services are provided need to be re-designed so as to deliver the best care for Jersey's future.

A number of changes have been set out in the Health and Social Services White Paper 'Caring for each other, Caring for ourselves'. The proposals in the White Paper aim towards services, which 'wrap' around the individual and are delivered in the community – not just hospitals and institutions. Change of this magnitude will take time which is why a ten year Transition Plan is being developed covering not just the term of this Medium Term Financial Plan, but the two to follow.

This Plan provides the growth funding needed to implement the first 3 year phase of the transition plan for health and social services. In addition a feasibility study is being undertaken to consider the best option for acute services, in particular whether a new hospital should be built on a new site or the existing site substantially redeveloped. Whatever the outcome of the feasibility study, new sources of funding will need to be identified for investment in infrastructure. With regard to future revenue funding beyond this three year Plan, further work will be necessary in the next three years in the light of the economic conditions, the impact of the Long Term Care Charge and Benefit and the review of the Health Insurance Fund.

Housing

There is a pressing need to improve the quality and availability of both social and affordable housing in Jersey.

This Plan provides support for the proposals set out by the Housing Department in the White Paper 'Achieving Decent Homes'.

Implementation of the White Paper would result in a new Housing Association being created from the current Housing Department. This change will enable the Association to borrow to invest in much needed repairs and maintenance in the current State housing stock, ensure it meets Decent Homes Standards and build new stock for local people to meet changing future needs.

In addition, a small Strategic Housing Unit will be needed to coordinate a cross-tenure Housing Strategy, set standards for social landlords and operate the Affordable Housing Gateway. There would also be the creation of an independent Affordable Housing Regulator, to ensure that social landlords meet Decent Homes Standards, are governed effectively and operate in the best interest of tenants.

Employment

The most immediate priority is to get people back to work, keep people in work and create new employment opportunities and jobs through sustainable economic growth. This Plan includes funding for a 'Back to Work' policy, which uses the £7.4 million under spend in the Social Security Department from 2011 to develop a proactive programme to reduce unemployment.

A strong economy provides jobs. The Economic Growth Strategy, which has been designed by the Economic Development Department and informed by the same economic advice as the income tax forecast, is also designed to assist with job creation and better align inward migration with new high value employment opportunities for local people.

This Medium Term Financial Plan includes funding to deliver these aims, not least by creating an Innovation Fund, as well as by increasing the ongoing support for organisations such as Jersey Finance and Digital Jersey, to build Jersey's international profile.

The new economic growth and diversification strategy will ensure that Islanders continue to enjoy a good quality of life, job opportunities, efficient high quality public services and low tax rates. A summary of the growth is set out in the Table below.

Growth by Strategic Priority	2013 £'000	2014 £'000	2015 £'000
Get People Into Work - Commitments from 2012 Business Plan	1,950	1,950	1,950
Get People Into Work - MTFP Growth	5,285	7,115	7,370
	7,235	**9,065**	**9,320**
Manage Population Growth/Migration	–	–	–
House our Community - MTFP Growth	**–**	**750**	**1,000**
Promote Family and Community Values	–	–	–
Reform Health and Social Services - Commitments from 2012 Business Plan	5,370	10,180	14,180
Reform Health and Social Services - MTFP Growth	5,418	9,990	12,220
	10,788	**20,170**	**26,400**
Reform of Government and Public Service	–	–	–
Sustainable Long Term Planning	–	–	–
Other Growth - Commitments from 2012 Business Plan	1,447	744	223
Other Growth - MTFP Growth	2,348	7,090	9,061
	3,795	**7,834**	**9,284**
TOTAL	**21,818**	**37,819**	**46,004**
Other Growth proposed - Not Permanent			
Back to Work and Employment Initiatives	**5,405**	**6,930**	**6,821**

This growth funding is carefully targeted at delivering an ambitious programme of service improvement, reform and change led by the Council of Ministers, through Ministerial Oversight Groups that are working hard to include Scrutiny, States Members, representative organisations, voluntary and community groups in their policy and service development. Comments on this financial plan are welcomed in the same spirit.

Balancing The Budget

In order to target resources at these and other service priorities, and at the same time maintain our current system of taxation, steps need to be taken to balance the budget by cutting costs, raising income in other ways and making better use of existing resources. The Table below shows that after allowing for the growth described above, the States would be facing a budget deficit. It also shows the measures that can be taken to balance the budget that are proposed in this Plan.

At a time of change, when the economy is under pressure and local people are feeling the pinch, it is important that the States takes a hard look at its existing resources and ensures that they are being deployed to best effect.

Summary of Measures to Balance the Budget	MTFP Proposals (July 2012)		
	2013 £'000	2014 £'000	2015 £'000
MTFP Potential Deficit (after Education CSR shortfall, Back to Work, Pensions, Growth Allocations and Shortfall in Terms and Conditions)	**(28,909)**	**(38,056)**	**(35,016)**
HIF Funding	2,000	6,000	6,000
Jersey to manage Guernsey Waste Disposal	0	0	1,500
Reduce Growth for Property Backlog repairs and maintenance	0	0	2,000
Additional fees as a result of Housing and Work Law	0	600	600
Additional income from shareholder returns	0	0	3,000
Over achievement of Social Security CSR savings targets	300	300	300
Social Security savings to be delivered by new measures in addition to CSR targets	0	3,000	3,000
Extend Social Security Supplementation Certainty Calculation for Period of MTFP	0	1,800	3,000
Remove Social Security Department Supplementation Contingency	0	600	600
Further savings in Social Security Department final cash limit	805	974	2,957
Planned Use of Uncommitted Contingencies	10,383	0	2,900
Planned Use of Improved Taxation Position	7,600	7,600	7,600
Planned Use of Forecast Carry Forwards	8,528	3,998	0
Other Measures	0	13,243	1,757
Total Measures To Balance The Budget	**29,616**	**38,115**	**35,214**
Revised Surplus	**707**	**59**	**198**

Managing the Balance Sheet

There must be plans to actively manage the Balance Sheet as well as the Budget. The Balance Sheet is a reflection of the financial position of the States and sets out the resources, both physical assets and financial assets, which are in the ownership of the States and being used to deliver services for Jersey. Jersey's balance sheet is strong but it does carry a significant liability to the employee pension funds (JTSF for teachers and PECRS for all other public sector workers).

Jersey is already in a stronger position than most jurisdictions with funded schemes, but there are issues that need to be dealt with.

Jersey needs to make best use of the physical assets that it owns, particularly land and buildings. In the period of this Plan, steps are being taken now to make the optimum use of buildings generally and to rationalise the office accommodation for the States of Jersey. The capital programme for the period will support investment in the Island's vital infrastructure: roads, sewers, sea defences, air and sea ports.

The States has liabilities on the balance sheet too. Of most significance is the historic issue of the pre-1987 debt. An agreement was reached to repay it over 82 years, but there are now plans to repay it faster and reduce the long term financing cost. In addition, the States of Jersey needs to change the employee pension schemes so as to make the schemes affordable, fair and sustainable for the long term.

Finally, the States holds a controlling interest in the Island's utilities: Jersey Water, Jersey Electricity, JT and Jersey Post and wholly owns the States of Jersey Development Company. As an active shareholder, the States is working with these companies to develop their businesses, join in with employment initiatives and, where possible, generate "off-island" opportunities for economic growth and diversification.

Active management of the balance sheet as well as the budget can result in an overall improvement of the financial position for Jersey, as well as safeguarding the assets of the Island for future generations.

Summary

This Medium Term Financial Plan delivers growth in essential services, balanced revenue budgets in all three years and support for the economy whilst maintaining the current system of taxation. It does so by making careful use of existing resources, by seeing through the final stages of financial plans made in earlier years and by setting out an indicative capital programme that can provide both improved services and a fiscal stimulus.

In accordance with the strategic priorities, we are working on longer term service and financial planning that will prepare the Island for the challenges ahead.

INTRODUCTION TO MEDIUM TERM FINANCIAL PLAN 2013 – 2015

Financial and Economic Background

Three Part Plan 2011 – 2013

Part One – Cutting Spending through the Comprehensive Spending Review (CSR)

Part Two – Economic Growth

Part Three – Raising Taxes through the Fiscal Strategy Review (FSR)

States Of Jersey
Inspiring Confidence In Jersey's Future
Medium Term Financial Plan 2013 to 2015

Introduction

1. The Council of Ministers proposed a new Strategic Plan for the States of Jersey for the period 2013 to 2015 and has a vision: Inspiring Confidence in Jersey's Future. This Strategic Plan has been approved by the States and promotes seven key priorities:
    - *Get people into work*
    - *Manage population growth/migration*
    - *House our community*
    - *Promote family and community values*
    - *Reform Health and Social Services*
    - *Reform government and the public service*
    - *Sustainable long-term planning*

2. The Council of Ministers has consulted widely with local people and stakeholders in developing the Strategic Plan. Drawing on surveys, written submissions, face to face meetings as well as States Members' knowledge of the specific concerns of local people, we will align our resources to deliver the priorities and meet our statutory obligations.
3. The Medium Term Financial Plan process is new for Jersey. This draft Medium Term Financial Plan describes how we will manage our resources (finance, infrastructure and property) efficiently over the next three years and direct those resources to meeting these key priorities.
4. The Medium Term Financial Plan will help deliver improved value for money from States spending because it gives Departments the ability to plan ahead for service development and improvement and to let longer term contracts with more certainty. Moving away from a one year planning horizon allows Departments more scope to review how they plan to deliver services and encourages them to look for ways to do things differently and more effectively.

Financial and Economic Background to the Medium Term Financial Plan 2013

5. Jersey has a history of prudent planning and budgeting. The last Strategic Plan sought to reduce the impact of the global economic situation on Jersey's residents, communities and businesses and to develop a plan to secure the long-term future of the Island. This was against a background of estimates that indicated that Jersey would suffer a deficit.
6. In the last Assembly the Treasury and Resources Minister proposed and the States approved a three-part plan to ensure balanced budgets by 2013. As 2013 is the last year of this three-part financial plan and the first year of the new Strategic Plan it is important to recognise the need to deliver the financial targets set within it.

Three-Part Plan 2011 to 2013
Part One: Cutting spending through the CSR

7. Our monitoring in 2011 and 2012 clearly shows that departments are on track to achieve their savings, although challenges remain. Departments are actively engaged in delivering their share of the savings and there have been successes such as:
   - *Reducing police overtime.*
   - *Redesign of the smoking cessation service.*
   - *Re-structuring parks & gardens to drive efficiencies.*
   - *A more efficient bus service.*
   - *Faster turn around times for vacant States Housing.*
   - *Employing staff in Social Security to help with fraud prevention.*
   - *Increased efficiency in tax administration.*

8. The Council remains committed to delivering our target of £65 million of CSR savings. Given the 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" this is a challenge within the agreed timescale and more time will be taken. Education, Sport and Culture will achieve savings of £7.6 million by 2016 against a target of £11.1 million. Further detail is set out later in the report.

9. In addition, a combined Home Affairs and Health and Social Services saving that was to be achieved by closer collaboration between the Fire and Ambulance Service cannot be delivered in this way. However, there are additional CSR savings in Social Security relating to changes in the adult component of Income Support for a second adult.

10. In addition to the departmental savings, steps are being taken across the States as a whole to reduce staffing and procurement costs. A thorough analysis of our options for delivering £14 million of the £65 million target is being undertaken 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. In addition a review of overtime, sick pay and other allowances is underway with a view to having a simplified and harmonised set of staff terms and conditions. At the time of drafting this Plan the pay award negotiations are still underway and a report will be made at a later stage on any shortfall in the planned savings on terms and conditions.

11. There is a great deal of hard work being done to change 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. We will continue to report progress against this target.

Part Two: Economic Growth

12. The second part of the plan for 2011-2013 promotes economic growth. The 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*

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

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

15. 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 employment. The foundations for future growth will be laid to develop competition framework, investing in infrastructure, keeping the Island internationally competitive and maintaining economic and fiscal stability. The Council of Ministers is bringing forward a revised economic growth strategy in 2012. The draft Economic Growth and Diversification Strategy contains the following key building blocks for promoting productivity let growth:-

- enterprise and innovation
- skills and labour market
- completion and consumer policy
- investment
- macroeconomic policy
- structural change and diversification

The Economic Growth and Diversification Strategy has four key priorities that are aligned to the objectives of getting people into work. These four priorities which are fully supported with resources set out in this Plan, are:-

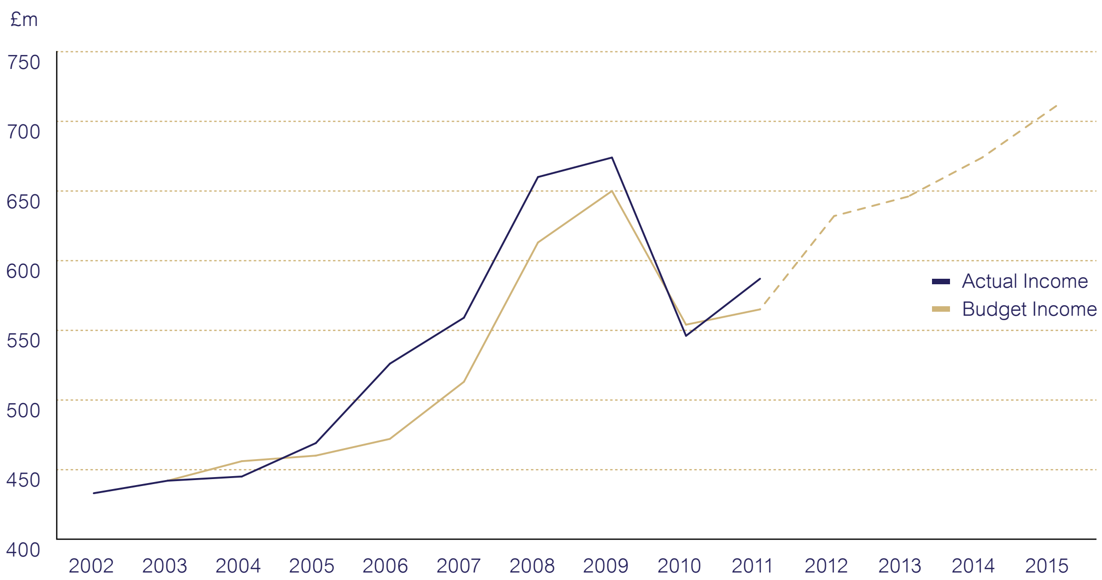
- increase innovation
- grow and diversify financial services
- create new businesses and employment
- raise productivity of all sectors

Part Three: Raising taxes through the Fiscal Strategy Review (FSR)

16. The third part of the plan set targets for raising taxes by £35 million. GST was increased from 3% to 5% with effect from 1st June 2011. In addition, employers are now required to pay an extra 2% on employees' earnings between the Standard Earnings Limit of £45,336 and the Upper Earnings Limit £150,000. This change also affects Class 2 contributions paid by the self employed and non-employed. Measures were also taken to increase revenues from high net worth individuals.

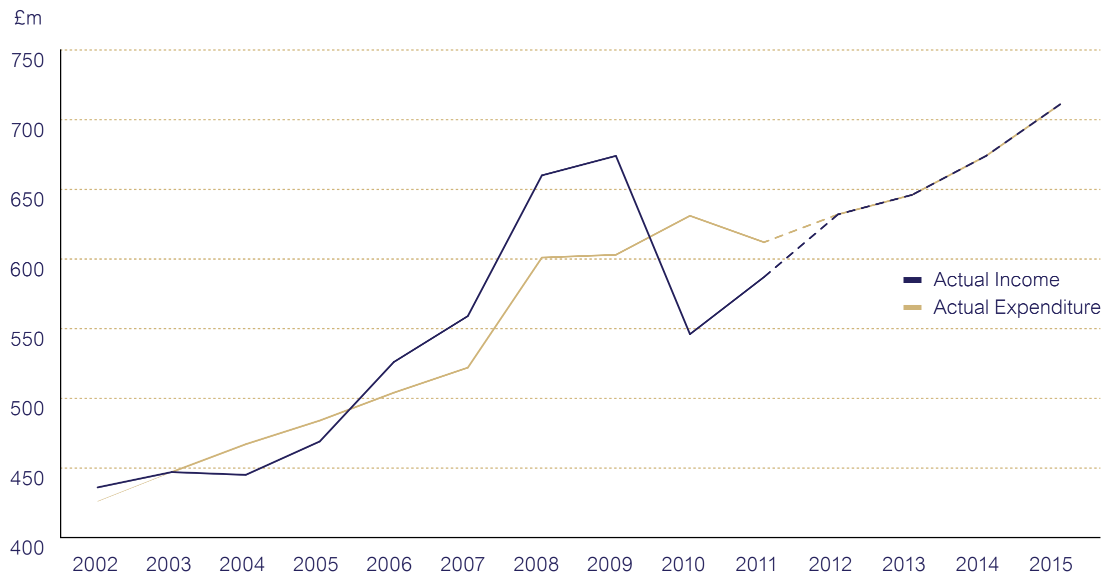
Current Position on Delivering Against the Three-Part Plan for 2011 to 2013

FIGURE 1A - STATES ACTUAL INCOME V BUDGET



Note: Figure 1a, shows actual States Income for the period 2002 to 2011. It can be seen from the graph that the anticipated shortfall of £100 million associated with the introduction of the Zero/Ten tax regime did actually happen. Furthermore, it was made worse by the effects of a global recession.

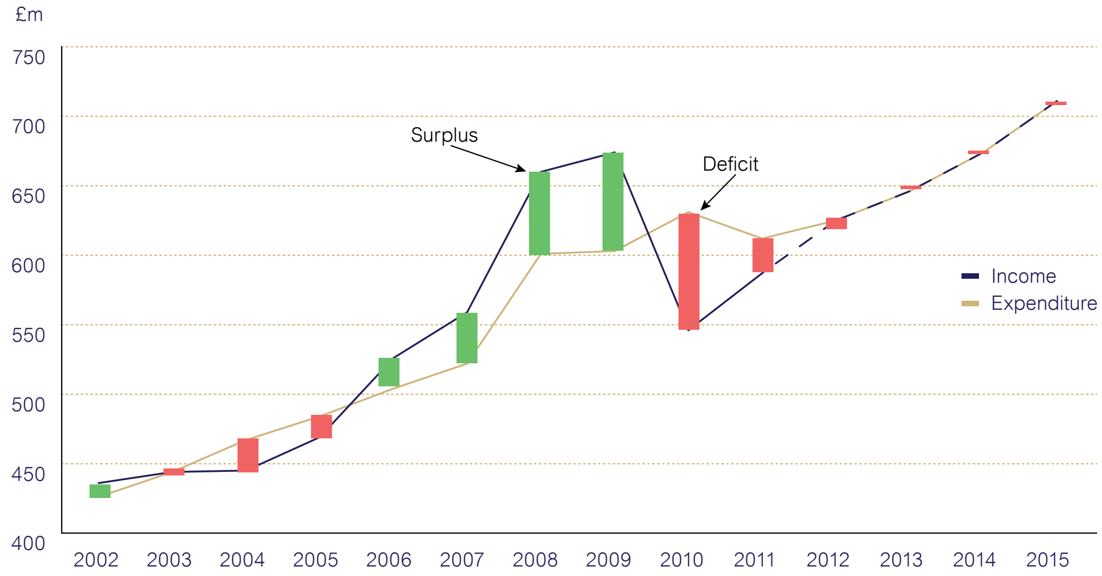
FIGURE 1B – COMPARISON OF STATES INCOME AND EXPENDITURE



17. The graphs show that the implementation of a new tax strategy supported by some economic growth, has delivered a recovery in States Income. The remaining part of the three part plan is to complete the delivery of the £65 million CSR savings.

18. Our three-part plan is working. Our financial forecast shows a return to balanced budgets by 2013. Nevertheless, there are challenges with achieving the £65 million CSR savings target, particularly in relation to significant areas of Education and terms and conditions of employment for staff. The initial planning assumptions set out in this draft Medium Term Financial Plan relied upon the delivery of the whole of the £65 million savings. The implications of not achieving those savings targets are considered later in the report but potential shortfalls in some areas have been accommodated within this Plan by making compensating budget reductions in other areas. In the years of planned budget deficit in 2010, 2011 and 2012, the Stabilisation Fund was used to balance the budget and support public spending.

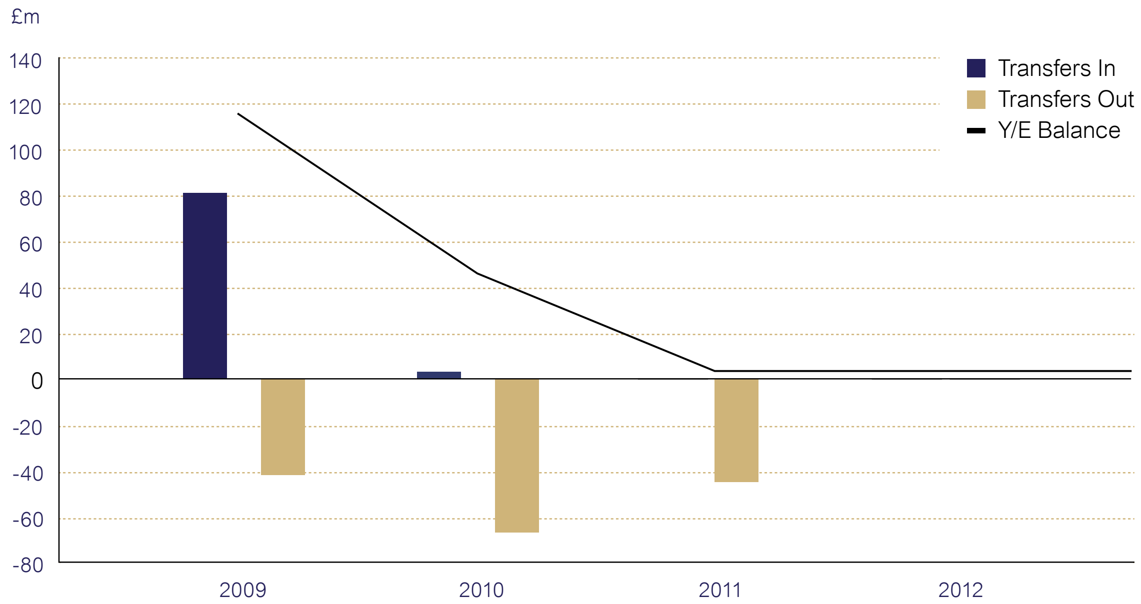
FIGURE 1C – FINANCIAL POSITION 2002 – 2015



19. This graph shows that in the years 2006 to 2009 the States Budget was in surplus. During this period a Stabilisation Fund was built up and then applied in the years 2010 to 2012 to help the States manage the combined effect of £100 million loss in income associated with the introduction of zero/ten and a further reduction in income associated with the economic downturn.

20. (Figure 1D) shows how the Stabilisation Fund was applied in these years. The Fund has been used up and it is the intention of the Council of Ministers, when circumstances allow and the economic position improves, to rebuild the Stabilisation Fund.

FIGURE 1D – STABILISATION FUND MOVEMENTS 2009-2012



RESOURCE PRINCIPLES: BALANCING TAXATION AND SPENDING

Resource Principles from the States Strategic Plan

Specific Taxation Principles

Resource Principles:
Balancing Taxation and Spending

Spending

21. It is crucial to keep recurrent public sector spending under control so that the Island can remain competitive with relatively low levels of inflation. If the States are to provide sustainable services to the public it is fundamental that we take account of the economic outlook, be prudent in our spending plans, ensure that savings and efficiencies are implemented and not increase public spending unless it is matched by savings or additional income.
22. At the same time the local economy is under pressure. There is a need for more investment in policy priorities such as Health and Social Services, getting people into work and social housing. This Plan provides for a stimulus to the local economy through advancing capital schemes. This is both to the benefit of the local economy in a targeted and timely fashion and provide a temporary stimulus for Jersey business whilst the economy recovers. There is increasing recognition that we have to manage for the long term. Our capital investment decisions will look to the future so that we continue to invest in the right capital and infrastructure projects. This helps departments plan for service change and improvement, helps boost the economy and safeguards the Island for generations to come.
23. We manage our service delivery through the departmental structures so it is essential that our financial management framework provides departments with sufficient certainty of funding to allow them to manage within their cash limits. Departments can then provide the right levels of service for Jersey. The Medium Term Financial Plan allows for a longer planning horizon and gives greater empowerment and freedom to Departments to manage within their allocated resources. Departments can use their carry forward balances to help deliver strategic priorities and contribute to fiscal stimulus whilst the local economy is under pressure.
24. The last Council of Ministers introduced the following resource principles in the last Strategic Plan.

Existing Resource Principles

- *Be prudent, taking account of the uncertain economic and financial outlook.*
- *Identify and implement all possible savings and efficiencies. (For 2013 and beyond we will optimise methods of service delivery and provide value for money).*
- *No additional spend unless matched by savings or income.*
- *The Stabilisation Fund will only be used during an economic downturn, as advised by the Fiscal Policy Panel, to fund the effects of reductions in States revenues or increased demand for States services, and to provide appropriate stimulus to the economy.*

25. These principles remain as relevant now as they were at the time. Given the overriding priority to balance the budget by 2013 it was essential for these resource principles to focus on managing States spending. For the period of the next Strategic Plan we will adopt a number of additional principles which are broader and look to the medium and longer term future for the Island.

Additional Resource Principles

- *Maintain balanced budgets over the medium term for current expenditure and achieve an appropriate balance between taxation and spending over the course of the economic cycle.*
- *Actively manage the Balance Sheet as well as the Budget by maximising investment returns within agreed levels of risk.*
- *Plan our expenditure on capital and infrastructure over the long term and consider carefully the appropriate sources of funding for major projects, including borrowing.*

26. The States also have a number of principles that underpin the system of taxation.

Resource Principles: Taxation

27. Jersey's tax regime has developed over many years and more recently with the following key principles in mind.
    - *Taxation must be necessary, justifiable and sustainable.*
    - *Taxes should be low, broad and simple.*
    - *Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.*
    - *Taxes must be internationally competitive.*
    - *Taxation should support economic development and social policy, where possible.*
28. These principles of taxation underpin our long term fiscal strategy which is set out in an appendix to this report.
29. Taken together, the resource principles and the tax principles have guided the thinking behind the development of the Medium Term Financial Plan.
30. The purpose of this Medium Term Financial Plan is to direct resources towards the delivery of the objectives set out in the States' Strategic Plan.

DEVELOPMENT OF THE MEDIUM TERM FINANCIAL PLAN 2013 - 2015

Integration with the States Strategic Plan

Developing Proposals with the Council of Ministers

Working and Consulting with Scrutiny

Development of the Medium Term Financial Plan 2013 - 2015

The Medium Term Financial Plan Process: December 2011 to July 2012

31. The Medium Term Financial Plan has been developed in parallel with the States Strategic Plan. The Council of Ministers' workshops were the starting point for discussions on Strategic Priorities. These took place in December 2011. Alongside the development of a Strategic Vision and Priorities, the Council of Ministers agreed the key resource principles that would be used as a basis for wider consultation.
32. The Council of Ministers led discussions with Assistant Ministers, undertook briefings and consultation with Scrutiny, and then briefed all States Members in January 2012. At this point the Resources Statement was drafted by Treasury and incorporated in the Strategic Plan White Paper.
33. After the publication of the White Paper, detailed work began with departments to identify the resources needed to deliver the Strategic Vision and Strategic Priorities. This work involved identifying the revenue and capital implications of meeting those priorities together with the associated legislative and staffing requirements.
34. The draft Resources Statement was refined and included in the draft Strategic Plan "Inspiring Confidence in Jersey's Future" which was lodged in March 2012 and later approved by the States Assembly.
35. Scrutiny Panels are actively involved in reviewing and commenting on the Medium Term Financial Plan. The Treasury has provided papers and briefings to the Corporate Services Scrutiny Panel and has provided briefings to departmental Scrutiny Panels on the draft proposals. Further briefing sessions, to which all States Members were invited, took place ahead of lodging. All Departments have been discussing the implications of the MTFP with their Scrutiny Panel so that the service implications could be explored in more detail.
36. The Council of Ministers held a series of meetings through May, June and July to consider options for funding service pressures and growth and also the options for finding budget reductions so as to achieve a balanced budget.
37. The Corporate Management Board and Financial Advisory Board carried out much of the detailed work in reviewing the proposals from departments and preparing recommendations to the Council of Ministers.
38. In June meetings were held between Departmental Ministers and the Treasury and Resources Minister to discuss and resolve any remaining issues. A further draft of the proposals was produced for further discussion at Council of Ministers of 21 June. Final proposals were incorporated into a report which was agreed by Council of Ministers in early July ahead of lodging.
39. A final briefing for all States Members, interest groups and the media was held on 20 July 2012 and the Plan was lodged in the States' Assembly on 23 July 2012.

LOOKING AHEAD: THE FINANCIAL FORECAST FOR 2012 - 2015

Looking Ahead: The Financial Forecast for 2013 to 2015

40. The approval of the 2012 Business Plan and Budget provided the States with a financial position of balanced budgets from 2013.

41. The 2012 Budget forecast was based upon:
    - *States income of £613 million in 2012 rising to £681 million by 2014;*
    - *States expenditure (net of depreciation) of £632 million in 2012, rising to £672 million in 2014.*
    - *Surpluses of £6 million in 2013 and £9 million in 2014.*

42. The 2012 Budget forecast did not rely upon the introduction of any major new taxes.

43. This forecast at Figure 2 has now been revised and reflects the proposals for expenditure and income for the 3 year Medium Term Financial Plan.

FIGURE 2 – SUMMARY OF THE MTFP FORECAST (JULY 2012)

	Budget	Forecast	MTFP Proposals (July 2012)		
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
States Income					
Income Tax	*416,000*	430,000	450,000	470,000	500,000
- Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance			7,600	7,600	7,600
Goods and Services Tax	*80,047*	77,700	79,761	81,955	84,508
Impôts Duty	*54,500*	51,117	52,939	53,002	53,111
Stamp Duty	*24,029*	22,869	24,529	27,702	28,962
Other Income	*26,582*	31,585	20,545	21,926	24,764
Island Rate	*11,185*	11,330	11,670	12,032	12,453
States Income	***612,343***	**624,601**	**647,044**	**674,217**	**711,398**
States Expenditure					
Departmental Net Revenue Expenditure (Revised)	*596,034*	596,034	626,224	643,510	654,738
Central Allocations (Revised)	*19,811*	22,085	7,547	26,089	36,419
Total Net Revenue Expenditure (excl: Depn)	***615,845***	**618,119**	**633,771**	**669,599**	**691,157**
Forecast Surplus/(Deficit) for the year (Revised)	***(3,502)***	**6,482**	**13,273**	**4,618**	**20,241**
Net Capital Expenditure Allocation	*15,910*	13,636	12,566	4,559	20,043
Forecast Surplus/(Deficit) for the year after Capital	***(19,412)***	**(7,154)**	**707**	**59**	**198**

44. The revised financial forecast represents a summary of the Council of Minister's proposals which are:

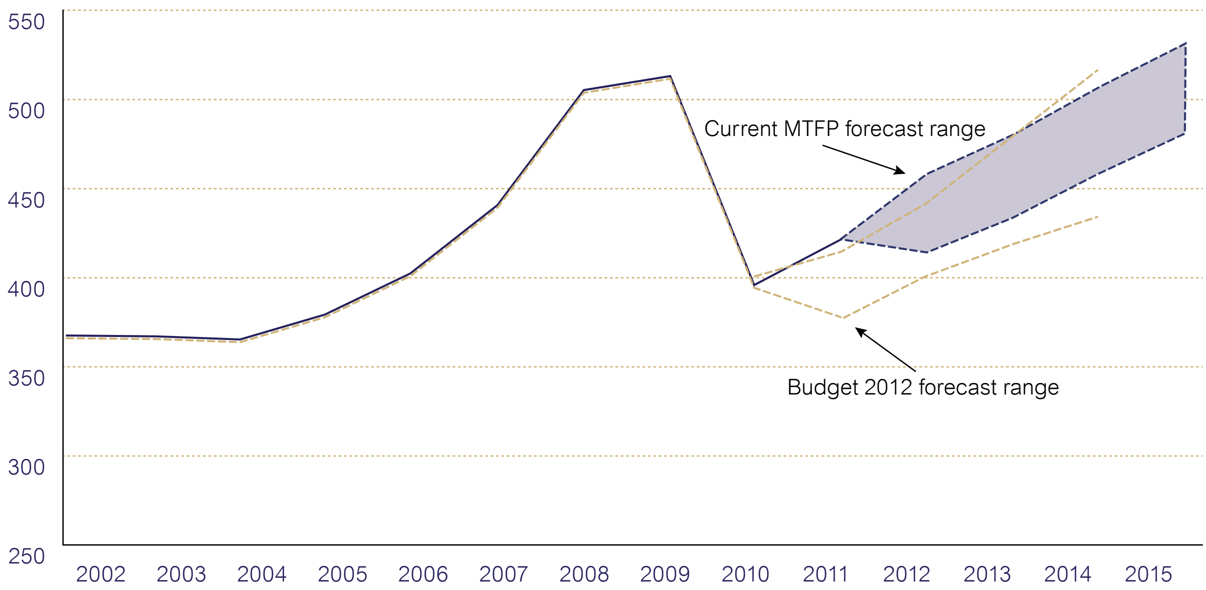
- *No new taxes during the period of the MTFP which means that the increase in the States income from £624 million in 2012 to £711 million in 2015 will arise from existing tax policies and is based on the current economic assumptions.*
- *The revenue expenditure limits provide for:*
  - *the growth proposals and funding of service pressures from departments.*
  - *provision for increases in income support and initiatives to get people back to work.*
  - *provision for pay and price increases based on the latest economic assumptions and the July 2012 employer pay offer.*
  - *a reduced level of central contingencies after providing funding for growth proposals.*
  - *the delivery of the £65 million CSR savings with the exception of the shortfall in Education, Sport and Culture.*
  - *Further budget reductions and other measures to balance the budget over the Medium Term Financial Plan period*
- *A balanced budget position is proposed over the period of the Medium Term Financial Plan and a balance of £9 million in the Consolidated Fund at the end of 2015*
- *A Long Term Care Charge has already been agreed by the States and is planned for January 2014.*

Looking Ahead 2013-2015

45. Figure 2 summarises the Income Tax Forecast for 2013 to 2015. Supplementary Note 1 provides an overview of Income Tax. This year some detailed work has been undertaken jointly by Treasury and Resources and the Economics Unit to refine and improve the way in which the Income Tax Forecast is calculated. This work has concentrated on improving the forecast of tax yield for future years. A detailed note on the Income Tax Forecast is set out in Supplementary Note 2. Whilst the method of forecasting has improved it remains difficult to predict precisely the level of tax income. This is because the tax take is driven by the profitability of businesses, changes in levels of employment, changes in rates of pay and changing spending patterns

46. Figure 3 below shows Income Tax received for the period 2002-2011 and forecast for 2012 to 2015. It is understood that income tax is our most important source of revenue hence the full analysis including a risk assessment as set out in Supplementary Note 2. At the time of drafting this Plan the Tax in 2012 is already projected to improve by £7 million and we have made allowance for this in our projections. In so doing we have had regard to a number of factors including: known significant settlements due from tax payers, recent experience of low tax write-offs compared with budget, the outcomes of a telephone survey with our major tax payers and other similar matters. Whilst it is difficult to predict what the actual position will be, we have used the best information available to us.

FIGURE 3 – INCOME TAX FOR THE PERIOD 2002 TO 2015



47. The logical assumption in the time of an economic downturn is that tax levels will either decrease or at least rise more slowly. In 2011, our forecasts took account of the economic down turn and were down graded twice. With the benefit of hindsight the second down grade of the forecast has turned out to have been unnecessary. At the time of drafting this report the States Accounts for 2011 have been prepared and audited and show an actual level of tax income for the budget year of £409 million, an improvement of £19 million against the October 2011 forecast. Our forecast ranges for future years are set out Figure 4.

FIGURE 4 – INCOME TAX FORECAST

Income Tax forecast (rounded) - for MTFP					
YOA	**2010**	**2011**	**2012**	**2013**	**2014**
Budget Year	**2011**	**2012**	**2013**	**2014**	**2015**
	£m	**£m**	**£m**	**£m**	**£m**
Upper	0	450	470	495	525
Central	**409**	**430**	**450**	**470**	**500**
Lower	0	410	425	450	475

48. The detailed paper (Supplementary Note 2) includes a risk assessment and sensitivity analysis. The income tax forecast range has been set at +/- 5% of the central forecast to allow for the inherent uncertainties associated with forecasting total tax take. A summary of the key sensitivities and their potential impact on the income tax forecast is set out below:

FIGURE 5 – INCOME TAX SENSITIVITY ANALYSIS – SUMMARY

	Variation	
Assumption	**1%**	**-1%**
Income		
Employment	£2m to £3m	-£2m to -£3m
Average Earnings	£2m to £3m	-£2m to -£3m
GVA	£1m	£1m
Exemptions, Reliefs and Allowances:		
Budget Policy	-£3m	£3m

49. Figure 6 shows the forecast levels of tax for GST, Impôts, Stamp Duty and Island Rates. The economic assumptions used to underpin these forecasts are the same as those as are used for income tax.

50. The key points from Figure 6 are highlighted below and these are explained in more detail in the Supplementary Notes of Appendix One:
    - *Total States income will rise from £624 million in 2012 to £711 million in 2015.*
    - *That the duty generated from Impôts will be broadly flat over the 3 years even though allowance has been made for increases above inflation.*
    - *That the increases, above inflation, in duty will support the Alcohol Strategy promoted by the Health and Social Services Department. This is because alcohol related health problems are a significant issue for the Island.*
    - *That income from parishes from island rate income will increase only by inflation.*
    - *That income from dividends will be remitted in line with the agreements reached with the Utilities based on their business plans and for JT reflect the reduced returns agreed as part of the Gigabyte Isles project.*
    - *That total other income will recover to a level of £25 million by 2015.*
    - *The Medium Term Financial Plan assumes that the proposals in the Housing White Paper are approved. At such time as this is approved the new Housing Association will make a return to States income. This is not reflected in the current forecasts but provision will be made in the new Housing legislation such that if the housing proposals are approved the required amendments to the MTFP can be made. Further details are provided in Appendix Six.*

FIGURE 6 – MTFP FORECAST OF STATES INCOME

	Budget	Forecast	MTFP Proposals (July 2012)		
	2012	2012	2013	2014	2015
	£'000	£'000	£'000	£'000	£'000
Income Tax					
Personal Income Tax	344,000	360,000	377,000	394,000	420,000
Companies	76,000	74,000	77,000	80,000	84,000
Provision for Bad Debt	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
	416,000	430,000	450,000	470,000	500,000
Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance			7,600	7,600	7,600
Goods and Services Tax (GST)	80,047	77,700	79,761	81,955	84,508
Impôts Duties					
Impôts Duties Spirits	4,162	4,066	4,157	4,133	4,110
Impôts Duties Wine	6,923	6,809	7,248	7,504	7,769
Impôts Duties Cider	914	948	1,039	1,107	1,180
Impôts Duties Beer	5,530	5,549	5,732	5,758	5,784
Impôts Duties Tobacco	13,609	12,642	12,392	11,813	11,260
Impôts Duties Fuel	21,952	20,014	20,885	21,193	21,505
Removal of Impôts Fuel Duty Rebate in Bus Contract	-	-	336	344	353
Impôts Duties Goods (Customs)	150	150	150	150	150
Vehicle Emissions Duty (VED)	1,260	939	1,000	1,000	1,000
	54,500	51,117	52,939	53,002	53,111
Stamp Duty					
Stamp Duty	22,429	21,435	22,978	25,927	27,098
Stamp Duty on Share Transfer (LTT)	1,600	1,434	1,551	1,775	1,863
	24,029	22,869	24,529	27,702	28,962
Other States Income					
Net Investment Income	3,960	4,060	3,721	3,679	4,356
Dividends and Returns	13,417	19,075	8,319	11,186	10,287
Planned Addition to Shareholder Returns					3,000
Jersey Financial Services Commission Fees	3,700	3,700	3,700	3,700	3,700
Returns from States Trading Operations	2,511	1,652	1,691	1,731	1,771
EUSD Retention Tax	1,500	1,500	1,500	-	-
Income Tax Penalties	1,000	1,071	1,071	1,071	1,071
Fines and Other Income	494	527	543	559	579
	26,582	31,585	20,545	21,926	24,764
Island Rate Income from Parishes	11,185	11,330	11,670	12,032	12,453
Total States Income	**612,343**	**624,601**	**647,044**	**674,217**	**711,398**

FIGURE 7 – MTFP PROPOSALS STATES EXPENDITURE LIMITS

	Revised	MTFP Proposals (July 2012)		
	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Base Department Budget (excl: depn)	**601,748**	**596,034**	**626,224**	**643,510**
Price Inflation - Dept Expenditure	5,120	5,273	5,707	5,231
Price Inflation - Dept Income	(1,920)	(2,095)	(2,203)	(2,258)
Prices - Housing Rents	(979)	(1,364)	(1,460)	(1,661)
Income Support Model - latest economic assumptions	(3,388)	10,342	2,618	2,788
Supplementation Formula - latest economic assumptions	(4,244)	1,276	3,862	2,276
Commitments from Existing Policies				
- CSR Growth and Growth	9,154	2,395	1,889	274
- Skills and Training Growth	-	1,900	-	-
- Health Growth @ 2%	3,320	3,469	3,451	3,627
- Replacement of HIF Funding	-	6,283	157	161
- Overseas Aid Growth	423	444	466	490
- Revenue to Capital	-	1,500	(500)	-
Base Department Budget (Before Savings)	609,234	625,457	640,211	654,438
Department Savings	(11,449)	(17,125)	-	-
- Recognising CSR Shortfall - ESC	-	6,303	(1,088)	(597)
Department User Pays	(1,751)	(2,230)	-	-
Department Procurement Savings		(3,049)	-	-
MTFP Growth - Departments		12,763	11,862	4,706
MTFP Growth - Annually Managed Expenditure		5,405	1,525	(109)
MTFP Growth - Reduce PECRS Repayment Term		1,000	1,000	1,000
MTFP Budget Reductions		(2,300)	(10,000)	(4,700)
Base Department Budget (excl: Depn) c/fwd	**596,034**	**626,224**	**643,510**	**654,738**
Base Department Budget (excl: Depn) c/fwd	**596,034**	**626,224**	**643,510**	**654,738**
Existing Base Pay Provision	7,000	14,372	23,059	32,351
Corporate Terms and Conditions Savings	(7,000)	(14,000)	(14,000)	(14,000)
Net Existing Pay Provision	-	372	9,059	18,351
July 2012 - Employer Pay Offer				
- Non Consolidated Pay Offer 2012 and 2013 (July 2012)	2,600	2,600	-	-
- Consolidated 1% Pay Offer 2013 (July 2012)	-	3,300	3,300	3,300
- Consolidated 4% Pay Offer 2014 (July 2012)	-	-	13,300	13,300
- Consolidated 2.5% Pay Offer 2015 (July 2012)	-	-	-	8,700
	2,600	5,900	16,600	25,300
Estimated Pay Award - Doctors and Consultants	-	-	400	400
Less: Existing Base Pay Provision	-	372	9,059	18,351
Additional Pay Provision Required	2,600	5,528	7,941	7,349
Restructuring Provision	10,000	5,098	6,540	7,170
Corporate Procurement savings	(3,000)	(3,451)	(3,451)	(3,451)
Allocation to Contingencies				
- Central Contingencies - AME	2,000	-	2,000	2,000
- Central Contingencies - DEL	2,000	-	-	-
- Central Contingencies - One Off	4,485	-	-	1,000
- Contingency for Emerging Items	4,000	-	4,000	4,000
Allocation to Growth				
- Allocation to Growth for 2013		-	-	-
- Allocation to Growth for 2014			-	-
- Allocation to Growth for 2015				-
Net Revenue Expenditure Allocation (excl:Dep'n)	**618,119**	**633,771**	**669,599**	**691,157**
Net Capital Expenditure Allocation	13,636	12,566	4,559	20,043
Total States Net Expenditure Budget	**631,755**	**646,337**	**674,158**	**711,200**

51. Figure 7 shows how the Base Departmental Budgets are inflated using a number of assumptions for pay and price inflation and then developed to include commitments from existing policies and the new MTFP proposals.

52. The expenditure limits have been based on the following key assumptions:

- *2.5% provision for inflation in each year.*
- *Continuing constraints on pay and terms and conditions in 2012 and 2013, and incorporating the Employers' pay offer of July 2012.*
- *Use of the latest economic assumptions and levels of unemployment for the forward projection of Income Support and Supplementation – the proposals for supplementation include an extension of the certainty formula which will be brought to the States for approval by the Social Security Minister alongside the Medium Term Financial Plan.*
- *Provision for has been made to fund the commitments to growth made by the previous Council of Ministers in the 2012 Business Plan.*
- *Growth allocations in 2013-2015 have been wholly allocated in this Plan and additional resources have been identified to fund the delivery of the Strategic priorities.*
- *Initial allocations to contingency have been used in part to fund growth that the Council of Ministers considers essential in current economic circumstances. Nevertheless £6 million in 2013, being funded from earmarked carry forwards from 2012, £6 million in 2014 and £7 million in 2015 remain.*

53. The expenditure limits also reflect these key points:

- *The first is that the Health expenditure of £6.1 million that is presently met from the Health Insurance Fund will continue beyond 2011 and 2012 which were the 2 years agreed by the States. In order to fund this expenditure, the States will be asked to consider a Proposition that a contribution from the Health Insurance Fund be made of £2 million in 2013, rising to £6 million in 2014 and £6 million in 2015.*
- *This plan incorporates the States' decision to accelerate Housing Capital schemes to the value of £27 million in 2012.*

54. The Medium Term Financial Plan assumes that the proposals in the Housing White Paper are approved. As part of these proposals increases in housing rents are proposed to 90% of market rental which will in turn require an increase in income support housing component to protect those tenants. This will be funded by the increased return from the new Housing Association but will cause an increase in States expenditure. Growth funding is proposed for the impact on private sector tenants on income support, otherwise the impact of Housing Incorporation is assumed to be neutral. Any other increases in expenditure and associated off-set in States income are not reflected in the current forecasts but provision will be made in the new Housing legislation such that if the housing proposals are approved the required amendments to the MTFP can be made. Further details are provided in Appendix Six.

FIGURE 8 – MTFP PROPOSALS STATES EXPENDITURE LIMITS BY DEPARTMENT

	Revised	MTFP Proposals (July 2012)		
	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Chief Minister	22,952	18,855.5	20,167	20,259
Economic Development	15,898	18,256	19,459	19,975
Education, Sport and Culture	101,655	96,131	99,063	100,243
Education, Sport and Culture - Skills & Training		1,900	1,900	1,900
Education, Sport and Culture - Savings Shortfall		6,303	5,215	4,618
Health and Social Services	171,212	179,979	190,181	197,380
Health and Social Services - Replacement of HIF Funding		4,283	440	601
Home Affairs	47,991	46,731	47,489	47,844
Housing	(24,558)	(26,799)	(27,972)	(29,339)
Department of the Environment	6,439	5,602	5,606	5,595
Social Security	166,835	183,354	186,957	191,036
Transport and Technical Services	26,938	25,599	26,792	26,439
Treasury and Resources	24,604	30,001	31,412	30,584
Non Ministerial States Funded Bodies				
- Bailiff's Chamber	1,589	1,595	1,611	1,627
- Law Officers' Department	7,817	7,651	7,722	7,795
- Judicial Greffe	6,787	6,640	6,738	6,837
- Viscount's Department	1,455	1,368	1,373	1,378
- Official Analyst	607	609	614	619
- Office of the Lieutenant Governor	688	689	692	695
- Office of the Dean of Jersey	26	26	26	26
- Data Protection Commission	223	223	224	224
- Probation Department	1,961	2,124	2,128	2,132
- Comptroller and Auditor General	754	751	769	787
States Assembly and its Services	5,280	5,027	5,114	5,203
Grant to the Overseas Aid Commission	8,881	9,324	9,790	10,280
Total Department Net Revenue Expenditure	**596,034**	**626,224**	**643,510**	**654,738**

55. Figure 8 illustrates the indicative spending limits for departments after the allocations for growth, procurement savings and future budget reductions that have been a proposed. The Social Security department spending limit has increased in line with the revised income support assumptions highlighted in Figure 7.

56. Appendix Eight provides a summary of all the Economic Assumptions relating to Expenditure.

LOOKING AHEAD:
CARRY FORWARD FUNDING

Carry Forward Funding 2011 to 2012

Details of Funding by Priority

Looking Ahead: Carry Forward Funding

57. Carry Forward Funding was agreed by the Treasury and Resources Minister on the recommendation of the Council of Ministers in a Ministerial Decision of 20th February 2012. In reaching his decision the Treasury and Resources Minister had regard to the extent to which the carry forward funding was to be directed towards achieving the priorities within the consultation draft of the Strategic Plan. A summary of the approved carry forward funding is set out below against each priority together with a reconciliation show the total carry forward funding. A full report on all carry forward funding is included in Appendix Three. Previous experience suggests that looking ahead there will be broadly similar levels of carry forward funding for Departments.

FIGURE 9 – CARRY FORWARD FUNDING FROM 2011 TO 2012: SUPPORTING STRATEGIC PRIORITIES

Carry Forward Funding from 2011 to 2012		Dept	2012 £'000
Note	**Get People Into Work**		
1	Digital Jersey	EDD	300
2	Restoration of JFL Grant	EDD	180
3	Proactive Back to Work Measure	SSD	7,410
	Total		7,890
	House our Community		
4	Backlog Maintenance	Housing	1,380
	Total		1,380
	Reform Health and Social Services		
5	Activity Increases - Secure Placement	HSS	330
6	Bowel Cancer Screening	HSS	100
7	Individual Care Packages	HSS	150
8	Medical Equipment	HSS	160
9	Reduce Delayed Discharges	HSS	100
10	Long Term Care	SSD	580
	Total		1,420
	Reform of Government and Public Service		
11	Change in Planning Appeals	DoE	180
12	Future CSR Savings - Home Affairs	HA	990
13	Modern Managers Programme	TSY	40
14	Pension Project	TSY	100
15	Taxes Office Transformation	TSY	380
	Total		1,690
	Sustainable Long Term Planning		
16	Assisting developing countries	CMD	100
17	Specialist Advice re WTO Membership and other technical issues	CMD	100
18	Funding for increased unemployment impact	SSD	2,000
19	Backlog Maintenance -Estate	TSY	270
20	Highway Maintenance	TTS	50
21	Liquid Waste Strategy	TTS	540
22	Solid Waste Asbestos Disposal	TTS	1,240
	Total		4,300
	TOTAL		**16,680**

Carry forward funding for 2012

58. ## Get People into Work

1. **Policy and Regulation – Digital Jersey – (EDD) - £300,000**
Establish Digital Jersey - £300,000. The department will provide the balance of the funding from the income from Ofcom and Digital Switchover.

2. **Jersey Finance Ltd – Restoration of Grant – (EDD) - £180,000**
A delay in a film project has released this underspend. The budget can be used to increase the JFL grant in 2012 so as to allow continued operation of the JFL team in the GCC and India.

3. **Back to Work - Proactive measures to reduce unemployment – (SSD) - £7.4 million**
The Social Security Department proposes to use the remainder of the 2011 revenue underspend to deliver the "Back to Work" programme. An element will be required to meet the increased costs in income support; the remainder will be allocated to the programme. This will provide a fiscal stimulus in 2012 as it is targeted at getting people back to work in a timely manner and if economic circumstances improve, this level of funding may not be necessary in the longer term.

59. ## House Our Community

4. **Backlog Maintenance – (HSG) - £1.4 million**
The underspend will go towards projects such as installing or replacing heating installations, the Le Marais bin chutes, refurbishing Le Squez refurbishment, lift refurbishment and insulation works. These are all works required programme to address the backlog in housing repairs and maintenance.

60. ## Reform Health and Social Services

5. **Activity Increases – Secure Placement – (HSS) - £330,000**
A number of high cost cases are placing significant pressure on the Department's budget. In particular, a single placement in a secure UK institution at the end of 2011 will create a cost pressure in the region of £330,000 in 2012.

6. **Bowel Cancer Screening – (HSS) - £100,000**
An average of 62 new cases occur amongst islanders annually. Most are not diagnosed until a late stage, leaving patients with a poor prognosis and requiring expensive off island treatment. Survival is strongly related to the stage of disease at diagnosis. The National Screening Committee approved a one-off Flexible Sigmoidoscopy at age 55 as a cost-effective bowel cancer screening intervention which is expected to reduce bowel cancer deaths by 40% over 10 years. Establishing this service has an initial set up cost of approximately £100,000. Utilisation of the 2011 underspend for this purpose will enable this development to progress promptly in 2012, with the recurring revenue cost being met from additional funds allocated to the department in the 2012 Business Plan.

7. **Individual Care Packages – (HSS) - £150,000**
There are a low, but increasing, number of patients and clients requiring high cost individual care arrangements. Additional funding of £150,000 from carry forward funds will help address this service pressure.

8. **Medical Equipment – (HSS) - £160,000**
Funding has been committed in 2011 but the equipment will not be delivered until 2012. This is simply a timing issue.

9. **Reduced Delayed Discharges – (HSS) - £100,000**
The continuing impact of the ageing demographic impacts on the number of patients in hospital waiting for discharge to the community and nursing homes. The allocation of £100,000 from carry forward funds together with a further allocation from 2012 Business Plan funding will allow this issue to be addressed, particularly over the winter months.

10. **Long Term Care Scheme – (SSD) - £580,000**
The set up costs associated with the Long Term Care Scheme are predicted to be £580,000. This includes costs for IT, staffing and transitional arrangements.

Reform of Government and Public Service

11. **Planning and Building – (DoE) - £180,000**
Required for Planning appeals which occur each year and are unbudgeted - £150,000 and for producing further masterplans for the Island which the Minister has committed the Department to - £30,000.

12. **Future CSR Savings – (HA) - £990,000**
Timing delays are predicted in the delivery of 2012 and 2013 CSR savings. Contingency plans are being developed to achieve the savings and funds carried forward will enable any initial shortfalls to be covered in 2012 and 2013, consisting of £799,200 within the States of Jersey Police and the remainder for non-Police projects.

13. **Modern Managers Programme – (TSY) - £40,000**
Developing people managers as part of the Modern Manager Programme which will now happen in 2012.

14. **Pensions Project – (TSY) - £100,000**
Substantial work is being undertaken in reviewing current pension arrangements and this project work is required in 2012. Additional actuarial advice is also required as part of the pensions review project and this will occur in 2012.

15. **Tax Office Transformation Project – (TSY) - £380,000**
The Taxes Transformation Programme is a major programme of work to deliver significant improvements to the States of Jersey tax-related functions (including achieving projected additional revenues of between £2million and £10 million per year). The Programme was due to start in April 2011 but was delayed until November, resulting in an underspend of £338,000. This is a four year project and funding for the remaining three years has not yet been fully identified but will be a priority for funding within the resources allocated to Treasury and Resources. This carry forward is being requested to meet a proportion of the funding for the remaining years.

Sustainable Long Term Planning

16. **Assisting Developing Countries – (CMD) - £100,000**
A second conference building on the success of the 2010 conference for developing countries to promote understanding of Jersey as a finance centre and counter arguments that Jersey's financial services may be harmful to developing countries.

17. **Specialist Advice re WTO Membership – (CMD) - £100,000**
External expert advice on specialist technical matters related to the extension of the UK membership of the World Trade Organisation. Since its establishment with non-recurring funding, International Affairs has needed to commission specialist technical advice, for example to meet the Chief Minister's obligation to investigate financial structures which may not be fully compliant with international sanctions. Currently technical expert advice from the London School of Economics Trade Policy Unit is required, for example, on the extension of the UK membership of the World Trade Organisation to include Jersey. £100,000 will buy on average 2 to 3 specialist reports.

18. **Increased Unemployment – (SSD) - £2.0 million**
The downturn in the economy has resulted in an increase in the number of people unemployed and those seeking assistance through Income Support.

19. **Backlog Maintenance – (TSY) - £270,000**
Jersey Property Holdings delay on Les Chênes Refurbishment. This is simply a timing issue.

20. **Highway Maintenance – (T&TS) - £50,000**
This will be used in 2012 for patching of roads which has fallen behind schedule.

21. **Liquid Waste Strategy – (T&TS) - £540,000**
The Liquid Waste Strategy deals with liquid waste in accordance with environmental standards and provides sustainable options for the Island. Initial technical investigations have commenced but the strategy will not be fully developed until 2012.

22. **Solid Waste Asbestos Disposal – (T&TS) - £1.2 million**
Asbestos is presently being temporarily stored in containers at La Collette but this is not a sustainable medium term solution. This money was allocated to cover the permanent disposal of this waste. Delays have occurred and the department is working with the Regulator to finalise details of its plans for the permanent disposal of asbestos and a planning application has been submitted and is awaiting determination by the Minister for Planning and Environment.

61. This section describes the £16.7 million of carry forward funding which has been approved and contributes towards the States new strategic priorities. Carry forward funding of £8.3 million was also approved for other departmental commitments and spending pressures and a further £16.4 million for contingency carry forwards including £2.8 million for the Court and Case costs Smoothing Reserve and £0.7 million for central restructuring costs. A full carry forward report is included at Appendix Three.

LOOKING AHEAD: GROWTH COMMITMENTS FROM 2012 BUSINESS PLAN

Growth Commitments by Priority

Details of Funding by Priority

Looking Ahead:
Growth Commitments from 2012 Business Plan

62. In 2012 there were some key services that were facing financial pressures that were both evident and growing. These service areas included work related training schemes, nursing pay and conditions of employment, nursing staff increases and funding to facilitate CSR restructuring. These extraordinary financial pressures were identified in the 2012 Business Plan and commitments were made by the previous Council of Ministers, and subsequently endorsed by the States, to make growth provision for these priority areas. In addition, a commitment to growth for Health and Social Services of 2% per annum was made. This growth is included within the planning assumption for the Total States Net Expenditure (Figure 7) and hence does not need to be funded from the new Allocation for Growth of £26 million by 2015. Figure 10 shows the growth commitments from the 2012 Business Plan which support the States Strategic Priorities.

FIGURE 10 – COMMITMENTS FROM 2012 BUSINESS PLAN: SUPPORTING STRATEGIC PRIORITIES

Growth Commitments from 2012 Business Plan Supporting Strategic Priorities		Dept	2013 £'000	2014 £'000	2015 £'000
Note	**Get People Into Work**				
1	Advance Plus	ESC	310	310	310
2	Advance to Work	ESC	720	720	720
3	Careers Strengthening	ESC	80	80	80
4	Highlands College - (From 740 to 890 @ £5590)	ESC	840	840	840
	Total		1,950	1,950	1,950
	Reform Health and Social Services				
5	Health Growth @ 2%	HSS	3,470	6,920	10,550
6	Medical Staff Sub Specialisation	HSS	300	610	920
7	Nursing Establishment	HSS	1,000	2,030	2,080
8	Nursing Terms and Conditions	HSS	600	620	630
	Total		5,370	10,180	14,180
	Total Growth Commitments Supporting Strategic Priorities		**7,320**	**12,130**	**16,130**
	Other Growth Commitments 2012 Business Plan - not directly supporting Strategic Priorities		1,447	744	223
Total Growth Commitments 2012 Business Plan			**8,767**	**12,874**	**16,353**
Other Commitments from 2012 Business Plan supporting Strategic Priorities					
	Reform of Government and Public Service				
9	CSR Procurement Savings offset	CORP	(6,500)	(6,500)	(6,500)
10	Restructuring Provision	CORP	8,100	8,100	8,100
	Total Other Commitments from 2012 Business Plan		**1,600**	**1,600**	**1,600**

Commitments from 2012 Business Plan

63. ## Get People into Work

1-4 **Education, Skills and Training Initiatives – (ESC) - £2.0 million**
The initiatives which began as a result of the Fiscal Stimulus for Advance to Work, Advance Plus and Careers Strengthening were committed to in the 2012 Business Plan to continue beyond 2012. The provision also includes the continued funding of 150 extra places at Highlands College beyond 2012.

64. ## Reform Health and Social Services

5. **Health Growth @ 2%p.a. – (HSS) - £3.4 million p.a.**
The recurring consequences of existing commitments, drugs cost inflation and emerging pressures account for the majority of the 2% growth provision.

6. **Medical Sub Specialisation – (HSS) - £920,000 (2015)**
The projected retirement of existing consultant medical staff and their planned replacement accompanied with the difficulty in recruiting generalists (i.e. the continuing drive toward sub specialisation) and the need to manage single practitioner specialties will continue to be a major challenge financially and was highlighted in the Green Paper. An initial Outline Business Case relating to sustainable acute services, commencing with renal and cancer services estimated the cost at approximately £2 million per annum. This is being treated as a 'Business As Usual' issue and the specific funding identified in the 2013/14 cash limits together with the '2% growth funding' will be used the progress this issue.

7. **Nursing Establishment – (HSS) - £2.1 million (2015)**
Recent studies indicate that there is a strong correlation between nursing staffing levels, patient safety and quality of care. Shorter length of stay is strongly correlated to higher staff levels. Following a nurse staffing review there has been investment in staffing levels across areas of HSSD, particularly within the General Hospital. However levels still remain below that recommended and require additional investment. On a day to day basis staffing is managed by moving staff around the organisation and topping up staffing levels with temporary cover provided by nurses either employed on the nurse bank or agency. This is not a sustainable solution and in the long term is a relatively expensive solution.

The £2 million funding over 2013/14 will help address the unmet need in the inpatient/specialist areas across HSSD. Separate to this issue is the development of community nursing services to support patients 24/7. The current community nursing quota is insufficient to provide appropriate cover out of hours 7 days a week. Lack of nursing support in the community results in a number of patients admitted to the hospital who could be cared for at home with the right support. Work on the Outline Business Cases recommends an increase in community nurse staffing to deliver care to patients in the most appropriate care setting and is separate to addressing the unmet need that currently exists in the nursing settings provided by HSSD.

8. **Nursing Terms and Conditions – (HSS) - £630,000 (2015)**
It was identified that even after the Job Families Nursing Pay scales were introduced, recruitment and retention of appropriate qualified nursing staff

remained problematic. Having a high number of staffing vacancies creates a significant risk for essential service delivery and patient safety. During 2011 and 2012, the following initiatives have been implanted to address the recruitment and retention of nursing staff: £3,000 Recruitment supplement effective from May 2011 Revisions to pay structure based on FTE in post May 2011 effective from 1st Jan 2012 Nurse staffing investment recruitment underway in EMI and Infection Control. In practice the growth bids for the nursing establishment and nursing terms and conditions will need to be considered together. There is limited value in recruiting more nurses if we cannot adequately reward and retain the nurses that we already have. HSSD colleagues are presently negotiating with trade unions to consider terms, conditions and equal pay for equal value. Further updates on progress will be provided to the States Employment Board for consideration and action as appropriate.

65. Reform of Government and Public Service

9. CSR Procurement Savings Offset – (Corporate) - £3 million from 2013

The target for Corporate Procurement savings was £6.5 million to be delivered by 2013, with any shortfall in this to be funded through the Central Restructuring Provision. The profile and allocation of the savings has now been agreed with Departments and £3 million will be delivered by the end of 2012 and there are further plans in place to deliver the remaining £3.5 million as far as possible within 2013 but some more time may be needed.

10. Restructuring Provision – (Corporate) - £8.1 million p.a.

The initial Central Restructuring Provision of £10 million p.a. has been reduced to £8.1 million from 2013 to provide for £1.9 million for the Skills and Training initiatives, following on from the Fiscal Stimulus programme. At the end of 2015, the balance in the Central Restructuring Provision is £7.2 million being offset by £3.5 million procurement savings that are yet to be allocated to Departments. The balance can be released as further progress is made in delivering procurement savings.

LOOKING AHEAD: NEW BIDS FOR GROWTH

Summary of Growth Bids by Priority

Details of Growth Bids

Looking Ahead 2013-2015: New Bids for Growth

66. The base assumptions for the Medium Term Financial Plan included allocations for growth as follows:
    - *2013 - £6 million ongoing*
    - *2014 – a further £10 million, making £16 million ongoing*
    - *2015 – a further £10 million, making £26 million ongoing*

67. Against this initial Growth allocation departments submitted returns for revenue expenditure which included unavoidable pressures within existing base budgets that could not be funded and additional funding for growth to support the strategic priorities. The growth bids were categorised by the Strategic Priorities and included the funding requirements identified in the Health White Paper and from the Back to Work initiatives. The original proposals in Figure 11 amounted to £34.7 million by 2015.

FIGURE 11 – ORIGINAL BIDS FOR GROWTH FOR DEPARTMENTS

Original Bids for Growth (For Departments)	2013 £'000	2014 £'000	2015 £'000
Get People Into Work	9,410	9,655	9,250
Manage Population Growth/Migration	-	-	-
House our Community	750	1,000	1,000
Promote Family and Community Values	-	-	-
Reform Health and Social Services	6,020	9,990	12,220
Reform of Government and Public Service	-	-	-
Sustainable Long Term Planning	360	400	450
Other Growth	8,150	11,270	11,810
TOTAL	**24,690**	**32,315**	**34,730**

68. The original proposals were presented to Corporate Management Board and then to Council of Ministers. At this stage it was highlighted that the total of the growth bids significantly exceeded the existing growth allocation and, in particular, the scale of the requests in Year 1 2013, were more than double the available growth allocation of £6 million.
69. The Council of Ministers asked the Corporate Management Board to review the growth bids and pressures with the intention of reducing these to the level of the growth allocations. Corporate Management Board working with the Treasury, departments and the Financial Advisory Board produced a series of growth options which attempted to reduce the level of funding required. These options were considered by Council of Ministers.
70. The process identified that whilst the total growth funding required could be reduced to broadly the level of the growth allocation by 2015 of £26 million there remained a priority to find additional funding in 2013 and 2014 for Reforming Health Services, Getting People Back to Work and Stimulating Economic Growth.

71. The Council of Ministers received final draft proposals in June which proposed the use available uncommitted contingency balances to provide the 2013 and 2014 growth funding. The proposal recommended that uncommitted contingency balances in 2012 be carried forward and used in addition to a proportion of the available contingency balances in 2013 and 2014 to fund the required pressures and growth priorities.

72. The Council of Ministers considered the proposals and agreed that the Medium Term Financial Plan be prepared on this basis. The final proposals agreed by the Council of Ministers are shown in Figure 12.

FIGURE 12 – MTFP PROPOSALS FOR FUNDING OF GROWTH BIDS

Bids by Proposed Funding	2013 £'000	2014 £'000	2015 £'000
Funded from Growth	5,958	15,550	25,801
Funded from Summer Lottery	288	320	320
Funded from Central Contingencies	6,283	8,115	2,600
Funded from Restructuring	522	960	930
TOTAL Proposed Funded Growth	**13,051**	**24,945**	**29,651**
Bids Not Funded	5,560	5,020	4,840
Bids Either Not Funded or Deferred or Reduced	6,079	2,350	239
TOTAL MTFP Proposed Low Priority Not Funded Growth	**11,639**	**7,370**	**5,079**
TOTAL of Original Proposals	**24,690**	**32,315**	**34,730**

Proposed Funded from Growth
Funded from Summer Lottery
Proposed Funded from Central Contingencies
Proposed Funded from Restructuring Provision
Proposed Low Priority - Not Funded

73. Details of the Medium Term Financial Plan funding proposals and priorities are shown in Figure 13, followed by a brief explanation of each new growth bid.

FIGURE 13 – MTFP PROPOSALS FOR FUNDING OF GROWTH BIDS (FOR DEPARTMENTS)

Note	Proposed Funding of Bids for Growth (for Departments)	Dept	2013 £'000	2014 £'000	2015 £'000
	Get People Into Work				
1	External Relations - Establish a London Representative Office	CMD	0	600	600
3	Succession Planning	DoE	36	75	100
4	1.Finance Sector	EDD	800	800	800
5	Finance Sector - JFL Additional	EDD	135	500	730
6	Finance Sector - JFL Saudi Office/GCC Financial Services	EDD	0	350	350
7	2. Finance Sector - Legislative Development	EDD	200	200	200
8 & 9	Digital Jersey - Inward Investment and Development Funding	EDD	500	500	500
10	4. Inward Investment - non-FS (eg Locate Jersey, ICT Industries)	EDD	800	800	800
11	5. Jersey Business	EDD	200	200	200
12	6. Skills & Workforce Development (New Economy Apprentices)	EDD	290	500	500
53	Tourism Development Fund	EDD	500	500	500
13	14-16 Vocational Education (Priority 2 ESC / Skills Board)	ESC	355	500	500
14	Highlands College - increased numbers (Priority 1 ESC / Skills Board)	ESC	549	610	610
15	Training Allowance and Apprenticeship Scheme (120 Young People)	ESC	380	380	380
17	Parish Centre Improvements	TTS	450	500	500
71	Apprenticeships for 85 Health Care Assistants	ESC/HSS	90	100	100
	Total		**5,285**	**7,115**	**7,370**
	House our Community				
18	Private Sector Rental Support	SSD	0	750	1,000
	Total		**0**	**750**	**1,000**
	Reform Health and Social Services				
19	Adult Mental Health (starting with IAPT)	HSS	340	740	1,130
20	Children's Services (starting with Early Intervention)	HSS	620	740	860
21	Cross Cutting Infrastructure	HSS	590	670	710
22	End of Life Care	HSS	400	810	830
23	Healthy Lifestyles (starting with Alcohol)	HSS	300	440	530
24	Intermediate Care	HSS	1330	2,340	2,890
25	Long Term Conditions (starting with COPD)	HSS	700	1,340	1,630
26	Older Person's Mental Health (starting with Dementia)	HSS	740	1,810	2,440
72	Phasing of White Paper Implementation	HSS	(502)		
27	Vehicle Replacement	HSS	90	200	300
28	Health Maintenance (JPH)	TSY	630	700	700
29	HR HSS - 2 additional posts arising from Verita report	CMD	180	200	200
	Total		**5,418**	**9,990**	**12,220**
	Other Growth				
35	IS: Data Security Officer	CMD	72	80	80
36	Corporate Health & Safety	CMD	54	60	60
48	Income Support - Staff Costs	SSD	414	460	460
30	External Relations: International Adviser to the Council of Ministers	CMD	0	50	50
31	External Relations: Shortfall in Grant to Channel Islands Brussels Office	CMD	0	50	50
32	External Relations: OECD Global Forum/Peer Review Group/British Irish Council Secretariat annual contribution	CMD	0	60	60
33	External Relations: International meetings, monitoring and visitors dignitaries	CMD	0	160	160
34	External Relations: External specialist advice	CMD	0	100	100
60	Law Draftsman: 1 additional permanent Law Draftsman	CMD	0	130	130
62	HR - Learning and Development - MMP and other programmes	CMD	0	170	170
37	Latest demographic numbers	ESC	345	600	631
38	Nursery Education Fund	ESC	230	240	240

	Proposed Funding of Bids for Growth (for Departments)	Dept	2013 £'000	2014 £'000	2015 £'000
	Other Growth				
39	Jersey Heritage Trust	ESC	288	320	320
40	Higher Education - Increased Fees	ESC	0	1,490	2,260
41	Staff Increments (Uniformed Officers)	HA	144	450	600
42	Equipment/Vehicle Replacement	HA	0	200	200
43	Maritime Incident Response Group	HA	0	50	50
44	Prison Me No Way! (PMNW!)	HA	27	30	30
45	Anti-Discrimination Legislation	SSD	0	150	200
46	Employment Tribunal	SSD	45	50	50
47	Staff Costs - Impact of FSR Implementation	SSD	207	230	230
49	Treatment and disposal of ash	TTS	0	1,000	2,000
50	HR Fit for Purpose - strengthening HR team for workforce planning/OD and Systems	CMD	522	580	580
51	HR Base Budget Shortfall on Staff	CMD	0	230	200
52	CSR: Fund permanent members of the CSR delivery team	CMD	0	150	150
	Total		**4,361**	**9,104**	**11,076**
	TOTAL PROPOSED GROWTH BIDS FOR WHICH RESOURCES ARE IDENTIFIED		**15,064**	**26,959**	**31,666**

Proposed Funded from Growth

Funded from Summer Lottery

Proposed Funded from Central Contingencies

Proposed Funded from Restructuring Provision

Proposed Low Priority - Not Funded

74. Strategic Priority 1 – Get People into Work – Funding

Proposal

1. **External Relations – Establish a London Representative Office – (CMD) - £600,000 by 2015**

   CIBO has been proving successful in achieving a position of influence in Europe and there is ambition to create a parallel office in London along the same model. If costs can be shared with Guernsey, the cost will be halved but this will not be known prior to the outcome of elections in April. Detailed costings have not been done. *Contingencies followed by 2015 Growth Allocation.*

3. **Succession Planning – (DoE) - £36,000 in 2013 increasing to £100,000 in 2015**

   The age profile of the staff is such that succession planning needs to be addressed. It would also support job opportunities for the younger generation and the strategy to provide more on the job training for school leavers. The proposal would be to recruit 2 trainees (school leavers / graduates) in each of Planning and Countryside Rural. This could be funded through the back to work funding carry forward within Social Security. *Contingencies followed by 2015 Growth Allocation.*

4. **Finance Sector – (EDD) - £800,000 by 2015**

   Increased funding to JFL to further market development in Brazil, Russia, India and China with particular emphasis on South and Central America and the establishment of two additional overseas offices. *Contingencies followed by 2015 Growth Allocation.*

5. **Finance Sector – JFL Additional (EDD) - £730,000 by 2015**

   Additional allocation to JFL to fully fund the growth proposals set out in 4 above. *Contingencies followed by 2015 Growth Allocation.*

6. **Finance Sector – Saudi/GCC Financial Services (EDD) - £350,000 by 2015**

   Based on the Jersey Finance Ltd business case presented to Ministers 21st May 2012. *Contingencies followed by 2015 Growth Allocation.*

7. **Finance Sector - Legislative Development – (EDD) - £200,000 by 2015**

   Additional resource in EDD to increase speed to market of new legislation, including but not limited to permanent establishment of a project management function for legislative development process. *Contingencies followed by 2015 Growth Allocation.*

8-9. **Diversification – "Digital Jersey" – (EDD) - £500,000 by 2015**

   Establish recurring funding for "Digital Jersey", the independent body created by EDD to promote and develop Jersey's e-commerce and digital economy sectors. *Contingencies followed by 2015 Growth Allocation.*

10. **Increased non-FS inward investment (eg Locate jersey, ICT Industries) – (EDD) - £800,000 by 2015**

Locate Jersey

A substantial increase in Locate Jersey's overseas promotional budget has been provided for to fund to inward investment marketing activity. This promotional activity will include on-island partners and other stakeholders . With more staffing resources, this should mean a significant increase in the number of offshore partnerships and events and lead to the creation of employment opportunities for Jersey residents.

Diversification – Renewable Energy

Funding would be used to develop further the legislative framework to licence access to the sea-bed around Jersey for renewable energy exploitation. A firm proposition could then be taken to market in late 2013, with the hope of Contingencies followed by 2015 Growth Allocation

This funding will facilitate the future development of intellectual property as a driver of business for local companies. Funding would be used to develop further the legislation, leading to a firm proposition that could then be taken to market in mid-2013, with the hope of securing inward interest from IP-based companies or service companies. *Contingencies followed by 2015 Growth Allocation.*

11. **Enterprise – Jersey Business – (EDD) - £200,000 by 2015**

This is an increased grant for "Jersey Business" to fund expansion of the high-growth programme for indigenous SMEs with high export growth potential. *Contingencies followed by 2015 Growth Allocation.*

12. **Skills & Workforce Development (New Economy Apprentices) - (EDD) £500,000 by 2015**

Increased States funding for a new model of Apprenticeships in Jersey based on new sectors/trades/skills, closely linked to vocational training already underway or proposed in Jersey schools. Post-16 education and work experience will be vital in giving young people the skills that they will need to secure employment in the 'new-model' Jersey economy.

New style Graduate Internships providing Jersey Graduates a full years post-graduate supported internship with companies operating within EGS target sectors or the Finance industry, conditional upon full time employment being provided thereafter. Target: 25-30 Internees in total, moving to private sector sponsorship or a bursary model by year 2 or 3 of programme. *Contingencies followed by 2015 Growth Allocation.*

53. **Tourism Development Fund (EDD) - £500,000 by 2015**

In line with approval of funds for 2012 agreed during the debate of the 2012 Business Plan, this would provide a level of ongoing funding for the re-vamp of the Scheme. *Contingencies followed by 2015 Growth Allocation.*

13. **14-16 Vocational Education (Priority 2 ESC/Skills Board) – (ESC) - £500,000 by 2015**

A pilot project with the States' Secondary schools has indicated that the provision of vocational courses for a number of students would provide easier progression to higher level vocational courses and engagement with the curriculum. The current model will cost approx £500,000 to roll out to the schools and Highlands College (who are delivering some of the programmes). *Contingencies followed by 2015 Growth Allocation.*

14. **Highlands College – Increased numbers (Priority 1 ESC/Skills Board) – (ESC) - £610,000 by 2015**

Highlands College is currently funded up to 890 students, a base of 740 plus 150 through Fiscal Stimulus, which has then been committed to by Council of Ministers from September 2012. As a result of the downturn in the economy, Highlands College have indicated that they are experiencing significant increases in student numbers and expect this to continue for the foreseeable future. A bid is proposed to meet the projected demand of 1,000 students from 2013. *Contingencies followed by 2015 Growth Allocation.*

15. **Training Allowances and Apprenticeships Schemes (120 Young People) – (ESC) - £380,000 by 2015**

The new Apprenticeship scheme will provide vocational learning support for 120 young people regardless of their employment status in four key areas. These are technical knowledge, workplace competence, business understanding and literacy & numeracy. Participants who do not have an employer will receive a training allowance for the time spent in the workplace. *Contingencies followed by 2015 Growth Allocation.*

17. **Parish Centre Improvements (TTS) - £500,000 by 2015**

The proposal is to implement schemes to address longstanding traffic issues and enhance the village environments at the centre of Parishes. It would involve working with the Construction Council to provide training opportunities for unemployed locals and allow continuity of work for local companies. The trainees would undertake a number of roles and develop skills to minimise the need to buy in these skills off island in the future. The proposal will support the strategic priority to Get People Back into Work and also the Sustainable Transport Policy. *Contingencies.*

71. **Apprenticeships for 85 Health Care Assistants (ESC) - £100,000 by 2015**

It is proposed that the Education, Sport and Culture department run an apprenticeships scheme that would support the training of 85 healthcare assistants. This scheme would have a number of benefits. It helps to develop new skills for people who may otherwise be unemployed in an area of the public service where there is a skills shortage. It creates an effective way of training and developing new staff for the Health and Social Services Departments that are needed to take forward the service improvement proposals within the Health White Paper. *Contingencies.*

75. Strategic Priority 3 – House Our Community – Funding

Proposal

18. **Private Sector Rental Support – (SSD) - £1.0 million by 2015**

One impact of the proposed Housing incorporation and subsequent adjustment to social housing rental will be a likely knock on affect in private sector social housing rents. The affect of increased income support due to these rent increases will be recovered from both the new housing association and existing housing trusts.

However, there will be an increase to those private sector social housing rents through income support which will not be recoverable. This could be in the order of £1 million. The increase in housing rents to 90% of market value is proposed to be introduced from April 2014. *Contingencies followed by 2014 Growth Allocation.*

76. Strategic Priority 4 – Reform Health and Social Services – Funding

Proposal

19. Adult Mental Health Services (starting with Improving Access to Psychological Therapies (IAPT)) – (HSS) - £1.1 million by 2015

The economic cost of providing mental health care in Jersey is significant. Mental health issues such as depression and anxiety reduce an individual's ability to work and increase the likelihood of sickness absence. Almost 50% of all claims made for short-term and long-term incapacity allowance are for mental health problems.

Based on National Institute for Health and Clinical Excellence (NICE) guidelines, Improving Access to Psychological Therapies (IAPT) would provide quick, easy, equitable access to all adults over the age of 18 years for the treatment of common mental health issues. The service would be delivered in community settings such as GP surgeries, job centres, work places, sports centres and voluntary organisations. A Stepped Care Model would be delivered, with self-help facilities and choice of evidence based psychological interventions.

The service would commence in 2013, and be expanded in subsequent years, with the aim to:

- *Reduce the impact of common mental health issues and improve general wellbeing.*
- *Improve access to psychological therapies through a single pathway.*
- *Reduce exclusion from work.*
- *Reduce inappropriate prescribing of benzodiazepines and antidepressants.*
- *Enhance partnership working with GPs, professionals and other voluntary and third sector organisations.*

Funded from Growth Allocation 2013-2015.

20. Refocusing Children's Services (starting with early intervention) – (HSS) - £860,000 by 2015

Maternal Early Childhood Sustained Home visiting (MECSH)

MECSH provides early intervention for potentially vulnerable or challenging children and families, focusing initially on the early years (from pre-birth to five years). The service comprises intensive and sustained Health Visitor input for up to two years, supported by a multi agency team and subsidised quality child care. MECSH aims to improve children's 'school readiness', which is fundamental to a child's development and can lead to a payback of three to seven times the initial investment.

Professional fostering

Referral rates into Children's services are high, with a disproportionately high number of children in facility based care as opposed to foster care. Facility based care is costly and can lead to worse outcomes for children compared with being brought up with a family / foster carers.

Professional fostering would provide funding and support to encourage more foster carers, thereby reducing the demand on facility based care. It aims to support a 12% increase in foster care placements by 2020.

Community based midwifery

Increased joint working between Maternity Services and General Practice would enable more proactive intensive pre-natal support outside of hospital settings.

Rapid Access to Primary Care

Under 5s account for 8% of Emergency Department activity. It is estimated that 1,200 – 1,400 attendances per annum could have been seen in Primary Care. Funding GP visits for under 5s will lead to a reduction in inappropriate Emergency Department activity, early identification of health and social problems and better joint working in relation to child protection. *Funded from Growth Allocation 2013-2015.*

21. Cross Cutting Infrastructure Workstreams – (HSS) - £710,000 by 2015

The cross-cutting workstreams are the essential 'enablers' to HSSD's complex and ambitious change programme. They include Workforce, Estates, Primary Care, Technology, and Commissioning. In order to ensure efficient delivery, these areas have been separated out so that activities can be applied to all relevant areas. Without a focus on these enablers, the changes identified in the OBCs will not be delivered. *Funded from Growth Allocation 2013-2015.*

22. End of Life care pathways – (HSS) - £830,000 by 2015

End of life care is currently provided through an independently funded hospice on the island, but for cancer and motor neurone patients only. Other groups of patients often have little or no choice in relation to end of life care, and as a result often have several admissions to hospital and/or a long spell in an acute setting.

It is believed that, of those individuals who are admitted to hospital and die more than two weeks later, approximately 70% could have benefited from an end of life care pathway. In addition, there is currently a waiting list for States-funded access to nursing home beds and in 2010, approximately 21% of patients on the waiting list died while waiting for a nursing home bed.

End of Life care will ensure that a range of appropriate care settings are available to patients judged to be within their last 12 months of life, offering choice and supporting patient privacy and dignity at the end of their life.

The pathway will be based on the Liverpool Care Pathway and Gold Standards Framework, as outlined on the following page. This will involve:

- *Training and education of professionals working at a generalist level*
- *Establishing a specialist multi-disciplinary palliative care team*
- *Expanding 24-hour home care*
- *Expanding the current hospice model*
- *Providing respite care*

Funded from Growth Allocation 2013-2015.

23. Healthy Lifestyles (starting with alcohol pathway) – (HSS) - £530,000 by 2015

Jersey consumes significantly more alcohol than near neighbours, but less than 10% of dependent users are accessing services. This is well below the best practice target of 20%. Jersey General Hospital also has the second highest rate of hospital admissions due to alcohol compared with all other English Regions. Alcohol-related problems cost the hospital c£2 million p.a, and place significant pressure on the Emergency Department.

Modern approaches to alcohol misuse have moved away from episodic management, towards an evidence based pathway to maintain wellness and provide rapid support when exacerbations occur.

Patients would be screened in various locations (e.g. GP surgeries and the Emergency Department). Practitioners would follow a protocol, which forms part of a wider alcohol pathway. This includes providing alcohol related materials, brief advice and/or referral on to the hospital alcohol liaison team and/or community teams.

Non-hospital detox is less costly and more effective than detox in hospital. Investment in community detox and relapse management would enable a best practice model of multidisciplinary support to achieve and maintain abstinence, reducing readmissions and alcohol related morbidity. The team would provide cognitive behavioural therapy and social work support as part of relapse prevention. This would reduce hospital detox by 100 per year, and would also reduce hospital admissions for alcohol related activity by 5%. In the longer term, alcohol specific conditions such as liver cirrhosis would be reduced.

Funded from Growth Allocation 2013-2015.

24. Care of the frail elderly (starting with intermediate care) – (HSS) - £2.9 million by 2015

At present, short term respite services in Jersey are extremely limited. Services are not integrated and not available 24 hours. This leads to significant pressure on (costly) hospital services, limited choice for Islanders, pressure on carers and a high number of individuals in long term care:

Jersey has more than double the number of older adults in care homes when compared to the UK. This is partly due to the lack of available 24 hour care services in the community.

Jersey also has a high number of delayed hospital discharges - 369 incidences in 2010. These delays are mainly caused by waiting for Nursing/Residential Care home placements. Further projected pressure on demand for hospital beds will lead to cancelled operations and increases in surgical waiting times, because once medical bed capacity is exceeded, patients are admitted to surgical beds.

Short term support can help to relieve the pressure on carers and reduce the need for admission to hospital. It can have a significant impact, and for this reason the Transition Plan Steering Group agreed that ‘intermediate care’ services should be a high priority. These services will provide care for all services users including those with dementia, long term conditions and end of life care for up to 6 – 8 weeks. This will lead to reduced acute hospital activity in both the Emergency Department and unnecessary admissions. The services will comprise:

- *Nursing and personal care in individuals’ homes, available 24 hours*
- *Telehealth and / or telecare, plus more equipment to enable individuals’ homes to be adapted to meet their needs and support ongoing home care*
- *Intermediate care beds to avoid hospital admission (‘step up’ beds) and to secure*

faster discharge when a patient no longer requires a hospital bed but needs more support than can be provided at home ('step down' beds)

Funded from Growth Allocation 2013-2015.

25. **Long term conditions – (starting with Chronic Obstructive Pulmonary Disease (COPD)) – (HSS) - £1.6 million by 2015**

Chronic Obstructive Pulmonary Disease or COPD has been selected as the priority condition for service development due to its incidence, high costs and potential to release benefits once redeveloped. The recent Department of Health telehealth and telecare study supported this prioritisation, as it reported almost a 20% reduction in admissions and a 45% reduction in mortality.

People with severe COPD present a significant burden to the hospital due to exacerbations of their condition, particularly during the winter months. In addition, up to 50% of people with COPD are likely to be undiagnosed. The number of people with COPD is expected to increase over the next decade, as this condition predominantly affects the over 65s.

The model of care would be developed in accordance with international evidence. This includes:

- *Earlier diagnosis of COPD to enable proactive disease management.*
- *Single assessment and multidisciplinary care plans.*
- *Funding for Primary Care management of COPD patients.*
- *Care co-ordination, with appropriate services 'wrapped around the individual'.*
- *24 hour home care and access to multi-disciplinary services in the community.*
- *Telehealth and telecare.*

An 'Expert patient programme' in which patients offer support, help and guidance to one another

Improved condition management, along with self care, would significantly reduce Emergency Department attendances, emergency admissions and hospital bed days – and have a significant impact on costs avoided. Service users would receive ongoing support and care outside of hospital settings and have a greater awareness of their own condition and how to manage it, which maximises independent living by supporting people in their own homes where possible.

Funded from Growth Allocation 2013-2015.

26. **Older Person's Mental Health – (starting with dementia) – (HSS) - £2.4 million by 2015**

It is estimated that approximately 1,800 individuals in Jersey may have dementia by 2020. At present, services within community settings are extremely limited, with the majority of moderate to severe service users being cared for within elderly mental health facilities.

The aim of the enhanced dementia service is to support primary care and to enhance community services, to support individuals and their carers so that the service user is able to remain independent and in their own home for as long as possible. This incorporates:

- *Increased training and support for GPs in diagnosing dementia.*
- *Expanded professional support for dementia, including Psychologists.*
- *Expanded memory assessment teams, to support the increased demand due to an aging population.*
- *'Inreach' and hospital liaison, to identify patients early in their hospital stay and to quickly co-ordinate their needs and support a reduced length of stay and reduce delayed discharges.*
- *Carers support, including Admiral Nurses.*

The focal point of the dementia service is the Older Adults wellbeing centre. This concept started as a dementia hub, and has since been expanded to incorporate the holistic health, social care, wellbeing and support needs for older people and their carers, families and communities.

Funded from Growth Allocation 2013-2015.

72. **Phasing of White Paper Implementation - reduce growth by £502,000 in 2013 only**

All departments were required to reduce their 2013 growth by 10% based on the level of funding that was affordable in 2013.

27. **Reconfiguration of funding for vehicle replacement – (HSS) - £300,000 by 2015**

Vehicles currently on the asset register will now be replaced by Jersey Fleet Management and leased to HSS. Additional revenue budget is required to cover these new charges which are estimated at £600,000 per annum once all assets have been replaced (by 2018). *Funded from Growth Allocation 2013 - 2015.*

28. **Planned Property Maintenance – (JPH)(T&R) - £700,000 by 2015**

Additional base budget to provide planned, preventative and reactive property maintenance at an appropriate level for Non General Acute H&SS buildings. *Funded from Growth Allocation 2013-2015*.

29. **HR HSS - 2 additional posts arising from Verita report – (CMD) - £200,000 by 2015**

The Verita report into a death in HSS recommended the establishment of a specialist Director of HR at the hospital and a dedicated Medical Staffing Manager in order to improve the controls over the appointment of locum medical staff and their subsequent management, and the continuing professional development of permanent staff in the interests of patient safety. In 2011, the posts were funded by the CSR restructuring provision. Permanent appointments have been made which now need to be permanently funded. *Funded from Growth Allocation 2013-2015.*

Other Growth Bids – Funding

Proposal

35. **IS - Data Security Officer – (CMD) - £80,000 by 2015**

To ensure the proper governance of data in accordance with legal requirements and best practice. This recommendation of a C&AG report from 2009 was accepted in principle by CMB but appointment has been delayed due to resource constraints. A non-recurring transfer of resource has been made from Treasury in 2012. *Funded from Growth Allocation 2013-2015.*

36. **Corporate Health and Safety team – (CMD) - £60,000 by 2015**

New team member to provide support to the TTS manager to create a Corporate Health and Safety function across the States. NB. This is currently being scoped and may not report through CMD. *Funded from Growth Allocation 2013-2015.*

48. **Income Support - Staff Costs - (SSD) - £460,000 by 2015**

The increased number of Income Support claimants as a result of the current economic conditions has had a subsequent impact on staff requirements. In Social Security. *Funded from Growth Allocation 2013-2015.*

30. **External Relations: International Adviser to the Council of Ministers – (CMD) - £50,000 by 2015**

External Relations was established using non-recurring funding sources. £50,000 is required to keep this role which has proved valuable particularly over the last 3 years of economic downturn. *Contingencies followed by 2014 Growth Allocation.*

31. **External Relations: Shortfall in Grant to Channel Islands Brussels Office (CIBO) – (CMD) - £50,000 by 2015**

Growth of £350,000 was approved to establish CIBO with Guernsey in 2010 but the costs are now proven to be £400,000. This is due to being unable to recruit at the original salary levels and to the costs of operating in Belgium. *Contingencies followed by 2014 Growth Allocation.*

32. **External Relations: OECD Global Forum, Peer Review Group/BIC membership – (CMD) - £50,000/£10,000 by 2015**

Jersey has been active in the OECD Global Forum since the founding of the External Relations Division. Maintaining our membership will preserve Jersey's voice in the OECD on matters which impact on the Finance Industry and Jersey's prosperity. It will also allow us to continue to act as one the Vice Chairs of the Peer Review Group which is important for protecting and promoting Jersey's interests. (OECD Global Forum Annual Membership fee. Jersey and the other Crown Dependencies are required to make an annual contribution of £10,000 to the British Irish Council standing secretariat in Edinburgh. BIC is a key forum for establishing good international relations with the UK.

Colleagues in Treasury and Resources are very active in this area of work particularly in the negotiation and implementation of TIEA's and DTA's.

All these items have previously been funded from non-recurring source

Contingencies followed by 2014 Growth Allocation.

33. **External Relations: International meetings, Monitoring and Visitors Dignitaries – (CMD) - £160,000 by 2015**

External Relations was established using non-recurring funding sources. During 2010 and 2011 this cost met from Fiscal Stimulus. This budget has been reduced from £260,000 in 2011 after agreeing joint monitoring contracts with Guernsey from 2012 onwards, closing the London office space used previously by the Director International Finance and cancelling the Paris monitoring contract. Whilst there is now a recurring budget for the 6 core staff and office expenses, the international operations programme is not funded. *Contingencies followed by 2014 Growth Allocation.*

34. **External Relations: External specialist advice (CMD) - £100,000 by 2015**

Since its establishment with non-recurring funding, External Relations has needed to commission specialist technical advice. Currently technical expert advice from the London School of Economics Trade Policy Unit is required, for example, on the extension of the UK membership of the World Trade Organisation to include Jersey. £100,000 will buy on average 2 to 3 specialist reports. *Contingencies followed by 2014 Growth Allocation.*

60. **Law Draftsman: – 1 additional permanent Law draftsman – (CMD) - £130,000 by 2015**

The Law Draftsman has made 2 temporary appointments for a period of 2 years in order to deal with the additional drafting needed to support the CSR programme (funded from CSR Restructuring), housing reform (funded by Housing), pension reform (funded by T&R), and preparation for the next IMF visit (funded by the JFSC). A review of the law drafting programme has shown that 1 post will need to be retained permanently from 2014 to address requirement from all departments for new laws as defined in the legislation programme. *Contingencies followed by 2014 Growth Allocation*

62. **HR Learning & Development - Base Budget shortfall (MMP, DMM, Senior Teams) – (CMD) - £170,000 by 2015**

Recurring funding for 3 established programmes which have been historically funded from non-recurring sources. *Contingencies followed by 2014 Growth Allocation.*

37. **Latest Primary Demographic Numbers – (ESC) - £631,000 by 2015**

Demographic projections of primary school population over the next 3 years currently indicate that numbers will increase by 200 by 2015. A decision has been made to open 2 new forms in September 2012 to cope with the increased demand. Current assumed predictions indicate that an additional 2 forms will be required each year bringing the total to 6 by 2015. *Contingencies followed by 2014 Growth Allocation.*

38. **Nursery Education Fund – (ESC) - £240,000 by 2015**

For the last 3-4 years the birth rate has been considerably in excess of that predicted by the States Statistics Unit (on average an additional 100 births per annum). These are starting to filter through the Education system and the impact on the NEF will be an increase in the number of places being funded in the private sector. New estimates are based on an overall requirement for 500 places per annum, whilst the original predictions in P113/2008(Amd4) were based on 440. *Contingencies followed by 2014 Growth Allocation.*

39. **Jersey Heritage Trust – (ESC) - £320,000 by 2015**

Initial indications in informal discussions with EDD indicate that the sum identified to be found from the Channel Islands Lottery for Heritage Assets is unlikely to meet its target. In 2012 the sum of £315,000 was added to the ESC budget as a "one off" pending receipt of the lottery funding - however, if the lottery does not manage to generate these additional profits, the Trust will still have an ongoing requirement for amenity refreshment and replacement. The full sum is identified here to ensure that the JHT have certainty over the level of funding available in order to enable a forward rolling programme of asset refreshment to be developed and maintained. *Proposed Funding from New Island Summer Lottery Proceeds.*

40. **Higher Education - UK Government Fee Proposals – (ESC) - £2.3 million by 2015**

At present the department is working with Universities to establish the rates to be charged for the 2012/13 academic year. Total costs will depend on student preference of University and course, parental income and number of students attending University.

Based on departmental predictions, using current student and parent data but taking into account the new fee levels, it is estimated that the total grants budget will have to rise by at least £2 million by 2015.

In addition, many Universities have indicated that they intend to charge additional fees for Band B (engineering, non clinical years of medicine etc) and if the States cap the parental fee at £9,000 then additional costs will be incurred of around £260,000. *Contingencies followed by 2014 Growth Allocation.*

41. **Uniformed Personnel – Increments – (HA) - £600,000 by 2015**

This will fund incremental pressures from 2013 to 2015 further to those included in the 2012 Annual Business Plan. This affects Uniformed services - primarily Police, Fire and Rescue and Prison. A new Prison Officer grade has been implemented as part of the CSR savings. *Contingencies followed by 2014 Growth Allocation.*

42. **Equipment/Vehicle Replacement – (HA) - £200,000 by 2015**

This represents a reinstatement of funding for specialist equipment (minor capital items) and funding for the revenue consequences of the new vehicle acquisition arrangements managed by Jersey Fleet Management from 2012. *Contingencies followed by 2014 Growth Allocation.*

43. **Maritime Incident Response Group (MIRG) – (HA) - £50,000 by 2015**

This funding will maintain offshore ship fire-fighting capability. Carry forward funding has been utilised for 2012 but permanent funding is required if the UK Department for Transport doesn't reinstate savings from 2013. *Contingencies followed by 2014 Growth Allocation.*

44. **Prison Me No Way! – (HA) - £30,000 by 2015**

The Minister has reviewed this growth request following agreement of a revised Partnership Agreement with PMNW! The annual amount required by PMNW! is £60,000, £30,000 will be met from within the Home Affairs budget (£15,000 from BaSS and £15,000 transferred from ESC following an amendment to the Draft 2012 ABP) and £30,000 is required as a growth bid. *Contingencies followed by 2014 Growth Allocation.*

45. **Anti-Discrimination Legislation - £150,000 from 2014 and £200,000 thereafter**

If Discrimination Legislation is introduced this will result in an increase in the costs of the department for Tribunals, the need for an equivalent provision to JACS and other costs is estimated at £250,000. *Contingencies followed by 2014 Growth Allocation.*

46. **Employment Tribunal - £50,000 by 2015**

This budget was transferred to the Judicial Greffe. An increase in the number of Tribunal hearing days has led to an increase in required funding. *Contingencies followed by 2014 Growth Allocation.*

47. **Increased Staff Costs – FSR increased contribution £230,000 by 2015**

Following the States approval of the FSR proposal to increase Social Security contributions above the ceiling for Employers to 2% from June 2011, an increased staff resource was required in Social Security administration.

Contingencies followed by 2014 Growth Allocation.

49. **Treatment and disposal of incinerator ash – (TTS) - £2,000,000 recurring by 2015**

Currently bottom and fly ash (APC residue) are disposed of in fully lined ash pits built to a specification to store the hazardous and non hazardous ash. There is increasing pressure to find sustainable methods for disposal or recycling of both bottom and fly ash. These pressures will require investment in new infrastructure in order to implement alternative disposal / recycling methods which will also increase the life of La Collette. The capital costs of these infrastructure improvements are currently estimated at £1,500,000 and are not included in the revenue figures below. Estimated revenue costs going forward are as follows:

- *2014 £1,000,000 APC Off Island disposal for current ash*
- *2015 £1,000,000 APC Off Island disposal for current ash,*
- *2015 £700,000 to clear backlog of ash*
- *2015 £300,000 On Island recycling of bottom ash*

Contingency funding for 2013-2015 until growth funding is available.

50. **HR 'Fit for Purpose' – Strengthening the Delivery Team to transform the HR function – (CMD) - £580,000 by 2015**

This is a growth bid to increase by 8 FTEs in order to meet the reasonable BAU support needs of States Departments and to support workforce planning, OD and Talent Management. The background to this requirement is in the Organisation Fit For the Future report April 2011 and a supporting business case. *Proposal to Fund from Restructuring Provision linked to Public sector Reform.*

51. **HR - Base Budget shortfall on staff – (CMD) - £230,000 in 2014 and £200,000 recurring**

This is a correction of base budget shortfall on staff. *Proposal to Fund from Restructuring Provision linked to Public sector Reform.*

52. **CSR: Fund permanent members of the CSR delivery team – (CMD) - £150,000 from 2015**

The role of this team in future will be to manage the programme of reform of public service. The priority is to secure a recurring budget for the 2 permanent staff members of the CSR team (funded from the CSR Restructuring provision until the end of 2013). It is anticipated that this will need to be supplemented with additional temporary resource as required. *Proposal to Fund from Restructuring Provision linked to Public Sector Reform.*

In addition to the growth bids that are recommended for funding in the period 2013 to 2015, there were a number of other brought forward that could not be afforded within the available resources. These are set out in Figure 14 overleaf and are described in the following paragraphs. This information is presented so that States Members and interested parties can see the range of bids considered by the Council of Ministers during the development of the Medium Term Financial Plan. These bids were not set aside lightly and Departments still have the option to consider the relative importance of these bids compared with the services funded from within their existing base budgets.

FIGURE 14 – PROPOSED LOW PRIORITY – BIDS NOT FUNDED

	Proposed Low Priority - Not Funded Bids	Dept	2013 £'000	2014 £'000	2015 £'000
Note	**Get People Into Work**				
2	States of Jersey Trainee Scheme	CMD	1,610	870	210
16	Careers Strengthening	ESC	50	50	50
54	7. Jersey Tourism	EDD	250	250	250
	Total		**1,910**	**1,170**	**510**
	Sustainable Long Term Planning				
55	Masterplanning	DoE	0	100	100
56	Strengthening the protection of the Environment	DoE	0	150	150
57	Countryside Infrastructure	DoE	0	50	100
58	Sustainable Transport Policy	TTS	360	100	100
	Total		**360**	**400**	**450**
	Other Growth				
59	Communications Unit - loss of income	CMD	30	30	30
61	Departmental Unallocated Provision	CMD	50	120	200
63	Island Plan	DoE	0	0	150
64	Extension of Prof Partnership scheme	ESC	120	120	120
65	Higher Education - Threshold to 2001 value	ESC	1,200	1,200	1,200
66	Higher Education - Mntnce Grant to 2001 value	ESC	750	750	750
67	Invalid Care Allowance Reforecast	SSD	480	570	600
68	Interim Asset Valuation	TSY	0	0	170
69	Bus Services – town hoppa and increase in concessionary costs	TTS	600	600	600
70	School Bus Service capacity	TTS	60	60	60
	Total		**3,290**	**3,450**	**3,880**
	SUBTOTAL: PROPOSED LOW PRIORITY BIDS NOT FUNDED		**5,560**	**5,020**	**4,840**
	Bids Deferred		**3,240**	**1,250**	**(1,000)**
	Bids Reduced - 10% Reduction in 2013		**1,350**	**0**	**0**
	Bids Amended by Departments		**1,720**	**1,470**	**1,470**
	New Bids from Department		**(231)**	**(370)**	**(231)**
	SUBTOTAL: BIDS DEFERRED OR REDUCED		**6,079**	**2,350**	**239**
	TOTAL OF BIDS EITHER NOT FUNDED OR DEFERRED OR REDUCED		**11,639**	**7,370**	**5,079**

77. Strategic Priority 1 – Get People into Work – Bid Not Funded

Proposal

2. **States of Jersey Trainee Scheme - (CMD) - £210,000 by 2015**
A bid was made for some fully funded posts and additional training budgets for a number of posts working for the States of Jersey. On balance it was felt that this proposal did not represent value for money when compared with options brought forward by the Skills Board. *No growth funding available*

16. **Skills and Training beyond Fiscal Stimulus – Career Strengthening (ESC) - £50,000 by 2015**
Following the success of the various schemes (Advance to Work, Advance Plus, Careers strengthening, Training Team etc) from the Fiscal Stimulus funding up to August 2012, the department sees no immediate signs of demand reducing. A commitment was given to continue this level of funding £1.9 million in the 2012 Business Plan and this has been provided from reducing the Restructuring Provision. It is currently expected that if anything demand will increase and an expansion of these schemes is likely to be included as some of the many projects that may be funded through the £7.41 million budget allocated to the Social Security department in 2012. However, Career Strengthening will remain with Education. *No growth funding available.*

54. **Jersey Tourism – (EDD) - £250,000 by 2015**
Through "Visit Jersey", an independent, arms length organisation - extra funding to "test market" in new or under-funded European or global markets. *No growth funding available*

78. Strategic Priority 6 – Sustainable Long Term Planning – Funding

Proposal

55. **Master-planning – (DoE) - £100,000 by 2015**
Given the availability of other funding for this important service area and the relative importance of other bids, this extra funding was not seen as the highest priority. There is an increasing political pressure to undertake master-planning. This could cost upwards of £100,000 per year and require additional staff. The Planning Department can be given access to the Corporate "panning vote" for this purpose as an alternative. *No Funding Available.*

56. **Strengthening the protection of the Island's environment – (DoE) - £150,000 by 2015**
The existing financial and FTE resource of Environmental Protection is increasingly stretched to effectively meet the demands of regulating and enforcing compliance with the Island's environmental legislation which is under Environmental Protection's remit. These laws provide fundamental tools to protect the Island's environment against increasing environmental, developmental and social pressures. The Environment Scrutiny Panel endorsed the resource constraints within Environmental Protection during their recent Review of Marine Waters. The Panel further endorsed Environmental Protection's strategy and the importance to the Island of securing

environmental goals through the implementation of widely recognised and proven EU Directives (Water Framework Directive, Marine Strategy Directive, Bathing Water Directive). These provide a vital and holistic (cross departmental) framework and approach that will deliver recognised environmental protection goals in line with EU best practise and will safeguard the future. *No growth funding available.*

57. **Countryside Infrastructure – (DoE) - £100,000 by 2015**

The resources are insufficient to adequately maintain the national park and environmental car parks. There is a need for an additional staff member and maintenance budget to further improve the environment in which we live. There is also a need to invest in additional infrastructure, e.g. footpaths. This would enable an improvement network for walking encouraging people to live a healthier lifestyle. *No growth funding available.*

58. **Sustainable Transport Policy – TTS - £360,000 reducing to £100,000 by 2015**

The pressures arise from unfunded amendments to the Sustainable Transport Policy (STP) brought by the Connetable of St Helier and additional commitments proposed by Deputy Southern without a clear funding route. Specifically the pressures are Midvale Road (£200,000), feasibility study into Snow Hill Multi-Storey Car Park (£30,000) and five other safety schemes (£30,000) which may require a further £100,000 per annum if required. Given the pressures for spending on schemes of a higher priority, growth funding has not been allocated to meet the cost of these proposals. *No growth funding available*

79. Other Growth Bids – Not Funded

Proposal

59. **Communications Unit – loss of income – (CMD) - £30,000 by 2015**

EDD withdrew their contribution to the Communications Unit in 2010. A part-time post was saved but the residual shortfall of £30,000 has not been able to be absorbed within the remaining establishment of 4 FTEs. *No growth funding available.*

61. **Departmental Unallocated Provision (DUP) – (CMD) - £200,000 by 2015**

The Medium Term Financial Plan process provides for unallocated contingencies for the first time in the States of Jersey. It is recognised that some flexibility to respond to events and variability in demand is essential for Departments. CMD has no budget. *No growth funding available.*

63. **Island Plan – (DoE) - ideally £100,000 annually but could be phased**

There is a legal requirement to update the Island Plan every 10 years. As the plan has been recently approved, the next plan is required in 2020 and work will need to commence by 2016. In the past this has been funded through one off capital allocations. However, the plan is not a capital asset and should be funded from revenue. However, the more efficient and effective method would be to undertake a continuous review which would require an ongoing annual amount of circa £150,000. *No growth funding available.*

64. **Extension of Professional Partners – (ESC) - £120,000 by 2015**

The Professional Partner system provides all provided schools on Jersey with professional challenge and support by helping the leadership to analyse and self evaluate its performance, identify priorities and plan change. This enable schools to grow and to improve outcomes as well as pre-empting difficulties, which if not dealt with could lead to long term costly problems. Professional Partners are currently working in all provided schools, including Victoria College, Jersey College for Girls and their preps. FCJ Primary School is the only non-provided school accessing this service. The Minister for Education, Sport and Culture would like to achieve equity across the whole system by enabling all schools in Jersey to access Professional Partnering. This will not only challenge these schools to improve standards but will also reduce the risk of these schools falling into difficulties, which may result in a future cost to the States of Jersey.*No growth funding available*

65. **Higher Education – Increase Parental Income Threshold back to 2001 values – (ESC) - £1.2 million**

The lower parental income threshold (the income above which families begin to contribute to costs of maintenance and tuition) was originally established in 2001 and it has not changed since. If additional support were to be offered to families by raising the threshold to take account of current monetary values, the threshold figure would rise to approx £38,200. This would increase the number of families deemed to be on low income and therefore they would receive a 'full grant'. The cost would be in the region of £1.2 million (using the Jersey Average Earnings Index or Jersey RPI(X). *No growth funding available*

66 **Higher Education – Increase Grant back to 2001 values – (ESC) - £750,000**

In addition, if the real value of the grant is restored to 2001 levels (based on UK RPI) a full maintenance grant would need to increase to £6,000 pa. This would cost an additional £750,000. *No growth funding available.*

67. **Invalid Care Allowance Reforecast - £600,000 by 2015**

Past trends of ICA had shown a gradual increase in claims and costs but for a period of years this trend ceased and the costs and claims flattened out causing the department to reduce future forecasts.

The last year has seen the costs increase back to previous levels, possible as a result of carers being unable to find work in the current economic climate. As a result the department is overspending in 2012 being funded from carry forwards and requires an increase in base funding.

There is however a savings proposal to achieve the department's CSR target to transfer ICA to the Social Security Fund alongside a provision to reduce the costs of the fund by removing some other allowances. If this was accepted by CoM and the States the additional budget would not be required. *No growth funding available.*

68. **Interim Asset Valuation – (JPH - T&R) - £170,000 by 2015**

The States of Jersey is committed to comply with International Financial Reporting Standards which require full a professional valuation of assets every 5 years and an interim valuation every 3 years. The full valuation will be undertaken in 2012 and therefore the interim valuation falls due in 2015. The cost will be met from within Treasury's existing resources. *No growth funding available.*

69. **Bus services – town hoppa and increase in concessionary costs – (TTS) - £600,000 by 2015**

This relates to Deputy Southern's unfunded Proposal P156/2011 to provide a Town Hoppa service from 2013 (circa £500,000). This is likely to be most utilised by concessionary passengers and therefore the income potential of the service, if charged, is minimal. In addition, there will be an increase in bus OAP concessionaires pass costs as overall bus ridership increases in line with STP commuter growth targets (circa £100,000 per annum). Careful consideration was given to the relative merits of all bids. Funding options in addition to growth have been used and this is a reflection of the high value placed upon those growth bids. The importance of the bids to the delivery of the States' strategic priorities was fully considered hence the priority given to health and social services, employment and skills and housing issues. *No growth funding available.*

70. **School bus service capacity – (TTS) - £60,000 by 2015**

At present the school buses are overcrowded. There is a growing need to implement service capacity improvements to reduce/eliminate standing of students. Currently, the school bus service is heavily subsidised so the cost of additional services will not be covered but require subsidy. The new bus contracts will help deliver better services and given the pressure on other areas this was not seen as the highest priority. *No growth funding available.*

80. Summary

The proposals show that of the original requests from departments of £34 million almost £30 million has been funded from a combination of the original growth allocation, reducing allocations to contingencies and a contribution from the restructuring provision.

LOOKING AHEAD: OTHER PRESSURES AFFECTING THE DEFICIT

Back to Work and Employment Initiatives

Funding of the Education CSR Shortfall

Provision for Early Repayment of the PECRS Pre 1987 Debt

Pay and Terms and Conditions

Looking Ahead:
Other Pressures Affecting the Deficit

Introduction

81. As part of the Medium Term Financial Plan process a number of other pressures have been identified and treated separately to the main growth prioritisation process. These items are detailed in the following section and will require funding from either budget reductions or other measures.

82. The other pressures are:
- *Additional funding for Back to Work and Employment Initiatives.*
- *Funding of the Education CSR Savings shortfall.*
- *Provision for early repayment of the PECRS Pre 1987 debt.*
- *Pay and Terms and Conditions.*

Back to Work and Employment Initiatives

83. A project team has been established specifically to address the strategic priority to Get People Into Work.

84. There are additional costs of income support and supplementation associated with the latest economic assumptions for unemployment. These costs include the change in the projected number of additional unemployed people associated directly and indirectly with Low Value Consignment Relief. The associated increased costs of income support and supplementation have been included in the base expenditure assumptions.

85. The proposals to support Strategic Priority 1 to Get People Back Into Work are:

FIGURE 15 – BACK TO WORK AND EMPLOYMENT INITIATIVES

BIDS FOR GROWTH - ANNUALLY MANAGED EXPENDITURE		2013 £'000	2014 £'000	2015 £'000
	Back to Work Projects			
1	Back To Work Including Employer Engagement	615	630	646
2	WorkZone additional resources	1,390	1,300	1,175
3	Advance To Work Growth	50	50	50
4	Advance Plus Growth	290	290	290
	Back to Work Projects Total	**2,345**	**2,270**	**2,161**
	Employment Schemes & Incentives			
5	Employment Grant	1,368	2,520	2,520
6	Long Term Unemployed Unit	500	500	500
7	Sector Specific Training Initiative	130	150	170
8	Job Training Fund	212	190	170
9	Work Readiness Fund	300	300	300
10	Job Clubs	50	50	50
11	Employment Projects	300	550	550
12	Targeted Employment Grant	200	400	400
	Employment Schemes & Incentives Total	**3,060**	**4,660**	**4,660**
	TOTAL BIDS FOR GROWTH - ANNUALLY MANAGED EXPENDITURE	**5,405**	**6,930**	**6,821**

86. A brief narrative explaining each of these initiatives is set out below increase the deficit costing £5.4 million in 2013 and £6.8 million by 2015.

87. Strategic Priority 1 – Get People into Work

1. Back To Work Team - (SSD) - £646,000

   This includes funding for the "Back to Work" cross departmental team, the Employer Engagement team, backfill costs and other roles.

2. Workzone Additional Resources - (SSD) - £1,175,000

   This funding is for an expanded WorkZone Personal Adviser service to support the increasing ASW volume.

3. Advance To Work Growth - (SSD) - £50,000

   This is funding for an additional Mentor.

4. Advance Plus Growth - (SSD) - £290,000

   This is ongoing additional funding to maintain Advance Plus at this increased size after doubling the scheme as a result of "back to work" initiatives.

5. Employment Grant - (SSD) - £2,520,000

   This provides for an "Employer Incentive" to recruit long term unemployed people into permanent roles. Not all potential candidates will be in receipt of benefits. This is sufficient support for 350 full time posts.

6. Long Term Unemployed Unit - (SSD) - £500,000

   This funding will provide additional support for the long term unemployed through more intensively managed actively seeking work programmes.

7. Sector Specific Training Initiative - (SSD) - £170,000

   This will provide an extensive programme of training to place higher numbers of unemployed locals into sectors and is to be developed jointly with industry.

8. Job Training Fund - (SSD) - £170,000

   This funding is to source short term interventions designed to improve employability, such as fire safety, food hygiene, manual handling, passport to safety and job search techniques.

9. Work Readiness Fund - (SSD) - £300,000

   This funding is to source training such as motivation and c.v. and confidence building, workplace communication, numeracy and literacy.

10. Job Clubs - (SSD) - £50,000

    Group sessions with Mentor support to improve employment will be funded so as to provide support for those recently actively seeking work or leaving other schemes.

11. Employment Projects - (SSD) - £550,000

    This funding will provide activities to improve the employability of those with significant barriers that are limiting their commercial work placement opportunities

12. Targeted Employment Grant- (SSD) - £400,000

    This subsidy scheme aims to place specific unemployed groups into positions with employers and is aimed at those furthest from employment. May include shorter term roles.

Funding of the Education CSR Shortfall

88. The Council of Ministers set up a Ministerial Sub Group to review the Education CSR savings shortfall. The shortfall from the 2012 Business Plan had been £7 million. As part of the review savings options were reviewed together with any further opportunities for savings in 2013 and future years.

89. The Sub Group met with the department on a number of occasions and agreed with the Education Minister the level of savings that could be delivered towards the existing shortfall. This included the rephasing of some of the savings previously identified.

90. As a result of the review by the department and the Sub Group, Figure 16 shows that the Education CSR Savings shortfall in 2013 will be £6.3 million but this will have reduced to £3.5 million by 2016. At this point the Education, Sport and Culture department will have delivered £7.6 million of the original £11.1 million target for CSR savings.

FIGURE 16 – SUMMARY OF REVISED EDUCATION CSR SAVINGS SHORTFALL

Education, Sport and Culture	2012 Business Plan			Proposals from ESC Sub Group			
	2011	2012	2013	2013	2014	2015	2016
Savings Targets	Savings	Savings	Savings	Savings	Savings	Savings	Savings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	11,104	9,472	8,016	8,016	6,303	5,215	4,618
Savings Proposed/Delivered	1,632	1,456	948	1,713	1,088	597	1,068
Savings Shortfall	9,472	8,016	7,068	6,303	5,215	4,618	3,550

Note: This means that ESC will achieve £7.5m of their original target of £11.1m by 2016 rather than 2013. This is a shortfall of £3.6m. The original target of £11.1m included an assumption of savings in grants to fee paying schools of £3.8m.

91. The Medium Term Financial plan proposals include an increase in the Education Sport and Culture cash limit of £6.3 million in 2013 million reducing to £4.6 million in 2015.

Provision for Early Repayment of the PECRS Pre 1987 debt

92. Prior to 1987 PECRS pension increases were paid from the States revenue budget. In 1987 all pension increases became payable from PECRS and the States of Jersey are now repaying this past service debt over 82 years. The amount payable increases each year in line with average pay increases (including increments). The debt is valued as a salary linked bond and long term returns mean that the level of the debt is sensitive to market conditions and can increase and decrease. In 2012 the States Pre-1987 debt repayment is around £4 million. This is projected to rise to £10 million per annum by 2032 (just from inflation) and £131 million per annum by 2083 when the debt will be repaid in full.

93. The total projected future cost of repaying the States Pre-1987 debt under the current arrangement is estimated to be £2.6 billion. The full cost of repayment, including Admitted Bodies is £2.9 billion.

94. The 10 Point Agreement on which the Pre-1987 debt is repaid allows for consideration to be given to accelerating or completing repayment of the debt as and when the financial position of the States improves. The Agreement was made at a time of higher interest rates and the current low levels of interest rates were not envisaged. At the time the States had a limited revenue budget with which to repay the pre-1987 debt and was constrained by not wanting to increase employee or employer contributions. Whilst the arrangement was appropriate at the time it was made it is now is an appropriate time to consider increasing repayments and/or restructuring the debt as the States aims to manage the balance sheet alongside the revenue budget.

95. Every opportunity will be taken to identify funding sources to repay the debt early but an initial provision is being proposed as part of the Medium Term Financial Plan to provide an additional £1 million in 2013, £2 million in 2014 and £3 million in 2015. A similar debt exists for the Jersey Teachers Superannuation Fund and consideration will also need to be given to how this debt can be repaid faster.

Pay and Terms and Conditions

96. The base assumptions for 2013 to 2015 assume delivery of £14 million of CSR savings from changes to Terms and Conditions of employment.

97. Negotiations are underway with the employee groups and the Medium Term Financial Plan has been prepared on the basis of the current pay offer as at July 2012.

98. The July 2012 pay offer comprises:

- *For 2012, continuing constraint on base levels of pay with an offer of a 1% non consolidated pay award;*
- *For 2013, further constraint with an offer of a 1% non consolidated pay award, and a 1% consolidated pay award; and*
- *For 2014, an offer equal to 4% consolidated pay award in return for a modernisation agreement.*

99. Negotiations have not extended beyond 2014 and the base assumption of a 2.5% pay provision is maintained for 2014.

100. The July 2012 pay offer does not include those employee groups with specific pay agreements such as Doctors, Consultants and Prison Officers.

101. The additional cost of the July 2012 pay offer is shown in Figure 17.

FIGURE 17 – ADDITIONAL FUNDING REQUIRED FOR JULY 2012 EMPLOYER OFFER

	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Existing Base Pay Provision	7,326	14,372	23,059	32,351
Corporate Terms and Conditions Savings	(7,000)	(14,000)	(14,000)	(14,000)
Net Existing Pay Provision	326	372	9,059	18,351
2012 Non Consolidated on Basic Pay (1%)	2,600	-	-	-
2013 Non Consolidated on basic Pay (1%)	-	2,600	-	-
2013 Consolidated (1%)	-	3,300	3,300	3,300
2014 Consolidated (4%)	-	-	13,300	13,300
2015 Consolidated (2.5%)	-	-	-	8,700
Total July 2012 Pay Offer	**2,600**	**5,900**	**16,600**	**25,300**
Other Groups - Pay awards			400	400
Revised Pay Provision required	**2,600**	**5,900**	**17,000**	**25,700**
Less: Existing Base Pay Provision	326	372	9,059	18,351
Additional Pay Provision Required	**2,274**	**5,528**	**7,941**	**7,349**

The July 2012 pay offer will require additional funding of £5.5 million in 2013 increasing to £7.35 million.

LOOKING AHEAD: BALANCED BUDGET MEASURES AND APPROACHES TO MAKING BUDGET REDUCTIONS

Looking Ahead 2013-2015: Measures to Balance Budgets and Approaches to Making Budget Reductions

102. At this stage in the development of the Medium Term Financial Plan we have taken account of:

- *limited pay and price inflation in the base assumptions;*
- *the commitments to growth made by the previous Council of Ministers in the 2012 Business Plan included in the base assumptions;*
- *the need to fund growth for service Departments in order to meet the priorities in the Strategic Plan;*
- *growth to fund "back to work" and employment initiatives;*
- *funding of the Education, Sport and Culture CSR shortfall, and*
- *provision for the earlier repayment of pre-1987 pension debt.*

Figure 18 below sets out the cumulative effect of these budget pressures on the deficit and as can be seen from the Table we would have a deficit of £35 million by 2015 before taking account of any savings or other means to balance the budget. A number of different measures can be used to balance budgets and Council of Ministers considered a range of options. After discussion with Chief Officers and Ministers during a series of meetings, the following measures are proposed to balance budgets:

FIGURE 18 – SUMMARY OF BUDGET MEASURES AND BUDGET REDUCTIONS

	Draft MTFP Forecasts		
	2013 £000	2014 £000	2015 £000
MTFP Potential Deficit (after Education CSR shortfall, Back to Work, Pensions, Growth Allocations and Shortfall in Terms and Conditions)	(28,909)	(38,056)	(35,016)
Budget Reductions	3,105	13,274	22,957
Planned Use of Uncommitted Contingencies	10,383	0	2,900
Planned Use of Improved Taxation Position	7,600	7,600	7,600
Planned Use of Forecast Carry Forwards	8,528	3,998	0
Other Measures	0	13,243	1,757
Revised Surplus/(Deficit)	**707**	**59**	**198**

Budget Reductions: Approach One

Reducing revenue expenditure equally across all departments

103. When developing this Plan consideration was given to five different ways in which the budget could be balanced.

Budget Reductions: Approach One	Reducing revenue expenditure equally across all departments. (say 1½% saving £9.4 million).
Budget Reductions: Approach Two	Identify a small number of significant policy changes that cut cost or increase income.
Budget Reductions: Approach Three	Identify a small number of significant policy changes that attract income from outside the Island.
Budget Reductions: Approach Four	Move to full cost recovery for services provided to the private sector.
Budget Reductions: Approach Five	Ask Departments to fund their own growth requirements by making compensating savings in order to make the optimum use of resources within a department.

104. The first approach is to allocate a reductions target to each department on the same basis. To put this in context, a saving of 1.5% of Net Revenue Expenditure by departments would generate £9.8 million in savings. Figure 19 shows how this saving would be distributed across the departments in the manner set out in the Table above.

FIGURE 19 - NET REVENUE EXPENDITURE AN ILLUSTRATION OF A 1.5% TARGET AGAINST DEPARTMENTS

States Funded Bodies	2013 Gross Expenditure Allocation £'000	2013 Income Allocation £'000	2013 Net Expenditure Allocation £'000	2014/15 Target 1.5% £'000
Ministerial Departments				
Chief Minister	20,121	(1,265)	18,856	283
- Grant to the Overseas Aid Commission	9,324		9,324	140
Economic Development	20,174	(1,918)	18,256	274
Education, Sport and Culture	123,066	(18,732)	104,334	1,565
Department of the Environment	9,767	(4,165)	5,602	84
Health and Social Services	201,283	(17,021)	184,262	2,764
Home Affairs	48,659	(1,928)	46,731	701
Housing *	15,376	(42,175)	(26,799)	
Social Security	187,102	(3,748)	183,354	2,750
Transport and Technical Services	45,033	(19,434)	25,599	384
Treasury and Resources				
- Department allocation	37,669	(7,668)	30,001	450
- Provision for Central Reserves	-		-	
- Provision for Restructuring costs	5,098		5,098	
- Provision for Growth	-		-	
- Corporate Procurement Savings Target	(3,451)		(3,451)	
- Central Pay Provision	19,900		19,900	
- Terms and Conditions Savings Target	(14,000)		(14,000)	
Non Ministerial States funded bodies				
- Bailiff's Chambers	1,779	(184)	1,595	24
- Law Officers' Department	9,369	(1,718)	7,651	115
- Judicial Greffe	7,833	(962)	6,871	103
- Viscount's Department	2,068	(700)	1,368	21
- Official Analyst	669	(60)	609	9
- Office of the Lieutenant Governor	782	(94)	688	10
- Office of the Dean of Jersey	26		26	0
- Data Protection Commission	315	(92)	223	3
- Probation Department	2,207	(313)	1,894	28
- Comptroller and Auditor General	752		752	11
States Assembly and its services	5,117	(90)	5,027	75
Net Revenue Department Expenditure Allocation	**756,038**	**(122,267)**	**633,771**	**9,795**

*Housing Assumed to be a Newly Incorporated Body

105. There are strengths and weaknesses associated with allocating a savings target based on a percentage of the Net Revenue Expenditure and these are discussed further below:

Strengths:	Weaknesses:
Everyone contributes ideas to making reductions – they don't all have to be accepted It's clear and simple to explain It gives departmental and central certainty Targets can be allocated to departments Efficiency savings can be found even in Departments that need growth to cope with service pressures.	Potential for double counting if recharges are not taken into account Potential for departments with income to be unfairly advantaged Not sensitive to priorities Not addressing previous achievement of budget reductions
Opportunities:	**Threats:**
Planning is easier – especially if done over a 3 year period More controllable by departments – they feel more in charge of their own future plans Departments can plan ahead for 2014/2015	Not sensitive to balance of spend between staffing and non-staffing elements of budget Traders are excluded because they're deemed to manage to a "net nil" – so efficiencies are not sought from Traders in the same way

106. After due consideration of these strengths and weaknesses the Council of Ministers decided not to adopt this approach but rather to consider a more targeted approach to making budget reductions. If there are any major changes to the proposals within this Plan it may be necessary to revert to this approach in order to balance the budget. However, once the Medium Term Financial Plan is approved by the States, it is intended.

Budget Reductions: Approach Two

Identify a small number of significant policy changes that cut cost or increase income

107. The second approach to reductions is to identify items within our current base budgets that we can reduce by either changing an aspect of service provision or by introducing a change to policy that will deliver budget reductions or increase income. The Council of Ministers has adopted this approach and Figure 20 details the proposals contained within the overall expenditure:

FIGURE 20 – SUMMARY OF BUDGET REDUCTION MEASURES THAT CUT COST OR INCREASE INCOME

Budget Reductions proposal		2013 £'000	2014 £'000	2015 £'000
Option S1	Review the purpose of the Health Insurance Fund with a view to meeting more of the costs of primary care from this existing funding source	2,000	6,000	6,000
Option S2	Manage Guernsey's waste disposal	0	0	1,500
Option S3	Reduce Property Backlog Maintenance Programme in 2015 from £4.5m to £2.5m	0	0	2,000
Option S4	Potential new fees as a result of the Control of Housing and Work Law - shortly to go out to consultation	0	600	600
Option S5	Additional income from shareholder returns in respective of Stats Investment in Jersey Telecom, Jrsey Water, Jersey Electricity, Jersey Post and SoJDC	0	0	3,000
Option S6	Potential for over-achievement of Social Security CSR savings including; adult component of income support - second adult	300	300	300
Option S7	Potential for political decisions to progress a number of changes to reduce Social Security benefits over the MTFP period and deliver further savings in addition to the current CSR targets	0	3,000	3,000
Option S8	Consider fixing Social Security Supplementation at 2013 level for period of the MTFP - subject to further discussion between Treasury and Social Security	0	1,800	3,000
Option S9	Remove Social Security Supplementation Contingency	0	600	600
Option S10	Further savings in Social Security final base cash limit	805	974	2,957

108. Option S1 - During 2011 and 2012, a contribution of £6.1 million was made from the Health Insurance fund to the costs of primary care. This plan assumes that a

contribution from the Health Insurance Fund will be taken, initially with £2million in 2013 and £6 million in each of 2014 and 2015. This will require a further amendment to the Health Insurance Fund law which will be brought forward alongside the MTFP.

109. Option S3 – There is a detailed Property Backlog Maintenance Programme which Jersey Property Holdings manage through the use of its Technology Forge system. This indicates that the annual amount set aside for backlog maintenance can be reduced by £2.0 million from 2015 onwards, together with a £0.75 million contribution to procurement savings leaving an ongoing £1.75 million from 2015.

110. Option S4 – The recent Control of Housing and Work Law provides for new fees to be introduced and the Chief Minister's Department have sought the approval of the Council of Ministers to consult on the possible new fees and charges. On the basis of this work, it is estimated that an additional £0.6 million can be generated although this is subject to the outcome of the consultation process.

111. Option S5 - Our strategic investments are currently valued at £326 million (2011 Annual States Accounts) and we have accounted for dividend income of £10 million by 2015 in this plan. There are initiatives being taken within the utilities and SoJDC that should result in an improvement in this known amount and we anticipate that those opportunities could lead to an additional income to the States of £3 million from 2015.

112. Option S6 – The Social Security Department put in a number of measures to deliver the required CSR savings. Recent monitoring has revealed that these measures have resulted in an overachievement of recurring CSR savings of £0.3 million.

113. Option S7 – The Social Security Minister is considering a number of potential changes to benefits which could deliver budget reductions in addition to the department's current CSR targets. These will require Council of Ministers endorsement and States approval. The department has estimated that these changes could generate a saving of £3 million from 2014.

114. Option S8 – Social Security ensures that eligible Jersey residents have contributions that are supplemented to a minimum published threshold. In order to manage this, there is an agreed overall supplementation expenditure that the States agrees in advance with any balance coming from the Social Security Fund. This proposal seeks to fix social security at 2013 agreed levels, which would result in a saving against previously anticipated levels. This will require some changes to be made to primary legislation.

115. The Council of Ministers took notice of the following strengths and weaknesses which are associated with this approach.

116. Option S9 – As a result of the proposals to extend the existing formula for the calculation of the States' contribution to the Social Security Fund to have certainty for the 3 year period of the MTFP 2013 – 2015, the existing Social Security Department's contingency for Supplementation can be removed.

117. Option S10 – Final changes to the Social Security Department's cash limits incorporating the final proposals for CSR savings, further budget reductions, the extension of the Supplementation certainty formula and the latest economic and unemployment assumptions. This has meant a reduction in the amount of additional budget needed for Social Security.

Strengths:	Weaknesses:
Allows previous reductions to be taken into account Aligns with strategic priorities	Can give disproportionate target to some departments. Can allow “cherry picking” which might not be objective. Lead to longer debate over key items.
Opportunities:	**Threats:**
Wider debate over fewer items may approve decision making. More focussed reductions may allow majority some service provision to be unaffected.	Lack of agreement may stall overall MTFP. Cause disharmony among departments.

Budget Reductions: Approach Three

Identify a small number of significant policy changes that attract income from outside the Island

FIGURE 21 - INCOME FROM OUTSIDE THE ISLAND

	Proposal	2013 £'000	2014 £'000	2015 £'000
Option One	Manage Guernsey's Waste Disposal	0.0	0.0	1,500

118. The Minister and Chief Officer for Transport and Technical Services have been working closely with colleagues in Guernsey with a view to using Jersey's new Energy from Waste Plant to manage Guernsey's Waste. This is a cost effective solution for both Islands, maximising the use of Jersey's infrastructure and generating income whilst at the same time obviating the need for Guernsey to invest in new plant and equipment subject to legal and regulatory considerations. Income is estimated at £1.5 million after allowing for the marginal cost of providing this service to Guernsey.

Budget Reductions: Approach Four

Move to full cost recovery for services provided to the private sector

FIGURE 22 - FULL COST RECOVERY FOR SERVICES PROVIDED TO THE PRIVATE SECTOR

	Proposal	2013 £'000	2014 £'000	2015 £'000
Option One	Move to full cost recovery for services provided to the private sector	0.0	0.0	0.0

119. Presently the States are not recovering the full cost of services provided to the private sector. A detailed paper has been drafted by Treasury which proposed that where services are provided to the private sector there is little justification for public subsidy. It was therefore proposed that the full cost of services provided to the private sector be recovered in the charges made. Whilst this in an important principle to establish, the assessment of current possible changes suggested that these were not significant enough to affect the overall budget position at this time.

Budget Reduction: Approach Five

Ask Departments to fund their own growth requirements by making compensating savings in order to make the optimum use of resources within a department

120. The fifth approach is to ask departments to fund their own growth requirements and use this as an effective budget reduction. This method is clear to departments and the strengths and weaknesses of this approach are set out below:

Strengths:	Weaknesses:
Creates an incentive to manage efficiently. Caps growth in overall base costs.	Not suitable for department with significant growth needs. Not linked to strategic priorities. Favours larger departments.
Opportunities:	**Threats:**
Controllable by departments. 3 year period gives departments time to plan for changes.	May not allow departments to fund priorities. May cause departments to cut essential growth items. Can lack transparency.

121. Corporate Management Board have been considering ways to look at efficiencies within their departments that might allow growth requests to be funded by corresponding budget reductions. This has been by reviewing their areas of responsibility to identify functions that would always remain within the public sector, which services could be delivered jointly with private/3rd sector and which services could be incorporated, devolved, outsourced or insourced. Departments have now completed this exercise and used this approach to either manage a growth bid to a lower level or to manage a growth bid within existing resources. Examples include:

- Economic Development – *reprioritisation of discretionary budgets to provide additional funding for Jersey Finance*
- Education, Sport and Culture – *earmarking potential under-spending in student and higher education grants in 2012 to provide for known increases in UK tuition fees in higher education in 2013*
- Housing - *the Department has made progress in realigning its housing stock with the disposal of a number of high value properties, retaining the proceeds to refurbish core social housing units, without the need of continued capital allocations.*

- Housing - *The Department has been successful is changing the balance of its maintenance effort away from responsive repairs and towards planned maintenance, obtaining much better value from its maintenance spend. Examples where this has generated significant savings are our heating replacement programme and hot water cylinder replacement programme. By changing our approach to maintenance to a pro-active rather than reactive service, much more has been achieved without the need for growth bids.*
- Home Affairs – *The Department has reviewed its key service areas and come up with the following initiatives:*
  - Police - *The movement of staff from Uniform Operations & Crime Services to the Criminal Justice Department (7 posts) has assisted with the development of a dedicated Custody Team and the formation of a Response Investigation Team (RIU). This change has not only streamlined CJ business processes but has also improved performance and created capacity for front line officers to focus on operational policing priorities. These business changes have negated the need for growth bids.*
  - Police - *Following an internal review of Crime Services Intelligence functions last summer, a police staff post was released and the funding used to create a much needed Domestic Abuse post to support the risk assessment process, thereby supporting victims of crime & reducing further incidents of domestic abuse. This business change has negated the need for a growth bid.*
  - Jersey Fire and Rescue Service – *Implementation of a new Duty Command Cover reducing from three levels of Command to two and thereby saving on standby costs.*
- Treasury and Resources
  - *Re-negotiation of States wide insurance contracts for personal liability, property and motor generating savings in excess of £1 million with an improvement in cover.*
  - *Carrying out more pensions accounting work in-house and cutting contract costs.*
  - *Seconding staff to lead key work and projects in other Departments to avoid costly interims and develop our own people*

Other Measures to balance the budget

122. Planned Use of Contingencies – At the start of this process, the base budget assumptions included a significant allocation to contingencies. Some of this initial allocation has been used to fund growth and some to balance the budget. A reconciliation of contingency funds and those now available for funding expenditure in 2013-2015 has been undertaken. A later section of this report shows how contingency funds have been used to balance the budget.

FIGURE 23 - PLANNED USE OF CONTINGENCIES

		2013 £'000	2014 £'000	2015 £'000
	Planned Use of Uncommitted Contingencies			
C1	**Use of Uncommitted Contingency to be carried forward from 2012**			
	One-Off Contingency - Contribution to Smoothing Reserve	3,083	0	0
C2	**Use of Uncommitted 2013 Contingency**			
	DEL Contingency	2,000	0	0
	One-Off Contingency - Main	2,000	0	0
	One-Off Contingency - Contribution to Smoothing Reserve	2,700	0	0
	Unallocated dept Growth	600	0	0
C3	**Use of Uncommitted 2015 Contingency**			
	One-Off Contingency - Contribution to Smoothing	0	0	2,900
		10,383	**0**	**2,900**

123. **Measures tightening compliance on tax collection and reducing avoidance** – Work has begun on additional measures to tighten compliance and reduce avoidance and it is expected that these measures when taken together with increased levels of tax being generated from settlement in 2012 and generous allowances for covering bad debts will generate additional revenue of £7.6 million per annum.

124. **Use of Carry Forwards** – Current estimates of financial performance from 2012 indicate that there is likely to be an improved financial performance on the current business plan. This will enable £8.5 million of funds to be used to balance budgets in 2013 and £4 million to be used to balance budgets in 2014.

FIGURE 24 - USE OF CARRY FORWARDS

	2013 £'000	2014 £'000	2015 £'000
Forecast improved financial position in 2012 carried forward to 2013	7,000	0	0
Forecast improved financial position in 2013 carried forward to 2014	0	3,300	0
Jersey Post Special Dividend 2012	1,500	700	0
	8,500	**4,000**	**0**

125. **Reduction in planned addition to Stabilisation Fund** – The original business plan for 2012 indicated that £10 million would be returned to the Stabilisation Fund. Based on the economic environment and the current projected estimates for expenditure, it is proposed that it is too early in the economic cycle to begin rebuilding the Stabilisation Fund. More economic stimulus is need in ways that will deliver cost effective service for the Island and sustain jobs.

126. **Using JT Preference Share Dividend Repayment** – Jersey Telecom (JT) is wholly owned by the States of Jersey. JT wants to restructure its Balance Sheet and repay a 9% preference share to the States with a par value of £20 million. The States will still own 100% of JT even after the preference share is repaid. This repayment can then be used to fund £15 million capital investment in essential services like Health and Social Services and to provide funding of £5 million for the Economic Development Department's Innovation fund. This release of capital from an established and growing business like JT can then be used to fund capital spending that will provide a fiscal, stimulus to the local economy and to fund new businesses.

LOOKING AHEAD: MANAGING THE BALANCE SHEET

Optimising Shareholder Returns

Progressing Incorporation of Housing, Harbours and Airports

A new States' Investment Strategy

Managing Pensions

Looking Ahead: Managing The Balance Sheet

127. Managing the budget is an important part of the overall financial management of the States of Jersey and forms a significant part of the MTFP. It is essential that departments manage their overall expenditure within their cash allocation. There are other aspects of financial management and the deployment of resources that need active management.

128. The States has a strong Balance Sheet Figure 25 below shows.

FIGURE 25 – STATES BALANCE SHEET SUMMARY 2009 – 2011

	2009 £'m	2010 £'m	2011 £'m
Total Fixed Assets	3,972	3,952	4,172
Current Assets	217	236	218
Current Liabilities	(212)	(215)	(239)
Long Term Liabilities (excluding Pre-1987 Debt)	(135)	(146)	(166)
PECRS Pre-1987 debt	(247)	(265)	(248)
TOTAL RESERVES	**3,595**	**3,562**	**3,737**

129. Active management of the Balance Sheet can result in an overall improvement of the financial position for the States, as well as safeguarding the assets of the Island for future generations. During the MTFP period, there is focus on number of key initiatives that relate to Balance Sheet Management:
    - *The Effective Management of the Property Portfolio through Jersey Property Holdings.*
    - *Strategic land development through SoJDC.*
    - *Incorporation proposals for Housing and Harbours and Airport.*
    - *Optimising the shareholder value from the States' ownership of utilities.*
    - *Maximising our return on investments in particular the Strategic Reserve and Social Security Reserve.*
    - *Maximising Pension Fund investments and managing future liabilities through planned revisions to the Schemes.*

130. We must make best use of the assets that we own, particularly our land and buildings. This strategic review of our property portfolio will also include our own occupation of buildings and the best way to develop office accommodation for the States of Jersey. It is planned that the outcome of this work will generate improved efficiencies and some capital receipts. These financial implications have not been factored into the MTFP at this stage, as the work will be progressed during the 2013-2015 period.

131. SoJDC is the body responsible for strategic land development for the States. Work will be progressed in the Esplanade quarter and on other transferred land assets such as the old JCG site. The impact of these developments and any additional dividend when the amount and timing of receipts will be clearer and will be shown in the 2016-2019 period and beyond.

132. Strategic Investments in the Island's utilities are a major asset for the States and they are currently valued at £326 million (2011). The details of the dividend policy and expected returns are set out in Appendix 2 of the MTFP. An overall summary of dividends for this Plan is set out below.

FIGURE 26 - SUMMARY OF DIVIDEND FORECASTS FROM STRATEGIC INVESTMENTS IN UTILITIES

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Jersey Electricity plc	2,358	2,551	2,615	2,680	2,747
Jersey New Waterworks Company Limited	1,527	1,896	1,932	1,969	2,007
Jersey Telecom Group Limited*	9,020	8,857	2,391	5,034	4,119
Jersey Post International Limited	513	5,013	623	744	655
Total	13,418	17,804	7,561	10,427	9,528

*Please note that the short term reduction in the forecast return from Jersey Telecom is an agreed plan to help JT retain cash in the business so as to facilitate the development of a fibre optic network for the whole Island. This project is known as "Gigabit Jersey". In addition the Board of JT has an ambitious programme of business development that will increase the dividend returns in future years.

Impact of Incorporation Projects on the Balance Sheet

133. There are two incorporation projects currently underway that are due to be debated by the States in 2012/2013. They affect the future structure of the Housing Department and the Harbours and Airports functions. If these proposals go ahead the States will be the sole shareholder.

Housing Department

134. The Housing Transformation project will see the Housing Department move to a Company limited by guarantee in 2014. The new entity will be responsible for the management of all directly provided social housing for the States of Jersey.

135. The Housing Department contributed £21 million in net revenue income in 2011 and had net assets of £543 million consolidated into the States of Jersey Balance Sheet, with £518 million of this from the value of Social Housing properties (inclusive of land).

FIGURE 27 - SUMMARY OF HOUSING DEPARTMENT BALANCE SHEET

	2011 £m
Tangible Fixed Assets	531
Financial Assets	14
Net Current Assets	(2)
Net Assets	543

136. This Plan assumes that the Housing Department will continue to make a contribution to overall expenditure so the outcome of the States debate on incorporation is unlikely to have a material net impact on the financial estimates on income and expenditure either way.
137. The decision on incorporation would, however, affect the Balance Sheet. In effect, £543 million of net assets would be moved to the Balance Sheet of the newly incorporated entity to be replaced with a Strategic Investment that would be valued on an annual basis.
138. This Plan assumes that the Housing Department will fund £96 million of development during 2013-2015 and £289 million as part of its long term capital plan. Funding for these schemes will come from a mixture of capital receipts, revised rental policy and some form of borrowing without any funds being allocated from the Consolidated Fund.
139. The States has advanced £27 million of some £40 million of future housing investment which, upon incorporation, will be funded from the Infrastructure Fund. This funding has been advanced in the short term by the States and will be repaid by the new Associates after incorporation together with £11 million repayment of funds advanced for Le Squez and Pomme D'Or Farm. Any delay in incorporation would mean that an alternative method of funding would need to be found in 2014 and 2015 for the main capital programme.
140. In addition, it is unlikely that Housing would be able to fund their current programme if they remained within the States funding mechanism without some additional central support (either through access to borrowing or allocations from the Consolidated Fund).

Harbours and Airports

141. Harbours and Airports are undertaking an integration process that will be complete in 2012. Once this is completed, a proposal will be made to incorporate these two separate entities into a new Ports Authority. This will move outside the States and become a Strategic Investment wholly owned by the States.
142. As trading funds, Harbours and Airports are obliged to manage their finances self-sufficiently within their available funds. They are fully consolidated into the States of Jersey. A summary of their balance sheet is set out below.

FIGURE 28 - SUMMARY OF HARBOURS AND AIRPORT BALANCE SHEET

	Harbours 2011 £m	Airport 2011 £m
Tangible Fixed Assets	94	138
Net Current Assets	15	13
Net Assets	109	148
Balance on Trading Fund	15	15

143. As Harbours and Airports are obliged to be self funding the outcome of the incorporation process will not have a material affect on the revenue expenditure and income within this Plan.

144. If incorporation does go ahead, £257 million of net assets would be moved to the Balance Sheet of the newly incorporated entity to be replaced with a Strategic Investment that would be valued on an annual basis.

145. If the decision were taken not to incorporate, however, there would be pressure on the trading funds to meet the proposed spending within their capital programmes. One outcome from this could be either some additional support from the States' borrowing or a delay on the desired programme.

States Investment Strategy

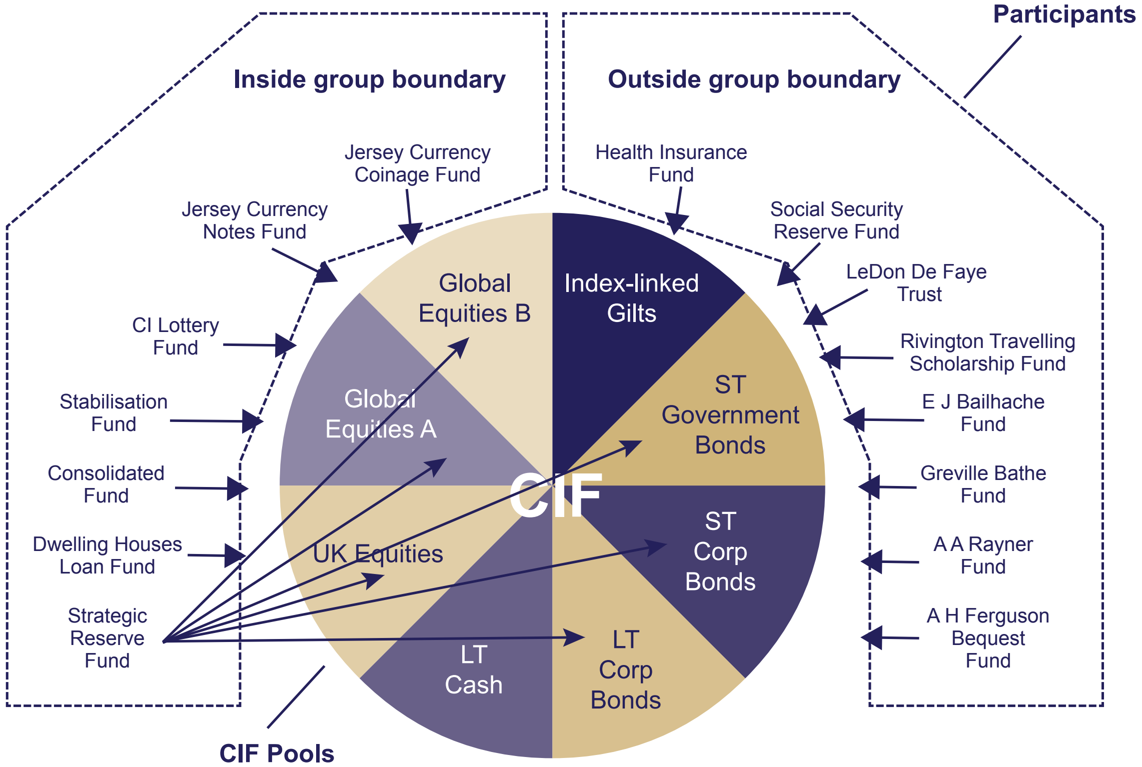
146. The most recent Investment Strategy for the States of Jersey was approved by the Treasury Minister and presented to the States and gives the long term aims for each fund. The aim of the Investment Strategy is to achieve an appropriate balance between managing risk and maximising the return on each of the funds within the agreed guidelines as set out below.

FIGURE 29 – STATES MAJOR FUNDS: SUMMARY OF INVESTMENT STRATEGY

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Inv. Fund
States of Jersey Major Funds					
Strategic Reserve Fund	50	10	40	-	Yes
Stabilisation Fund			80	20	Yes
Social Security (Reserve) Fund	80	10	10		Yes - Part
Health Insurance Fund	40		45	15	Yes [(1)]
Consolidated Fund				100	Yes [(1)]
Currency Notes and Coins Fund	20	60	10	10	Yes [(1)]

[(1)] monies required for working balances will be held outside of the States of Jersey – Common Investment Fund

147. The Common Investment Fund is the vehicle by which the major Funds are pooled with the aim of managing risk through diversification and increasing the return on each of these investments. The Common Investment Fund currently operates eight Investment Pools. States Funds can participate in any of the pools so as to meet the return targets within their Investment Strategies.



148. Participants are classified relative to the Group Boundary. Some participants are 'In Group' and have their results consolidated in the States Financial Accounts, and which are 'Out Group' and are not considered. Participants are able to invest in individual pools or combinations of pools to meet their investment requirements as outlined by their investment strategy.

149. The Investment Pools currently available are as follows:-

- *UK Equities Pool*
- *2 Global Equities Pools*
- *Global Passive Equity*
- *Short Term Corporate Bonds Pool*
- *Long Term Corporate Bonds Pool*
- *Short Term Government Bonds Pool*
- *Long Term Government Bonds Pool (currently closed)*
- *UK Index Linked Gilts Pool*
- *Long Term Cash and Cash Equivalents Pool*

150. Plans are in place to include property and global absolute return bond pools in the CIF later this year and further classes are anticipated for 2013. As of May 2012 15 States Funds participate in the CIF.

151. The participants investing in the CIF have differing objectives, be it capital preservation, steady income generation or maximisation of returns over a set period. In order to achieve their respective investment objectives an investment strategy is written in consultation with the States investment advisor for each participant. These strategies are presented to the States and published online. A strategy will include a strategic asset allocation and investment ranges that are expected to provide the participant with the best possible chance of meeting their investment objectives.

152. The participant is then invested in 'units' of the relevant CIF pools necessary to comply with their investment strategy. As a pool grows through the returns generated by that asset class the value of units in that pool will rise. A participant is free to purchase and sell units in any pool to either withdraw cash or to rebalance their strategic asset holdings.

153. The value of pool units will move in line with the results of the pool. Units in equity pools are expected to earn a higher return than units in cash pools in the long run but are more volatile in the short term. Accordingly rebalancing is performed at least quarterly to ensure participants remain in line with their strategic aims.

154. Results of the CIF will vary in line with markets and participants returns will also vary according to their strategic asset mix. Participants investing mostly in pools with lower risk assets, such as cash, are expected to generate lower returns but suffer lower volatility than pools investing in return seeking pools such as global equity.

155. Since inception the CIF has performed well generating returns in excess of benchmark by 1.5% to May 2012. In the last 12 months, since the inclusion of the phase 2 Global and UK Equity Pools, performance has exceeded benchmark by 2.5%.

FIGURE 30 - SUMMARY OF KEY RESERVES

Reserves	2011 £' million
Public Exployees Contributory Retirement Scheme (PECRS	1182
Jersey Teachers Superannuation Fund (JTSF)	302
Social Security Reserve Fund (old age pensions for Islanders)	855
Strategic Reserve	594
Stabilisation Fund	1

156. **The Strategic Reserve (Balance £594 million)**

The Strategic Reserve is a permanent reserve, to be used in exceptional circumstances to insulate the Island's economy from severe structural decline or from a disaster. Further work will be done during the course of the Medium Term Financial Plan period so as to consider the future investment strategy for the Strategic Reserve.

157. **Stabilisation Fund Policy (Balance £1 million)**

The Stabilisation Fund has been used to manage deficits in the period 2010 to 2012. During the period 2013 to 2015, the Council of Ministers would wish to take opportunities that arise to rebuild the Stabilisation Fund. Funds will be placed in the Stabilisation Fund either from a Consolidated Fund transfer in the period or from additional income generated during the period.

158. **Managing Pensions**

The States of Jersey administers two main public sector pension schemes on behalf of its employees:-

- *Public Employees Contributory Retirement Scheme (PECRS)*
- *Jersey Teachers Superannuation Funds (JTSF)*

159. Both pension schemes are funded and open to new members. Scheme benefits are calculated based on member's final salary and are, in the main compulsory for full and part-time employees. Jersey has funded public sector pension schemes with investments that it is anticipated will provide the investment returns necessary to pay pensions in future years.

160. However, as in other jurisdictions people are living longer. This is increasing the cost of providing pensions. Employee and employer contributions into the pension schemes have remained static for many years over which time the cost of providing the pension benefits has increased as people have been living longer. PECRS is now in a position where the current contribution rate is some 1% short of the cost of new entrants.

161. Change is needed so as to ensure that pensions are affordable and sustainable and fair for employees, employers' and the taxpayer and provide benefits that are appropriate for the way people live and work today. The public sector pension scheme landscape has changed.

162. Public sector pension schemes in the UK are being reviewed following the publication of a report by the Independent Public Service Pensions Commission chaired by Lord Hutton. This recommended a move to career average re-valued earnings (CARE) pension schemes in the UK with the normal retirement age linked to the State Retirement Age, protection of accrued rights and higher employee contributions. Typically higher employee contributions of an average of 3% of salaries are being proposed in the UK.

163. The public sector pension schemes in Jersey are in the "Public Sector Transfer Club" which aids the transfer pension benefits to and from the UK public sector pension schemes. It is important for Jersey to be able to remain within the Club so as to recruit teachers, doctors and nurses from the UK.

164. Prior to 1987 PECRS pension increases were paid from the States revenue budget. In 1987 all pension increases became payable from PECRS and the States of Jersey are now repaying this past service debt over 82 years. The amount payable increases each year in line with average pay increases (including increments). The debt is valued as a salary linked bond and long term returns mean that the level of the debt is sensitive to market conditions and can increase and decrease irrespective of how the repayments are made. In 2012 the States Pre-1987 debt repayment is around £4 million. This is projected to rise to £10 million per annum by 2032 and £131 million per annum by 2083 when the debt will be repaid in full.

FIGURE 31 – FORECAST OF PRE-1987 DEBT REPAYMENTS

Year	Annual Pre-1987 Debt Repayment
2012	£4 million
2032	£10 million
2052	£28 million
2072	£76 million
2083	£131 million

165. The total projected future cost of repaying the States Pre-1987 debt under the current arrangement is estimated to be £2.6 billion.

166. The 10 Point Agreement on which the Pre-1987 debt is repaid allows for consideration to be given to accelerating or completing repayment of the debt as and when the financial position of the States improves. The Agreement was made at a time of higher interest rates and the current low levels of interest rates were not envisaged. Whilst the arrangement was appropriate at the time it was made it is now is an appropriate time to consider increasing repayments and/or restructuring the debt as the States aims to manage the balance sheet alongside the revenue budget.

167. The management of the pension requirement for the States of Jersey is a significant issue and one that we are not alone in needing to tackle. One of the important local issues that needs to be considered is how to best to manage the Pre-87 debt. Between 2013 and 2015, an additional contribution of £1 million in 2013, rising to £2 million in 2014 and to £3 million in 2015 is planned so as to repay the pre-1987 debt over a shorter period and reduce the long term cost.

LOOKING AHEAD: CENTRAL BUDGETS, CONTINGENCIES AND GROWTH ALLOCATIONS

Maintaining Appropriate Central Contingencies

Making Provision for Pay Awards and Delivering Terms and Conditions Savings

Maintaining a Restructuring Provision to Support Public Sector Reform

Allocating Growth to Deliver Strategic Priorities and Departments' Service Pressures

Looking Ahead: Central budgets, contingencies and growth allocations

Introduction

The 2012 Business Plan provided the base assumptions from which the Medium Term Financial Plan proposals have been developed and the central budget allocations were initially set aside as shown in Figure 32. As was explained earlier in this Plan, some contingencies have been reduced in order to fund growth and balance the budget overall. The revised position is also shown below.

FIGURE 32 – BASE ASSUMPTIONS AND MEDIUM TERM FINANCIAL PLAN PROPOSALS

		Original			Earmarked Carry Fwd	Revised		
		Base Assumptions				MTFP Proposals (July 2012)		
Central Allocations	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**
Pay Provision	7,326	14,373	23,060	32,352		19,900	31,000	39,700
Corporate Terms and Conditions Savings	(7,000)	(14,000)	(14,000)	(14,000)		(14,000)	(14,000)	(14,000)
Net Pay Provision	**326**	**373**	**9,060**	**18,352**		**5,900**	**17,000**	**25,700**
Restructuring Provision	10,000	8,100	8,100	8,100	3,083	5,098	6,540	7,170
Corporate Procurement Savings	(3,000)	(6,500)	(6,500)	(6,500)		(3,451)	(3,451)	(3,451)
Restructuring Provision (Net of Savings)	**7,000**	**1,600**	**1,600**	**1,600**	**3,083**	**1,647**	**3,089**	**3,719**
Allocation for Contingencies								
- Central Reserves - AME	2,000	2,000	2,000	2,000	2,000	-	2,000	2,000
- Central Reserves - DEL	2,000	2,000	2,000	2,000		-	-	-
- Central Reserves - One Off	2,000	2,000	2,000	2,000		-	-	1,000
- Central Contingency - Smoothing Reserve	3,000	3,000	3,000	3,000		-	-	-
- Commitments for "One-Off Items"	(515)	-	(500)	(500)				
- Contingency for Emerging Items	4,000	4,000	4,000	4,000	4,000	-	4,000	4,000
Total Contingencies Available	**12,485**	**13,000**	**12,500**	**12,500**	**6,000**	**-**	**6,000**	**7,000**
Allocation for Growth								
Allocation for Growth for 2013	-	6,000	6,000	6,000	-	-	-	-
Allocation for Growth for 2014	-		10,000	10,000	-	-	-	-
Allocation for Growth for 2015	-			10,000	-	-	-	-
Total Allocation for Growth	**-**	**6,000**	**16,000**	**26,000**	**-**	**-**	**-**	**-**

Central Pay Provision

168. An allocation for increases in the wage bill of departments is generally included in a department's cash limit. However, with the requirement to deliver significant CSR savings from terms and conditions savings of £14 million by 2013 the pay allocation has been held centrally until such time as these savings have been delivered.
169. The base assumption provided for no pay awards in 2012 and 2013 and an allocation for future increases in the wage bill for 2014 and 2015 at the level of 2.5% p.a.
170. Pay negotiations are still ongoing and at the time of drafting the employer's offer of July 12th 2012 was the most current. The pay provision has been increased as part of the Medium Term Financial Plan proposals to provide for the July 12th 2012 offer. These additional proposals form part of the other pressures that have had to be addressed and are detailed in Section 9 of this report.

Central Restructuring Provision

171. The Restructuring Provision was established to provide "invest to save" funding as part of the CSR process. This funding is allocated to departments to assist in the delivery of savings projects with a defined payback.
172. As part of the 2012 Business Plan a commitment was made to continue the successful Fiscal Stimulus Programme for various skills and training initiatives and £1.9 million from the Restructuring Provision has been transferred to departments for this purpose.
173. The provision also provides an offset for centrally held procurement savings until these can de defined and transferred to departments. During 2012, the Procurement team have identified just over £3 million of savings which have been allocated to departments from 2013. In 2013 the remaining procurement savings will be identified and transfers agreed with departments. This will allow the Restructuring Provision to be available for the public sector reform programme over the period of the plan.
174. As part of the Medium Term Financial Plan proposals the Restructuring Provision has also been reduced by about £1 million each year to provide for growth proposals from Human Resources as detailed in Section 8 of this report. In 2013, a proportion of the required Restructuring Provision will be funded by Contingencies that are uncommitted and have been earmarked to be carried forward from 2012.
175. In 2013, £3.1 million will be provided for a Restructuring Provision from earmarked funds to be carried forward from 2012.

Central Contingencies

176. The base assumptions from the 2012 Business Plan provided for £13 million for Central Contingencies for each year of the Medium Term Financial Plan period. Provision was made for certain one off items in 2014 and 2015.
177. In order to fund the level of growth proposed by the Council of Ministers and balance the budget the level of Central Contingencies has been reduced. The remaining level of Central Contingencies amounts to £6 million for 2013 and 2014, increasing to £7 million in 2015. In 2013, the funding of £6 million will be provided from uncommitted Central Contingencies in 2012 which have been earmarked to be carried forward to 2013.

178. The available Contingencies will provide for:

- *Annually Managed Expenditure: this represents the more volatile areas of expenditure which are difficult to forecast and which are influenced by factors outside of the control of the department. In 2013 to 2015 this will only represent Income Support and Social security benefits as the level of Supplementation will be known if the States approve the new certainty formula which will be proposed alongside the Medium Term Financial Plan by the Social Security Minister.*
- *Emerging Items: this provision was established in the 2012 Business Plan for a number of emerging items for which a future significant cost was likely but where the exact cost and the timing were both uncertain. These emerging items included Freedom of Information, HCAE Inquiry and Legal Aid. The costs of these items remain uncertain and could not at this stage be allocated to departments so the contingency is maintained until such time as this can be allocated.*
- *One-Off Contingency: in 2015 a provision of £1 million will provide some flexibility to manage any unexpected one-off items.*

179. With a reduced level of central contingency departments will be expected to manage within their proposed spending limits and utilise the flexibility of carry forwards to plan the delivery of services over the period of the Medium Term Financial Plan. Departments are encouraged as part of the three-year process to build up contingencies at a department level to manage any unforeseen pressures without recourse to the central provisions.

180. In 2012 additional funding was provided to the Court departments to fund the significant increases in Court and Case costs that were forecast. In addition a “Smoothing Reserve” was established and in 2012 this amounts to almost £3 million. Current forecasts suggests that at least this sum should be available to carry forward into 2013 and together with the current balance on the Criminal Offences Confiscation Fund of around £14 million will provide for any unforeseen court and case costs over the Medium Term Financial Plan. Furthermore, consideration is being given by the Attorney General to the use of this fund to cover the costs of a possible Enquiry into historic child abuse and the funding of claims made under the States’ compensation scheme.

LOOKING AHEAD: CAPITAL PROGRAMME 2013-2015

Capital Programme Challenges and MTFP Process

2013-2015 Capital Programme Summary

2013-2015 Capital Project Details

Looking Ahead: Capital Programme 2013-2015

Challenges

181. We have to manage for the long term.

182. Capital decisions must look to the future so that investment is made in the right capital and infrastructure projects. This can help departments plan for service change and improvement, help boost the economy and safeguard the Island for the future. This Plan sets indicative capital allocations for 2013, 2014 and 2015. Whilst proposed schemes are set out in the Appendices, approval is not sought for the capital allocations to individual schemes in this report. The detail of the capital programme will be determined for each year as part of the setting of the Budget, usually in December each year.

183. The purpose of the Long Term Capital Plan, which includes the MTFP period of 2013 - 2015, period is to make a first attempt at identifying the long term capital investment needs for the Island.

    - *It collates the anticipated capital expenditure requirement, identified by departments for a 20 year period to 2032*
    - *It identifies the level of funding that might be available from existing States of Jersey (SoJ) financial resources*
    - *It identifies the resulting funding gaps in order that options for new funding streams can be considered in an appropriate and timely way.*

184. The process ensures that schemes are priorities, service reviews are undertaken and consideration give to the delivery of strategic objectives. Potential problems, caused by short term planning horizons, can be avoided. The prioritisation of maintenance projects on essential buildings and infrastructure, can be improved. The process will continue to ensure that capital projects being brought forward for formal approval have detailed feasibility studies and costed business cases in place prior to such approval being sort.

185. The 2012 Business Plan approved an overall capital expenditure of £37.6 million with indicative amounts in that range for 2013 and 2014. During the MTFP process, Departments have indicated a greater requirement for capital funding than those previously published, with the majority of the increase being for the Health Services and essential Infrastructure. It has been recognised that there needs to be an increased capital investment in order to maintain the level of service and amenities that Jersey needs. This plan acknowledges this strategy and indicates spending requirements as set out in the following tables.

186. It is important to stress that this excludes major proposals relating to the General Hospital and Liquid Waste Strategy – funding options for both of which are under separate consideration.

187. The total capital allocation for the three years 2013-2015 is approved in the Medium

Term Financial Plan. The individual allocations to capital projects are approved annually in the budget for each year.

FIGURE 33 – CAPITAL PROGRAMME 2013 – 2015 SUMMARY TABLE

	£'000 2013	£'000 2014	£'000 2015
Departmental Capital Programme	**37,326**	**57,502**	**31,468**
Funding Sources			
Consolidated Fund	(12,566)	(4,559)	(20,043)
JPH Asset Disposals Receipts from Business Plan	(3,300)	-	-
Additional Limes Funding - Charitable Funds	(1,000)	-	-
JPH receipts	(2,632)	(4,480)	(9,140)
Additional Funding from Consolidated Fund - Housing Repayment	-	(26,472)	(528)
Repayment of Le Squez and Pomme D'Or Farm	-	(11,250)	-
Use of Jersey Post Dividend	(1,528)	(698)	-
Repayment of JT Preference Shares	(8,500)	(4,743)	(1,757)
Use of Carry Forwards 2012 to 2013	(7,000)	-	-
Use of Carry Forwards 2013 to 2014	-	(3,300)	-
Funded from the Central Planning Vote	(800)	(2,000)	-
Funding Available	**(37,326)**	**(57,502)**	**(31,468)**
Social Housing Programme	18,801	31,390	45,873
Housing Funding Sources	(18,801)	(31,390)	(45,873)
TOTAL CAPITAL EXPENDITURE	**56,127**	**88,892**	**77,341**
Funding from Consolidated Fund (Main allocation)	**12,566**	**4,559**	**20,043**
Funding from Other Sources (Repayments to Consolidated Fund etc)	**24,760**	**52,943**	**11,425**
Housing Funding	**18,801**	**31,390**	**45,873**
TOTAL FUNDING	**56,127**	**88,892**	**77,341**

Notes

1. This position excludes an estimated £300 million for hospital works and £32 million for hospital ward extensions - future funding options are being actively pursued.
2. This shows the amount of Consolidated Fund available to fund projects from forecast funds (revised forecast).
3. No account has been taken currently of additional funding sources from policy changes.
4. This position excludes estimates for Liquid Waste Strategy - future funding options are being considered.

The allocation by project for 2013-2015 is detailed with in Figure 34:

FIGURE 34 – CAPITAL PROGRAMME 2013 - 2015: DETAIL OF PROPOSED PROJECTS

		£'000 2013	£'000 2014	£'000 2015
	Chief Minister's			
1	Web Development	100	170	-
2	Microsoft Upgrade	663	-	-
3	JDE Development & Upgrade	-	370	450
4	Application remediation Windows 8	-	500	-
5	HRIS Replacement	740	-	-
	Chief Minister's total	**1,503**	**1,040**	**450**
	Education, Sport and Culture			
6	School ICT	1,000	1,000	1,000
7	St Martin School	7,732		
8	Autism Support Unit	-	1,066	-
9	FB Fields Running Track	-	810	-
10	Les Quennevais Artificial Pitch	-	650	-
11	St James Centre	-	2,500	-
12	Replacement School	-	15,000	-
	Education, Sport and Culture total	**8,732**	**21,026**	**1,000**
	Department of the Environment			
13	Fisheries Vessels	-	100	-
14	Met Radar Refurbishment/ Upgrade	-	350	-
15	Countryside Infrastructure	-	200	200
	Department of the Environment total	**-**	**650**	**200**
	Health & Social Services			
16	Upgrade of Main Theatres	2,100	1,837	-
17	The Limes Refurbishment	1,700	-	-
18	Replacement General Hospital - feasibility	350	-	-
18	Replacement General Hospital - planning	-	2,000	-
19	Mental Health Facility at Overdale - feasibility	350	-	-
20	Intermediate Care	-	500	-
21	Relocation of Ambulance and Fire Station - feasibility	100	-	-
22	Adult Care Homes	4,000	-	-
23	Children's Homes	2,000	-	-
24	Refurbishment of Sandybrook	-	1,700	-
25	Replacement MRI Scanner	-	-	2,277
26	Replacement RIS / PACS IT assets	-	-	1,567
	Health & Social Services total	**10,600**	**6,037**	**3,844**

Note:
i) Property projects within individual departments will be delivered and managed by Jersey Property Holdings.
ii) the budget for vehicle replacements will be managed by Jersey Fleet Management.

		£'000 2013	£'000 2014	£'000 2015
	Home Affairs			
27	Police Station Relocation - Tranche 4	1,000	1,000	-
28	Prison Improvement Works - Gatehouse and Admin Block	-	-	7,532
	Home Affairs total	**1,000**	**1,000**	**7,532**
	Transport and Technical Services			
29	Infrastructure Rolling Vote	9,981	10,657	11,097
30	Refurbishment of Clinical Waste Incinerator	700	300	-
31	Sewage Treatment Works	-	3,100	-
32	Ash Cells & La Collette Headland	1,025	1,051	1,077
33	New Public Recycling Centre	-	2,050	-
34	Bottom Ash Recycling	-	1,538	-
35	Scrap yard Capital Basic Infrastructure	-	1,025	-
36	EFW Plant La Collette Replacement Assets	-	1,586	681
37	Pedestrian / Cycle Track Improvements	-	-	635
38	Sea Defence Backlog	-	-	425
	Transport and Technical Services total	**11,706**	**21,307**	**13,915**
	Treasury & Resources (inc. JPH)			
39	Tax Transformation Programme & IT systems	-	500	-
40	Demolition of Fort Regent Pool	-	750	-
	Treasury & Resources (inc. JPH) total	**-**	**1,250**	**-**
	Vehicle replacement (additional from consolidated fund)	**1,000**	**1,500**	**1,500**
	Replacement assets	**2,785**	**3,692**	**3,027**
	Total Projects - Capital Allocation	**37,326**	**57,502**	**31,468**
	Housing			
	Social Housing Programme	**18,801**	**31,390**	**45,873**
	Total Programme	**56,127**	**88,892**	**77,341**

Chief Ministers Department

1. Web Development (£270,000 + £100,000 approved in 2012): The new gov.je website was launched in February 2010. Further development and enhancements are planned for 2012 and 2013. People will be able to do more online, from filling in forms to paying bills.
2. Microsoft Update (£663,000 + £752,000 approved in 2012). The current standard States of Jersey desktop software is now nearing 10 years of age. The desktop software will no longer be supported by Microsoft after July 2011 with the operating system being retired in July 2014. The availability of third party support will reduce from 2012 as new systems are only tested on later versions of the software. It is therefore proposed to replace the existing desktop software with the latest Microsoft products.

3. JD Edwards Upgrade (£820,000). The States Enterprise Resource Planning (ERP) system, JD Edwards, will be ten years old in 2012. If the States are to renew this asset (purchased in 2000, implemented in 2002), then an upgrade programme will need to be initiated between 2014 and 2016. It is anticipated that this re-implementation of ERP will take a number of years to complete.
4. Application remediation Windows 8 (£500,000). Over the next few years the States of Jersey needs to continually invest in ensuring that the corporate desktop infrastructure is up-to-date if it is to achieve its departmental and States strategic objectives in providing an efficient government. This provision is dependent on the applications being able to function correctly.
5. HRIS Replacement (£740,000). HRIS is five years old, and has not been fit for purpose during its lifetime. A replacement is needed.

188. **Education Sport & Culture**

6. School ICT (£3,000,000). There is a requirement for the introduction of an ICT broad strategy across education to ensure that the Island is equipped for the future. This funding, spread over three years, allows for this to be implemented.
7. St Martin's School Replacement (£7,732,000). A new school is considered to be the most cost-effective option to replace the existing school, which falls well below recommended standards, including DfEE guidelines. This figure includes £500,000 relating to the Planning Vote.
8. Autism Support Unit, Haute Vallee School (£1,066,000). New Autistic Spectrum Disorder (ASD) Unit, including kitchen/social room, three smaller rooms, art store and toilets as an extension to the existing Arts Building.
9. FB Fields Running Track Replacement (£810,000). This scheme will replace the running track surface which was installed in 1986 and refurbished in 1996 and to upgrade the field event facilities and netball court surface. Continued degradation of the running track will increase the likelihood of accidents or injury to users. The current track and field facilities do not meet UK Athletics full certification and if the Island wishes to use the facilities for the 2015 Island Games full certification will be a requirement.
10. Les Quennevais Artificial Pitch Replacement (£650,000). This scheme will remove synthetic carpet and support material and replace with new synthetic carpet. Recent studies have shown that the pitch will require replacement by the commencement year due to wear and drainage issues. Continued use of the pitch will see degradation of the surface increasing the likelihood of accidents or injury to users.
11. St James Centre (£2,500,000). This project is currently the subject of a feasibility study being managed by Jersey Property Holdings. It is proposed that the existing Youth Service premises at La Motte Street should be sold for private development, and that part of the proceeds should be allocated for the conversion and/or improvement of the existing buildings in the St James complex (Church, Vicarage, and School) to provide the headquarters for the Jersey Youth Service, i.e. with facilities including a canteen, offices, music studio/rehearsal rooms, and a performance venue.
12. Replacement Extension of School (£15,000,000). Work is about to commence on a feasibility study for this project which should enable a business case to be prepared with improved cost estimates, location and potential. This project is at its very early stages. Education are considering how best to meet the needs of a

growing primary school population in St Helier. This funding will be made available if the feasibility study demonstrates a clear, long term need.

189. **Department of Environment**

13. Fisheries Vessel (£100,000). The fisheries vessel the Norman Le Brocq has an asset life of 10 years; however, it is due a refurbishment every 5. This £100,000 will fund the mid life refurbishment of the vessel before it is replaced in 2019.
14. Met Radar Refurbishment/Upgrade (£350,000). This project is to refurbish the Met Radar in order to extend the life of the existing asset and therefore delay the planned upgrade until 2024.
15. Countryside Infrastructure (£400,000). The resources are insufficient to adequately maintain the national park and environmental car parks. There is also a need to invest in additional infrastructure, e.g. footpaths. This would encourage people to walk and live a healthier lifestyle.

190. **Health & Social Services**

16. Upgrade of Main Theatres (£3,937,000 + £1,052,000 approved in 2012). The project will:
    - *Reconfigure existing theatre 1 to allow direct access from the new maternity theatre to the recovery area and use of the new maternity theatre as a decant during the work on main theatres.*
    - *Refurbish existing theatres 3 & 4 with an expansion of theatre 4 and installation of laminar flow in theatres 3 & 4.*
    - *Replacement of air handling plant in accordance with current guidance in theatres 1 – 4.*
    - *Replace the reception area for patients for surgery; and,*
    - *Centralise and expand the storage space available for main theatres.*

17. Limes Upgrade (£1,700,000 - with £1,000,000 funded from Charitable Funds). The Limes is a care home built in the 1980s to a very high standard but not refurbished since. This project will:
    - *Replace all floor, wall and ceiling finishes in all bedrooms, shower rooms (including new sanitary ware), corridors and communal areas.*
    - *Install 3 new assisted bathrooms;*
    - *Modernise and increase number of sluice rooms*
    - *Completely redecorate the building inside and out.*

18. Replacement General Hospital (£350,000 + £2,000,000). This provides for a feasibility study and planning/design work.
19. Mental Health Facility Feasibility Study (£350,000). The facilities at St Saviour's Hospital are reaching the end of their economic life and will shortly not be fit for purpose in respect of the ability to supply the desired service provision. Additionally it has been recognised that the capacity of the existing facilities needs to be doubled in the medium term to meet growing need. In the 2013 - 2015 period a feasibility study is planned (£350,000).
20. Intermediate Care (£500,000). This project proposes the establishment of an integrated Intermediate Care Centre which will serve as the base for the new IC

service (across health & social care) for the benefit of our adult population to promote faster recovery from illness, to protect them from unnecessary acute hospital admission and premature admission to long-term residential care, by supporting timely discharge from hospital and maximising independent living.

21. Ambulance and Fire Station relocation feasibility study (£100,000). In the 2013 - 2015 period a feasibility study is planned (£100,000) in order to determine whether to co-locate blue light services on one site. Work could not commence until 2016 when the current police station site will have been vacated.
22. Adult Care Homes (£4,000,000). There are several key issues that require addressing within the Special Needs Service:
    - *Fit for purpose homes for life for people with significant and complex needs*
    - *Appropriate day services for people with learning disabilities, integrated in to the community*
    - *Development of appropriate day time services for people on the autistic spectrum*
    - *Appropriate residential setting for specialist assessment and treatment*

23. Children's Homes (£2,000,000). This project is to develop homes for children who require residential care, which may include the acquisition and development of a new home; the provision of suitable accommodation for two children with complex and challenging behaviour who are currently placed in off island UK specialist placements; and the development of short break facilities, including day service and residential services.
24. Refurbishment of Sandybrook (£1,700,000). The aim of the project is to:
    - *Redecorate the internal environment.*
    - *Provide a bariatric bedroom on the ground floor by increasing the width of the doors and strengthening the ceiling for hoist tracking.*
    - *Replacing the current Arjo bath and providing a second Arjo bath on the first floor.*
    - *Providing a sluice room on the first floor.*
    - *Install a back up generator.*

25. Replacement MRI Scanner (£2,277,000). The Health and Social Services Department currently owns and operates one MRI scanner, which was commissioned in December 2007. The MRI scanner is in constant use in the hospital – 6,635 scans were undertaken in 2011, which equates to an average of 22 per day for every working day, and some weekend usage.

    The MRI scanner currently in use will need replacing in 2015. The scope of this project included purchase and commissioning of a new machine, and also the necessary building costs associated with installation.
26. Replacement RIS / PACS IT assets (£1,567,000). PACS and RIS is a chain of electronic components designed to run the Radiology Department and distribute reports and images to all relevant clinicians both inside and outside the hospital. This is an integrated chain with products from two different manufacturers. These products consist of software which runs on different platforms and hardware used to archive and display the images and reports.

    The RIS and PACS systems were introduced as part of the ICR programme in order to facilitate the development of improved patient care and safety, better planning of radiology activity, improved clinical education and research, a better working environment and improved accountability. The systems were purchased and implemented by GE Healthcare Systems and will have reached the end of its effective life in 2015.

191. Home Affairs

27. Police Station Relocation – Tranche 4 (£2,000,000). Continuation of funding for agreed revised scheme.
28. Prison Improvement Works – Phase 6 (£7,532,000). Construction of a new Gate House which completes the terrace of three buildings forming the new façade to HMP La Moye.

192. Transport & Technical Services

29. Infrastructure Rolling Vote (£31,735,000). The infrastructure rolling vote is designed to allow TTS to facilitate the maintenance and further improvement of the islands infrastructure network. The allocation is split broadly between highways (£3 million p.a.), traffic improvements / street lighting (£1 million p.a.), drainage infrastructure maintenance including pumping stations (£4 million p.a.) and other infrastructure assets (£750k).
30. Refurbishment of Clinical Waste Incinerator (£1,000,000). The clinical waste incinerator requires a complete overhaul and refurbishment and it was supposed to be replaced in 2012. This funding should provide for temporary maintenance to keep the plant operating until additional funding is available from 2016. This funding should also provide for feasibility studies and site investigations into the new clinical waste incinerator. This project had £1 million funding across 2013 and 2014 (inflated since 2012 ABP).
31. Sewage Treatment Works (£3,100,000). The liquid waste strategy is the master plan for the complete regeneration of the Bellozanne site. The sewage treatment works is the second phase of regenerating this area after the sludge project. Anticipated work includes moving to a carbonaceous plant, refurbishing the inlet works, and moving the primary and final settlement tanks.
32. Ash Cells & La Collette Headland (£3,153,000). The current ash cell provides a repository for ash that is safe and sustainable in the context of its proximity to the nearby Ramsar site. Ongoing revenue implications include monitoring and leachate extraction. The project brief is that the design of the cell is robust and durable and integrates with the long term La Collette Headland Plan. The La Collette Headland Plan provides an ongoing repository for the ash by-products of the new EFW plant for the design life of the plant. Revenue implications and project brief are the same as for the existing cell, but additionally, the completed headland will enhance the completed La Collette Reclamation aesthetically, environmentally and financially.
33. New Public Recycling Centre (£2,050,000). The liquid waste strategy looks at regenerating the entire Bellozanne site. As a result the recycling centre currently in place at Bellozanne needs to be relocated and redesigned in order to provide the island with a state of the art recycling centre.
34. Bottom Ash Recycling (£1,538,000). The project brief would be to set up an Incinerator Bottom Ash conditioning facility, consisting of complete metal separation, regrinding and conditioning.

35. Scrapyard Capital Basic Infrastructure (£1,025,000). The current scrap yard is leased out by TTS. However, the current area is not meeting environmental regulations and a new alternative needs to be identified and put in place.
36. EFW Plant La Collette Replacement Assets (£2,267,000). The EFW plant begun operations in October 2010. In order to keep the plant operating at its optimum capacity major maintenance and replacement of its component parts will be required from 2014 onwards.
37. Pedestrian / Cycle Track Improvements (£635,000). In order to promote the current sustainable transport policy more funding is required to maintain and increase the islands infrastructure for non motor vehicles.
38. Sea Defence Backlog (£425,000). The current rolling infrastructure vote provides enough funding to maintain all the sea defences at their current condition. This is the initial part of funding that would be used to improve the entire sea defence network to their optimum standard (other funding will be requested in the next MTFP period)..

193. Treasury & Resources

39. Tax Transformation Programme & IT systems (£500,000 + £600,000 approved in 2012). This project is intended to implement a “Procure to Pay” purchasing system, and develop the Income Tax IT system as required by the Tax Transformation Programme.
40. Demolition of Fort Regent Pool (£750,000). The pool has remained unused since December 2003. As a result, it has fallen into a poor state of repair and has become unsightly, a problem that is exacerbated by its prominent position. The estimated cost has been produced by Property Holdings.

LOOKING AHEAD: LONG TERM CAPITAL PLAN – INDICATIVE PLANS FOR 2012 - 2032

Summary Capital Plans

Summary Funding Position

Looking Ahead:
Long Term Capital Plan –
Indicative Plans for 2012 to 2032

(Appendix 4 for detailed information)

194. The detailed work in this area by departments indicates that funding of requirements of £1,646 million is required at current prices to meet spending needs to 2032. It is important to note that the amounts for Harbours and Airports will need to be revalidated as part of the continuing work on the incorporation process.

195. This broad estimate excludes inflation from the 2018 - 2032 period (both from spending requirements and funding sources). There is a proportion of inflation included in the 2012 - 2017 period but in essence these amounts are comparable to later period as the rate of inflation applied in this period is low and is not material when set within the context of the overall total of £1,646 million.

196. Details of the departmental expenditure is set out in Figure 35.

FIGURE 35 – CAPITAL EXPENDITURE PLANS BY DEPARTMENT: 2012 - 2032

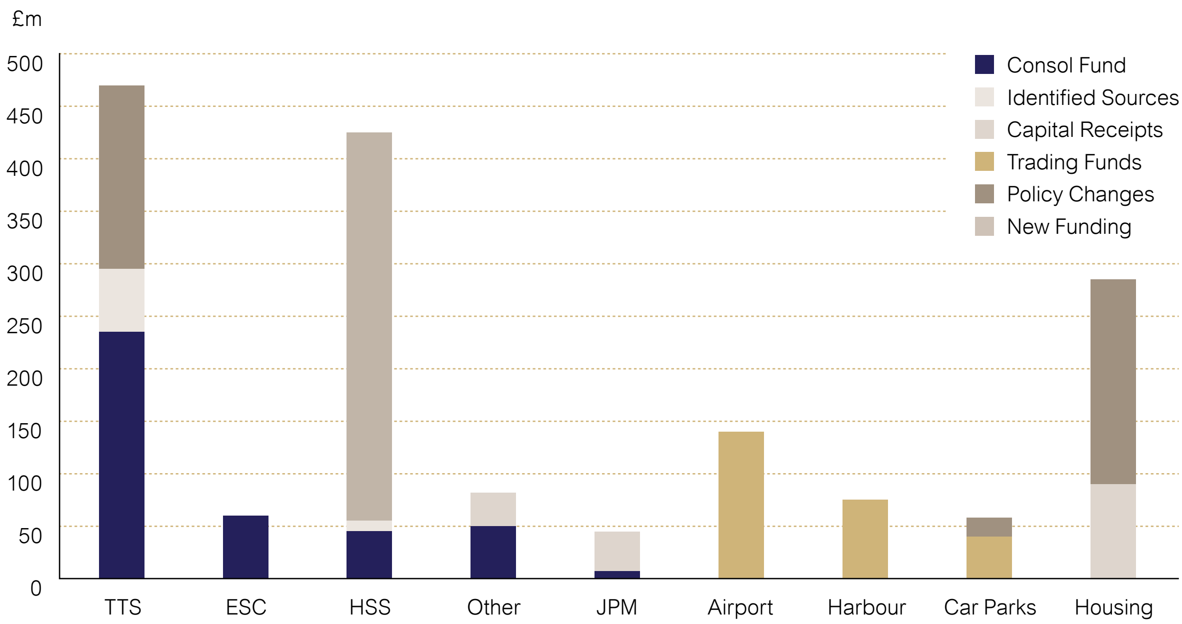
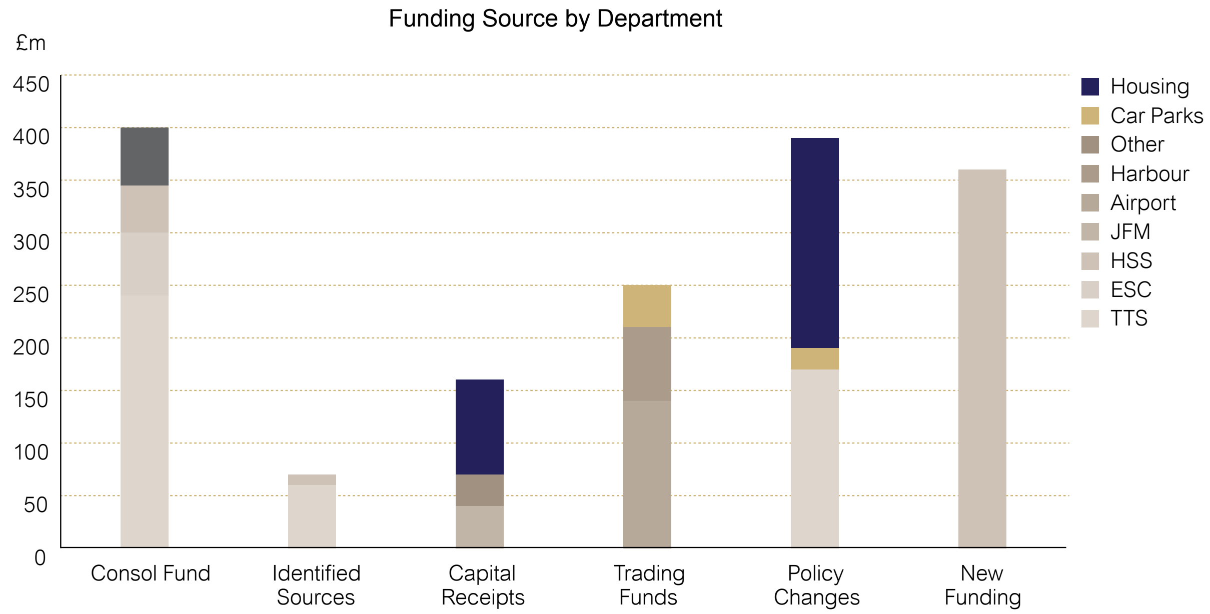


FIGURE 36 – INDICATIVE FUNDING SOURCES FOR CAPITAL EXPENDITURE PLANS – 2012 – 2032

197. The planned funding for this expenditure is shown in Figure 36



198. There is a requirement to finalise both new funding sources and those policy changes that will result in additional funds being available for capital projects. The future for the provision of medical and social services is currently being reviewed as part of the Health White Paper and this will consider both the future of the hospital and how mental health services are managed in Jersey. The £362 million indicated for new funding relates entirely to the initiatives and is subject to change, depending on the outcome of the work that happens in 2012. Treasury are already engaged in the process of actively seeking alternative ways to manage the funding for these projects.

199. The policy changes highlighted largely relate to Housing and TTS. Housing will be introducing a new rents policy proposal as part of their transformation project, which will be subject to consultation, and this will result in an overall increase in rents for states tenants that will then be used to fund major refurbishment and new build projects.

200. TTS have an overall liquid waste strategy that is included within this long term capital plan but for which an alternative funding source will need to be found. There are a number of options currently being considered and it is likely that these will be finalised within the MTFP period.

SUMMARY TABLES: FOR PROPOSITION

SUMMARY TABLE A – SUMMARY OF STATES INCOME AND EXPENDITURE

	Forecast	MTFP Proposals (July 2012)		
	2012 £'000	2013 £'000	2014 £'000	2015 £'000
States Income				
Income Tax	430,000	450,000	470,000	500,000
- Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance		7,600	7,600	7,600
Goods and Services Tax	77,700	79,761	81,955	84,508
Impôts Duty	51,117	52,939	53,002	53,111
Stamp Duty	22,869	24,529	27,702	28,962
Other Income	31,585	20,545	21,926	24,764
Island Rate	11,330	11,670	12,032	12,453
States Income	**624,601**	**647,044**	**674,217**	**711,398**
States Expenditure				
Departmental Net Revenue Expenditure (Revised)	596,034	626,224	643,510	654,738
Central Allocations (Revised)	22,085	7,547	26,089	36,419
Total Net Revenue Expenditure (excl: Depn)	**618,119**	**633,771**	**669,599**	**691,157**
Forecast Surplus/(Deficit) for the year (Revised)	**6,482**	**13,273**	**4,618**	**20,241**
Net Capital Expenditure Allocation	13,636	12,566	4,559	20,043
Forecast Surplus/(Deficit) for the year after Capital	**(7,154)**	**707**	**59**	**198**

201. This Summary Table to be referred to for Parts a) and b) of the Proposition

SUMMARY TABLE B – STATES NET REVENUE EXPENDITURE ALLOCATIONS 2013-2015

	2013 Net Expenditure Allocation	2014 Net Expenditure Allocation	2015 Net Expenditure Allocation
States Funded Bodies			
	£'000	**£'000**	**£'000**
Ministerial Departments			
Chief Minister	18,855.5	20,166.6	20,258.6
- Grant to the Overseas Aid Commission	9,324.1	9,790.3	10,279.8
Economic Development	18,255.8	19,459.3	19,974.8
Education, Sport and Culture	104,334.0	106,177.9	106,761.1
Department of the Environment	5,601.9	5,605.7	5,594.6
Health and Social Services	184,262.4	190,621.4	197,981.4
Home Affairs	46,730.5	47,489.0	47,843.5
Housing	(26,798.5)	(27,971.5)	(29,338.5)
Social Security	183,354.0	186,957.0	191,036.0
Transport and Technical Services	25,598.8	26,792.3	26,439.4
Treasury and Resources	30,001.2	31,412.4	30,583.6
Non Ministerial States Funded Bodies			
- Bailiff's Chambers	1,595.2	1,610.5	1,627.3
- Law Officers' Department	7,650.6	7,721.5	7,795.0
- Judicial Greffe	6,639.9	6,738.3	6,837.4
- Viscount's Department	1,368.2	1,373.2	1,378.4
- Official Analyst	609.4	613.9	618.6
- Office of the Lieutenant Governor	688.9	691.7	694.5
- Office of the Dean of Jersey	25.9	26.1	26.3
- Data Protection Commission	223.3	223.9	224.4
- Probation Department	2,123.9	2,127.9	2,132.0
- Comptroller and Auditor General	751.4	768.7	786.5
States Assembly and its services	5,027.4	5,114.3	5,203.4
Total Departmental Net Revenue Expenditure	**626,223.8**	**643,510.4**	**654,738.1**
For Information:			
Depreciation	41,657.0	44,133.9	46,138.5
Total Departmental Net Revenue Expenditure (inclusive of depreciation)	667,880.8	687,644.3	700,876.6

202. This Summary Table to be referred to for part c) i) of the Proposition

SUMMARY TABLE B1 - STATES REVENUE EXPENDITURE AND INCOME ALLOCATIONS 2013 - 2015

States Funded Bodies	2013 Gross Expenditure Allocation £'000	2013 Income Allocation £'000	2013 Net Expenditure Allocation £'000	2014 Gross Expenditure Allocation £'000	2014 Income Allocation £'000	2014 Net Expenditure Allocation £'000	2015 Gross Expenditure Allocation £'000	2015 Income Allocation £'000	2015 Net Expenditure Allocation £'000
Ministerial Departments									
Chief Minister	20,035.3	(1,179.8)	18,855.5	21,904.8	(1,738.2)	20,166.6	22,022.2	(1,763.6)	20,258.6
- Grant to the Overseas Aid Commission	9,324.1	-	9,324.1	9,790.3	-	9,790.3	10,279.8	-	10,279.8
Economic Development	19,979.7	(1,723.9)	18,255.8	21,183.2	(1,723.9)	19,459.3	21,698.7	(1,723.9)	19,974.8
Education, Sport and Culture	122,365.3	(18,031.3)	104,334.0	124,840.0	(18,662.1)	106,177.9	125,919.8	(19,158.7)	106,761.1
Department of the Environment	9,878.5	(4,276.6)	5,601.9	10,051.9	(4,446.2)	5,605.7	10,172.4	(4,577.8)	5,594.6
Health and Social Services	204,740.8	(20,478.4)	184,262.4	215,521.4	(24,900.0)	190,621.4	223,313.7	(25,332.3)	197,981.4
Home Affairs	48,762.3	(2,031.8)	46,730.5	49,568.0	(2,079.0)	47,489.0	49,970.8	(2,127.3)	47,843.5
Housing	15,451.3	(42,249.8)	(26,798.5)	15,691.8	(43,663.3)	(27,971.5)	15,601.7	(44,940.2)	(29,338.5)
Social Security	187,101.8	(3,747.8)	183,354.0	190,798.5	(3,841.5)	186,957.0	194,973.5	(3,937.5)	191,036.0
Transport and Technical Services	41,447.8	(15,849.0)	25,598.8	42,856.7	(16,064.4)	26,792.3	44,255.8	(17,816.4)	26,439.4
Treasury and Resources	37,063.7	(7,062.5)	30,001.2	38,667.9	(7,255.5)	31,412.4	38,126.7	(7,543.1)	30,583.6
Non Ministerial States Funded Bodies									
- Bailiff's Chambers	1,781.9	(186.7)	1,595.2	1,419.7	(190.8)	1,610.5	1,824.2	(196.9)	1,627.3
- Law Officers' Department	9,403.2	(1,752.6)	7,650.6	9,513.1	(1,791.6)	7,721.5	9,627.6	(1,832.6)	7,795.0
- Judicial Greffe	8,006.7	(1,366.8)	6,639.9	8,116.6	(1,378.3)	6,738.3	8,227.7	(1,390.3)	6,837.4
- Viscount's Department	1,954.4	(586.2)	1,368.2	1,967.4	(594.2)	1,373.2	1,979.6	(601.2)	1,378.4
- Official Analyst	669.4	(60.0)	609.4	675.4	(61.5)	613.9	681.6	(63.0)	618.6
- Office of the Lieutenant Governor	785.0	(96.1)	688.9	788.5	(96.8)	691.7	792.5	(98.0)	694.5
- Office of the Dean of Jersey	25.9	-	25.9	26.1	-	26.1	26.3	-	26.3
- Data Protection Commission	374.8	(151.5)	223.3	377.9	(154.0)	223.9	381.0	(156.6)	224.4
- Probation Department	2,568.9	(445.0)	2,123.9	2,572.9	(445.0)	2,127.9	2,577.0	(445.0)	2,132.0
- Comptroller and Auditor General	751.4	-	751.4	768.7	-	768.7	786.5	-	786.5
States Assembly and its services	5,117.8	(90.4)	5,027.4	5,204.7	(90.4)	5,114.3	5,298.1	(94.7)	5,203.4
Total Departmental Net Revenue Expenditure	**747,590.0**	**(121,366.2)**	**626,223.8**	**772,305.5**	**(129,176.7)**	**643,510.4**	**788,537.2**	**(133,799.1)**	**654,738.1**

SUMMARY TABLE C – SUMMARY OF CENTRAL CONTINGENCY ALLOCATIONS 2013-2015

	Earmarked Carry Fwd	MTFP Proposals (July 2012)		
Central Contingency Allocations	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**
Pay Provision		19,900.3	31,000.3	39,700.3
Corporate Terms and Conditions savings		(14,000.0)	(14,000.0)	(14,000.0)
Net Pay Provision		**5,900.3**	**17,000.3**	**25,700.3**
Restructuring Provision	3,083.0	5,098.0	6,540.0	7,170.0
Corporate Procurement savings		(3,451.3)	(3,451.3)	(3,451.3)
Restructuring Provision (Net of Savings)	**3,083.0**	**1,646.7**	**3,088.7**	**3,718.7**
Allocation for Contingencies				
- Central Reserves - AME	2,000.0		2,000.0	2,000.0
- Central Reserves - DEL				
- Central Reserves - One Off				1,000.0
- Central Contingency - Smoothing Reserve				
- Commitments for "One-Off Items"				
- Contingency for Emerging Items	4,000.0		4,000.0	4,000.0
	6,000.0	**-**	**6,000.0**	**7,000.0**
Allocation for Growth				
Allocation for Growth for 2013				
Allocation for Growth for 2014				
Allocation for Growth for 2015				
Total Allocation for Growth	**-**	**-**	**-**	**-**
Total Central Contingency Allocations	**9,083.0**	**7,547.0**	**26,089.0**	**36,419.0**

203. This Summary Table to be referred to for part c) ii)

SUMMARY TABLE D – CAPITAL EXPENDITURE PROGRAMME 2013-2015

	£'000 2013	£'000 2014	£'000 2015
Departmental Capital Programme	**37,326**	**57,502**	**31,468**
Funding Sources			
Consolidated Fund	(12,566)	(4,559)	(20,043)
JPH Asset Disposals Receipts from Business Plan	(3,300)	-	-
Additional Limes Funding - Charitable Funds	(1,000)	-	-
JPH receipts	(2,632)	(4,480)	(9,140)
Additional Funding from Consolidated Fund - Housing Repayment	-	(26,472)	(528)
Repayment of Le Squez and Pomme D'Or Farm	-	(11,250)	-
Use of Jersey Post Dividend	(1,528)	(698)	-
Repayment of JT Preference Shares	(8,500)	(4,743)	(1,757)
Use of Carry Forwards 2012 to 2013	(7,000)	-	-
Use of Carry Forwards 2013 to 2014	-	(3,300)	-
Funded from the Central Planning Vote	(800)	(2,000)	-
Funding Available	**(37,326)**	**(57,502)**	**(31,468)**
Social Housing Programme	18,801	31,390	45,873
Housing Funding Sources	(18,801)	(31,390)	(45,873)
TOTAL CAPITAL EXPENDITURE	**56,127**	**88,892**	**77,341**
Funding from Consolidated Fund (Main allocation)	**12,566**	**4,559**	**20,043**
Funding from Other Sources (Repayments to Consolidated Fund etc)	**24,760**	**52,943**	**11,425**
Housing Funding	**18,801**	**31,390**	**45,873**
TOTAL FUNDING	**56,127**	**88,892**	**77,341**

Notes

1. This position excludes an estimated £300 million for hospital works and £32 million for hospital ward extensions - future funding options are being actively pursued.
2. This shows the amount of Consolidated Fund available to fund projects from forecast funds (revised forecast).
3. No account has been taken currently of additional funding sources from policy changes.
4. This position excludes estimates for Liquid Waste Strategy - future funding options are being considered.

204. This Summary Table to be referred for the approval of the total Capital Expenditure Allocation for 2013-2015 which is Part c) iii) of the Proposition

SUMMARY TABLE E – SUMMARY OF CAPITAL PROJECTS FOR 2013-2015

		£'000 2013	£'000 2014	£'000 2015
	Chief Minister's			
1	Web Development	100	170	-
2	Microsoft Upgrade	663	-	-
3	JDE Development & Upgrade	-	370	450
4	Application remediation Windows 8	-	500	-
5	HRIS Replacement	740	-	-
	Chief Minister's total	**1,503**	**1,040**	**450**
	Education, Sport and Culture			
6	School ICT	1,000	1,000	1,000
7	St Martin School	7,732		
8	Autism Support Unit	-	1,066	-
9	FB Fields Running Track	-	810	-
10	Les Quennevais Artificial Pitch	-	650	-
11	St James Centre	-	2,500	-
12	Replacement School	-	15,000	-
	Education, Sport and Culture total	**8,732**	**21,026**	**1,000**
	Department of the Environment			
13	Fisheries Vessels	-	100	-
14	Met Radar Refurbishment/ Upgrade	-	350	-
15	Countryside Infrastructure	-	200	200
	Department of the Environment total	**-**	**650**	**200**
	Health & Social Services			
16	Upgrade of Main Theatres	2,100	1,837	-
17	The Limes Refurbishment	1,700	-	-
18	Replacement General Hospital - feasibility	350	-	-
18	Replacement General Hospital - planning	-	2,000	-
19	Mental Health Facility at Overdale - feasibility	350	-	-
20	Intermediate Care	-	500	-
21	Relocation of Ambulance and Fire Station - feasibility	100	-	-
22	Adult Care Homes	4,000	-	-
23	Children's Homes	2,000	-	-
24	Refurbishment of Sandybrook	-	1,700	-
25	Replacement MRI Scanner	-	-	2,277
26	Replacement RIS / PACS IT assets	-	-	1,567
	Health & Social Services total	**10,600**	**6,037**	**3,844**

205. This Summary Table is provided for information only. The total capital allocation for the three years 2013-2015 is approved in the Medium Term Financial Plan. The individual allocations to capital projects are approved annually in the budget for each year.

SUMMARY TABLE E (CONT'D) – SUMMARY OF CAPITAL PROJECTS FOR 2013-2015

		£'000 2013	£'000 2014	£'000 2015
	Home Affairs			
27	Police Station Relocation - Tranche 4	1,000	1,000	-
28	Prison Improvement Works - Gatehouse and Admin Block	-	-	7,532
	Home Affairs total	**1,000**	**1,000**	**7,532**
	Transport and Technical Services			
29	Infrastructure Rolling Vote	9,981	10,657	11,097
30	Refurbishment of Clinical Waste Incinerator	700	300	-
31	Sewage Treatment Works	-	3,100	-
32	Ash Cells & La Collette Headland	1,025	1,051	1,077
33	New Public Recycling Centre	-	2,050	-
34	Bottom Ash Recycling	-	1,538	-
35	Scrap yard Capital Basic Infrastructure	-	1,025	-
36	EFW Plant La Collette Replacement Assets	-	1,586	681
37	Pedestrian / Cycle Track Improvements	-	-	635
38	Sea Defence Backlog	-	-	425
	Transport and Technical Services total	**11,706**	**21,307**	**13,915**
	Treasury & Resources (inc. JPH)			
39	Tax Transformation Programme & IT systems	-	500	-
40	Demolition of Fort Regent Pool	-	750	-
	Treasury & Resources (inc. JPH) total	**-**	**1,250**	**-**
	Vehicle replacement (additional from consolidated fund)	**1,000**	**1,500**	**1,500**
	Replacement assets	**2,785**	**3,692**	**3,027**
	Total Projects - Capital Allocation	**37,326**	**57,502**	**31,468**
	Housing			
	Social Housing Programme	**18,801**	**31,390**	**45,873**
	Total Programme	**56,127**	**88,892**	**77,341**

206. This Summary Table is provided for information only. The total capital allocation for the three years 2013-2015 is approved in the Medium Term Financial Plan. The individual allocations to capital projects are approved annually in the budget for each year.

SUMMARY TABLE F – INCOME AND EXPENDITURE OF STATES' TRADING OPERATIONS 2013 TO 2015

	2013 Gross Expenditure Total £	2013 Income Total £	2013 Net Expenditure £	2013 Financial Return £
Jersey Airport	21,873,200	(29,609,700)	**(7,736,500)**	-
Jersey Harbours	11,515,000	(14,882,000)	**(3,367,000)**	100,000
Jersey Car Parking	5,395,500	(6,640,500)	**(1,245,000)**	1,552,000
Jersey Fleet Management	3,662,600	(3,935,300)	**(272,700)**	-
	42,446,300	**(55,067,500)**	**(12,621,200)**	**1,652,000**
Depreciation	13,651,600	-	-	
	56,097,900	(55,067,500)	1,030,400	

	2014 Gross Expenditure Total £	2014 Income Total £	2014 Net Expenditure £	2014 Financial Return £
Jersey Airport	22,032,000	(29,992,900)	**(7,960,900)**	-
Jersey Harbours	11,695,000	(15,155,000)	**(3,460,000)**	100,000
Jersey Car Parking	5,410,800	(6,731,300)	**(1,320,500)**	1,591,000
Jersey Fleet Management	3,662,600	(3,935,300)	**(272,700)**	-
	42,800,400	**(55,814,500)**	**(13,014,100)**	**1,691,000**
Depreciation	13,614,600	-	-	
	56,415,000	(55,814,500)	600,500	

	2015 Gross Expenditure Total £	2015 Income Total £	2015 Net Expenditure £	2015 Financial Return £
Jersey Airport	22,519,400	(30,626,400)	**(8,107,000)**	-
Jersey Harbours	11,962,000	(15,532,000)	**(3,570,000)**	100,000
Jersey Car Parking	5,438,700	(6,827,600)	**(1,388,900)**	1,631,000
Jersey Fleet Management	3,662,600	(3,935,300)	**(272,700)**	-
	43,582,700	**(56,921,300)**	**(13,338,600)**	**1,731,000**
Depreciation	12,857,600	-	-	
	56,440,300	(56,921,300)	(481,000)	

SUMMARY TABLE G – PROPOSED CAPITAL PROGRAMME FOR STATES' TRADING OPERATIONS 2013 TO 2015

States Trading Operations	2013 Capital Allocation £'000	2014 Capital Allocation £'000	2015 Capital Allocation £'000
Jersey Airport			
- Capital Expenditure Allocation	517	331	2,393
Jersey Harbours			
- Capital Expenditure Allocation	1,296	368	1,670
Jersey Car Parking			
- Capital Expenditure Allocation	12	561	583
Jersey Fleet Management			
- Capital Expenditure Allocation	1,323	1,091	1,418
Total Capital Expenditure to be Financed from Trading Funds	**3,148**	**2,351**	**6,064**

207. These tables are to be referred to for Part d) and e) of the Proposition.

SUMMARY TABLE H – CONSOLIDATED FUND 2012 TO 2015 FOR THE MEDIUM TERM FINANCIAL PLAN

2011 £'000	Consolidated Fund	Budget 2012 £'000	Forecasts 2012 £'000	Forecasts 2013 £'000	Forecasts 2014 £'000	Forecasts 2015 £'000
40,625	**Opening Balance**	**24,770**	**47,166**	**32,738**	**19,717**	**11,563**
	Proposed Capital Expenditure Allocation - Housing Schemes		(27,000)			
	Other Fund Adjustments - Return of Housing Capital				27,000	
	Other Fund Adjustments - Allocation to Capital Programme				(26,472)	(528)
	Repayment of JT Preference Dividends		20,000			
	Other Fund Adjustments - Allocation to Capital Programme			(8,500)	(4,743)	(1,757)
	Other Fund Adjustments - Allocation to Innovation Fund		(5,000)			
	Other Fund Adjustment - Earmarked Carry Forward from 2012 to Fund Capital		7,000	(7,000)		
	Other Fund Adjustment - Earmarked Carry Forward from 2013 to Fund Capital			3,300	(3,300)	
	Other Fund Adjustment - Jersey Post Special Dividend 2012 to Fund Capital		(2,274)	(1,528)	(698)	
26,835	Other Fund Adjustments	2,032	-	-	-	-
(24,838)	Forecast Surplus/Deficit for the year	(19,412)	(7,154)	707	59	198
	In Year - Improved Forecast Financial Position					
46,000	Transfer from/(to) the Stabilisation Fund	-	-	-	-	-
(41,456)	Carry forward expenditure to 2012					
	Estimated Consolidated Fund Balance					
47,166	**Central scenario**	**7,390**	**32,738**	**19,717**	**11,563**	**9,476**

2011 £'000	Stabilisation Fund	Budget 2012 £'000	Forecasts 2012 £'000	Forecasts 2013 £'000	Forecasts 2014 £'000	Forecasts 2015 £'000
46,997	**Opening Balance**	**10,000**	**1,006**	**1,006**	**1,006**	**1,006**
(46,000)	Transfer from Consolidated Fund	-	-	-	-	-
9	Investment Income					
	Estimated Stabilisation Fund Balance					
1,006	**Central scenario**	**10,000**	**1,006**	**1,006**	**1,006**	**1,006**

Note: There is currently no proposal to transfer funds to/or from the Stabilisation Fund in the Medium Term Financial Plan. However, it is a requirement of the Finance Law that a statement of the Consolidated Fund be included to demonstrate that it is in balance over the period of the Medium Term Financial Plan.

APPENDICES AND SUPPLEMENTARY NOTES

Index to Supplementary Notes

The supplementary notes are as follows:

208. **Supplementary Note 1: Income Tax: Overview**

This provides a high-level overview of Income Tax, the main source of States Income, which is estimated at £450 million for 2013 and then goes in to more detail about the work that is done to predict this income stream. Given that Income Tax represents 70% of States Income significant effort has gone, and continues to go, into forecasting this.

209. **Supplementary Note 2 Income Tax Review of Forecasting Model**

The Income Tax Forecasting Model has been reviewed and updated as a result of the complete tax data for year of assessment 2010 and revised economic assumptions. A detailed review has also been undertaken of the way in which the model deals with taxpayer allowances and reliefs resulting in a significant improvement in methodology.

210. **Supplementary Note 3: GST (appendix to follow)**

Goods and Services Tax (GST) is a consumption tax on spending in the Island. It is the second largest element of States income and is estimated to raise £80 million in 2013.

211. **Supplementary Note 4: Impôts**

Impôts income arises from duties levied on the importation of alcohol, tobacco and fuel. Vehicle Excise Duty and other Customs income. 2013 income is estimated at £53 million.

212. **Supplementary Note 5: Stamp Duty and Land Transaction Tax**

Stamp Duty is levied on transactions which pass through the Royal Court, largely commercial and residential property transactions. The forecast for 2013 is £23 million. Land Transaction Tax was introduced in 2010 to raise similar income from share transfer property transactions. 2013 income is estimated at £1.5 million.

213. **Supplementary Note 6: Island-wide Rate**

This was introduced in 2006 to move the cost of Parish Welfare and Residential Care to the States, with the Parishes paying an annual Rate to the States in return. Income for 2013 is forecast at £11.67 million.

214. **Supplementary Note 7: Other States Income**

This category combines a number of smaller elements including investment interest, dividend income (for example from JT and Jersey Post) and returns from States Trading Operations (such as the Harbours and Airport). The total of Other States Income for 2013 is forecast at £21 million.

215. **Supplementary Note 8: Departmental Income**

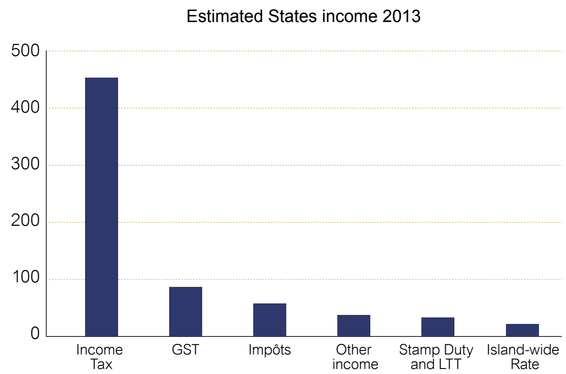
Departmental Income is income resulting from fees and charges in respect of goods and services provided by the various departments. The forecast for departmental income in 2013 is £123 million.

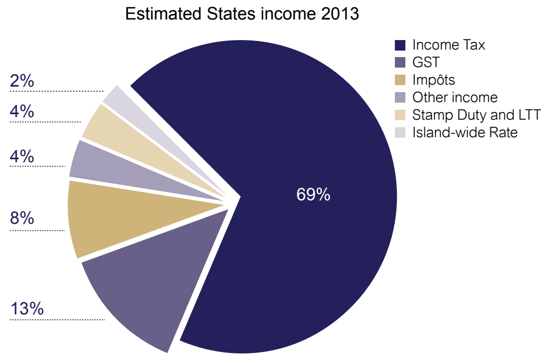
APPENDIX ONE: STATES INCOME

Supplementary Note 1 – Income Tax: Overview

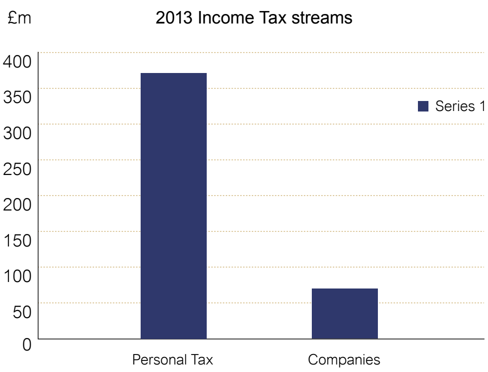
What drives the level of Income Tax income?

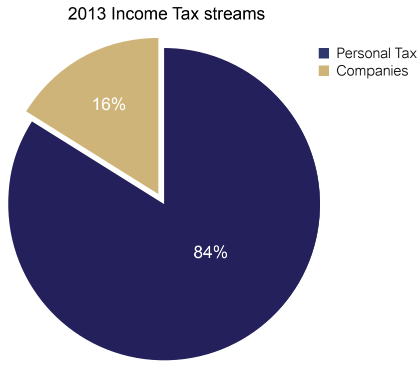
216. Income Tax is by far the largest element of States income. In 2013 it is forecast to raise £450 million out of total States income of £647 million, or 70%.





217. Income Tax can be broken down into personal tax (including tax from employees (Schedule E) the self-employed and investment holders (Schedule D)) and income tax from companies (Schedules C and Z). Forecasts for 2013 indicate that personal tax will account for £377 million of the £450 million total income tax, or 84%. Personal income tax represents 58% of all States income.



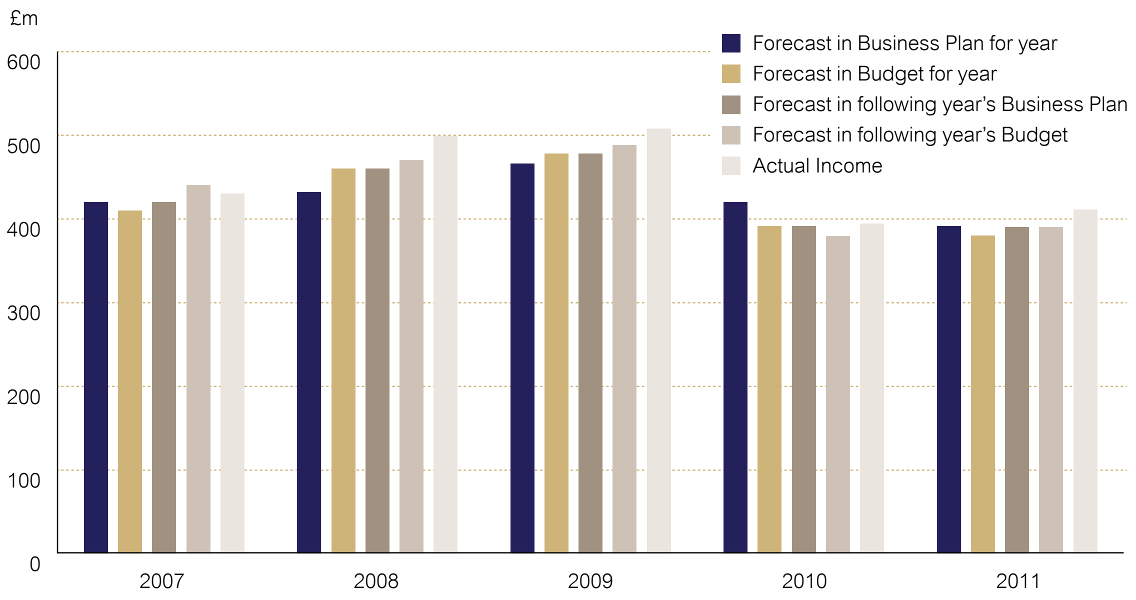


218. Whilst being the largest element of income, Income Tax is also the most difficult to forecast although excellent progress has been made in the last year or two on improving the accuracy of projections. Because of its high value, a small difference between estimated and actual income can result in a difference of several million pounds. The factors affecting Income Tax income are explored below but can change quickly, for example as the economic outlook alters. Forecasting is made even more difficult by when it needs to be done. As an example 2011 income would have first needed to be considered in the 2011 Annual Business Plan, lodged in July 2010. Then in the 2011 Budget lodged in September 2010. An updated forecast was published in the 2012 Business Plan (lodged July 2011) and the 2012 Budget (lodged September 2011). The

actual income is not known until well into 2012 when it is published in May in the 2011 Accounts. There is thus a span of 20 months from July 2010 until May 2012 during which a great deal can change. The following table and chart illustrate how forecasts can change, with the most important comparison being between actual income and the Budget forecast for that year – these columns are highlighted:

	Earliest →				Latest
Year of income	**Forecast in Business Plan for year**	**Forecast in Budget for year**	**Forecast in following year's Business Plan**	**Forecast in following year's Budget**	**Actual income**
2007	420	410	420	440	430
2008	432	460	460	470	499
2009	466	478	478	488	508
2010	420	391	391	379	394
2011	391	380	390	390	411

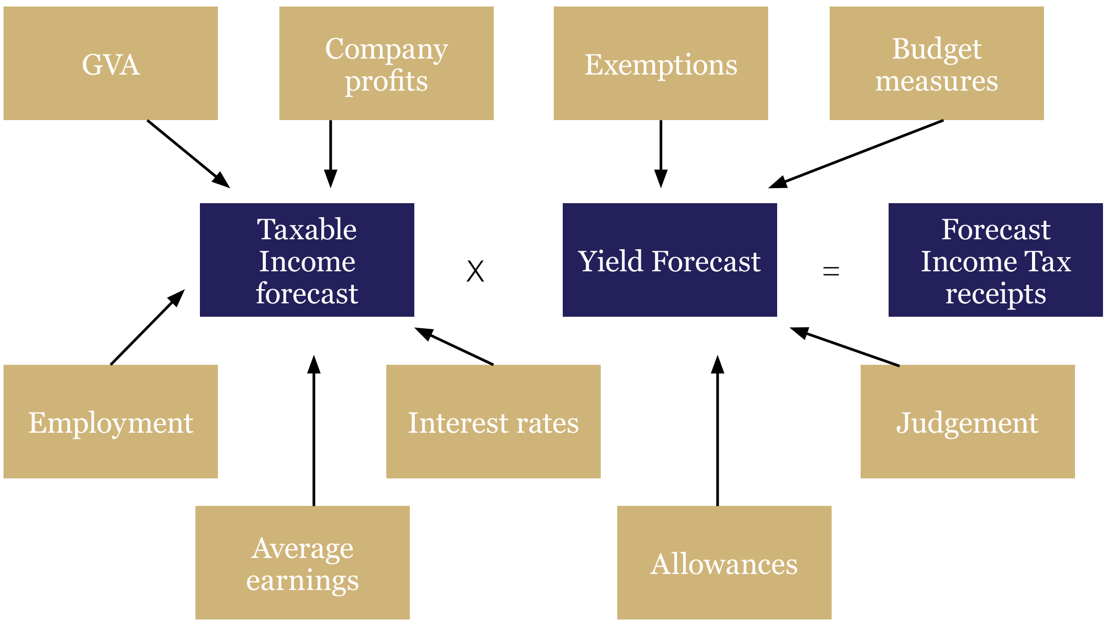
INCOME TAX FORECAST



219. Forecasting is undertaken by the Income Tax Forecasting Group (ITFG), made up of senior officers from the Treasury and Chief Minister's Departments. Forecasting is undertaken in the following way:

- *The Taxes Office provides the Economics Unit with data on taxable income for the previous year of assessment (YOA) i.e. the tax year in which the income is generated.*
- *The Economics Unit applies assumptions and forecasts for a number of variables to the income data. These variables include:*
  - *Gross Value Added (GVA) – broadly the equivalent of Gross Domestic Product (or GDP) in the UK – a measure of "national" income;*

  – *Company profits;*
  – *Employment levels;*
  – *Average earnings; and*
  – *Interest rates.*
- *This then produces a forecast of taxable income.*
- *The Taxes Office then calculates an expected yield i.e. a percentage to apply to taxable income to forecast income tax receipts. The yield is based on the previous year, adjusted for known factors e.g. changes to exemptions and allowances, other Budget measures. The yield is then applied to the taxable income forecast to produce an income tax forecast.*
- *The income tax forecast is then adjusted for expected bad debts and any other factors which, in their judgement, the ITFG considers should be taken into account.*
- *The final forecast is presented as a range of +/- 5% to reflect the uncertainty over some of the variables used.*



220. Once actual tax receipts relating to a year of assessment are known, they are analysed against the forecast to establish the reasons for any differences. These could be due to:
- *Differences in taxable income; and/or*
- *Differences in yield.*

221. Once variances are analysed the process for future forecasting is adjusted so there is a cycle of continuous improvement.

222. The following table shows this analysis for YOA 2010:

Central scenario, YOA 2010	Forecast			Actual			Difference			
Income tax forecast paper - March 2011	Taxable income	Yield assump tion	Tax revenue	Taxable income	Yield	Tax revenue	Model	Yield	Other	Total
	£m	%	£m	£m	%	£m	£m	£m	£m	£m
Employees:										
Schedule E	2180	12.8	278	2138	13.6	290	-5	17		12
Companies:										
Schedule C			59	536	11.9	64			5	5
Schedule Z (IBCs)+excos			9			11			2	2
Self employed and IH:										
Schedule B+D	300	15.5	46	330	14.8	49	4	-1		3
Bad debts			-4			-1			3	3
Total			388			413	-1	16	10	25
Business Plan 2012 - central			390							
Business Plan 2012 - range			+/- 15							
Budget 2012 - central			390							
Budget 2012 - range			+/- 15							

223. In this instance the actual receipts were £25 million more than forecast, due mostly (£16 million net of which £17 million was employees) to a different actual yield % from that used in the forecasting process. Taxable income was only £1 million (net) different – although Schedule E (employee) income was £5 million less than forecast and income from the self-employed and investment holders (Schedules B and D) was £4 million more than forecast. This illustrates the difficulty in forecasting 70% of States income.

224. The following table shows the sensitivity of the forecast to some of the most influential variables:

A 1% variation from forecast in:	= the following variation in Income Tax receipts from forecast
Employment	£2 million - £3 million
Average earnings	£2 million - £3 million
GVA	£1 million
Impact of exemption thresholds and allowances	£3 million

Strategy 2013-2019

225. The Tax Policy Unit has a three year work plan which sets out those aspects of the Income Tax system which will be subject to review and potential change over the life of the Medium Term Financial Plan:

- *Some elements will be neutral in terms of their Income Tax receipts.*
- *Some may reduce receipts e.g.*
- *Repeal of deemed distribution provisions;*

- *Further support for childcare and education costs; and*
- *Review of Probate duty.*
- *Other reviews have the potential to increase Income Tax receipts e.g.*
- *Non-financial services companies; and*
- *0/10 anti-avoidance and data collection.*

226. Until further work has been done it is difficult to quantify these measures with any certainty.

227. The Treasury Minister has given a commitment that there will be no increase in the headline rate of Income Tax over the life of the MTFP.

Forecasts

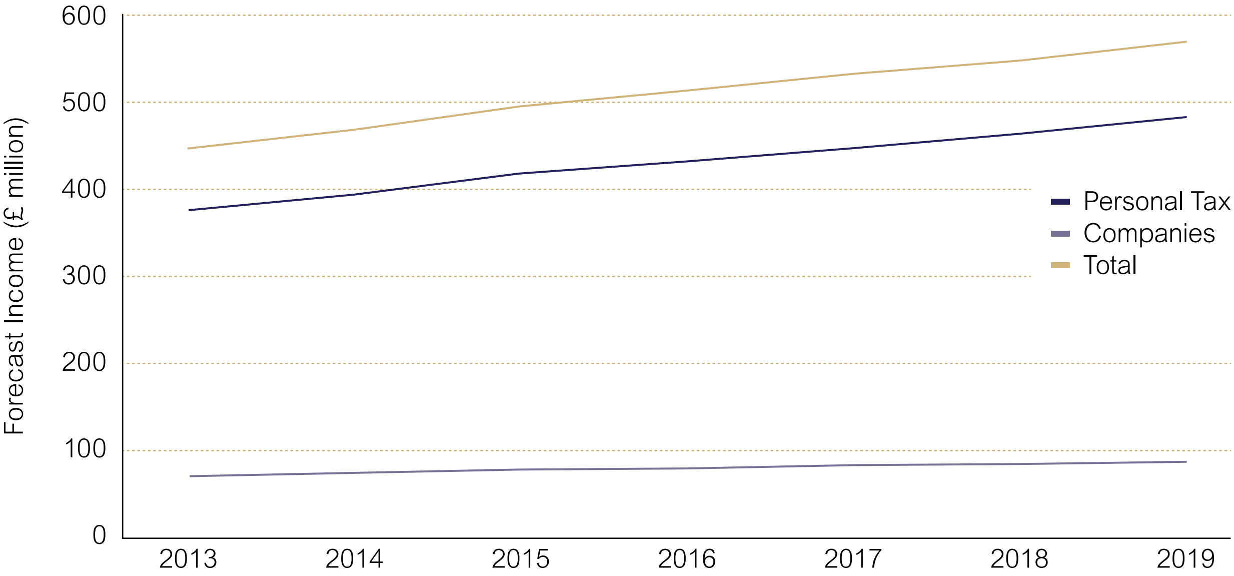
228. The following assumptions have been used in preparing these forecasts:

% change	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GVA	-5.0	1.2	1.4	2.0	2.5	2.5	1.5	1.5	1.5	1.5
RPI	2.6	5.0	3.8	3.0	3.1	3.5	3.5	3.5	3.5	3.5
Employment	-0.1	1.0	0.5	1.0	1.0	0.5	0.5	0.5	0.5	0.5
Average Earnings	1.1	2.5	3.5	3.8	4.1	4.8	4.5	4.5	4.5	4.5
Interest rates (%)	0.5	0.5	0.5	0.6	0.9	1.4	5.0	5.0	5.0	5.0

229. Forecasts are as follows:

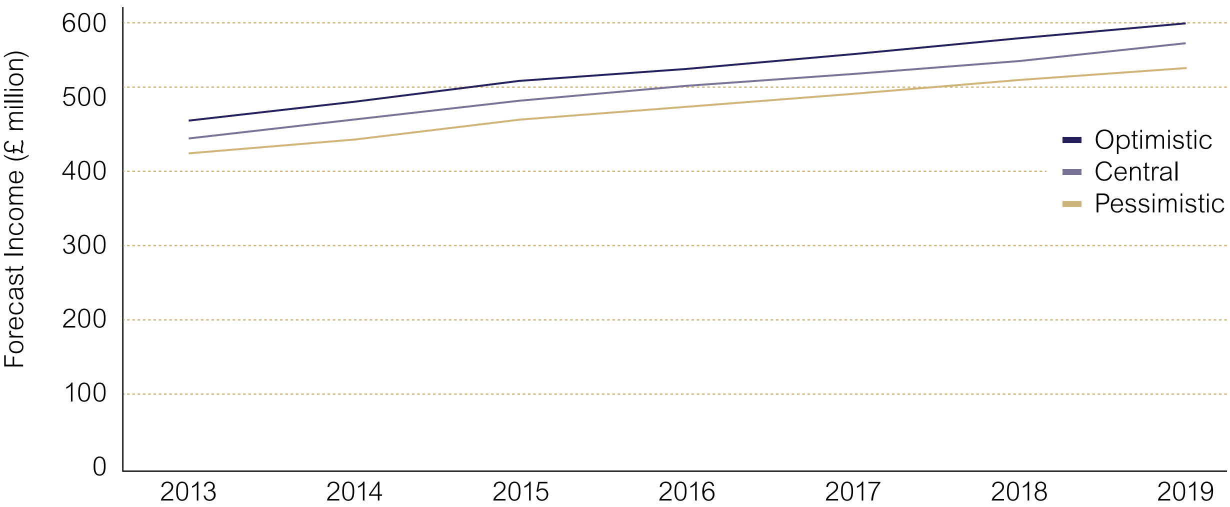
£ millions	2013	2014	2015	2016	2017	2018	2019
Personal Tax	375	395	418	433	448	463	480
Companies	70	73	76	80	83	86	89
Total	445	468	494	513	531	549	568

INCOME TAX FORECAST RANGE 2013–2019



230. If a forecast range of +/- 5% is used this gives a range of uncertainty of almost £60 million by 2019.

INCOME TAX FORECAST RANGE 2013–2019



Supplementary Note 2 – Income Tax Forecast Note – March 2012

Executive summary

231. ### Updated model

The income tax forecasting model has been updated to include the complete tax data for year of assessment (YOA) 2010 and revised economic assumptions. The way the model deals with tax payer allowances and reliefs has also been significantly improved.

232. ### Central forecast

The central forecast (figure 1) is the midpoint in a range of what we estimate future income tax revenues will be given the latest tax data, economic assumptions and past Budget decisions. The impact of any proposed Budget measures would have to be separately assessed and added to the forecast.

FIGURE 1: CENTRAL FORECAST FOR INCOME TAX

	Actual	Forecast			
YOA	2010	2011	2012	2013	2014
Budget Year	2011	2012	2013	2014	2015
	£m	£m	£m	£m	£m
Employees	286	309	323	342	364
Companies	75	74	77	80	84
Self employed and investment holders	50	51	52	53	54
Bad debts	-2	-4	-4	-4	-4
Total	409	429	448	472	498

FIGURE 2: DIFFERENCE BETWEEN FORECASTS

	Forecast			
YOA	2010	2011	2012	2013
Budget Year		2012	2013	2014
	£m	£m	£m	£m
Employees	14	17	9	2
Companies	1	-2	-1	1
Self employed and investment holders	3	3	2	0
Bad debts	3	0	0	0
Total	21	18	10	3

233. Income tax revenue is forecast to be higher than previously expected for 2012 and 2013, mainly due to a higher employee tax yield. There are now better estimates for the impacts of:

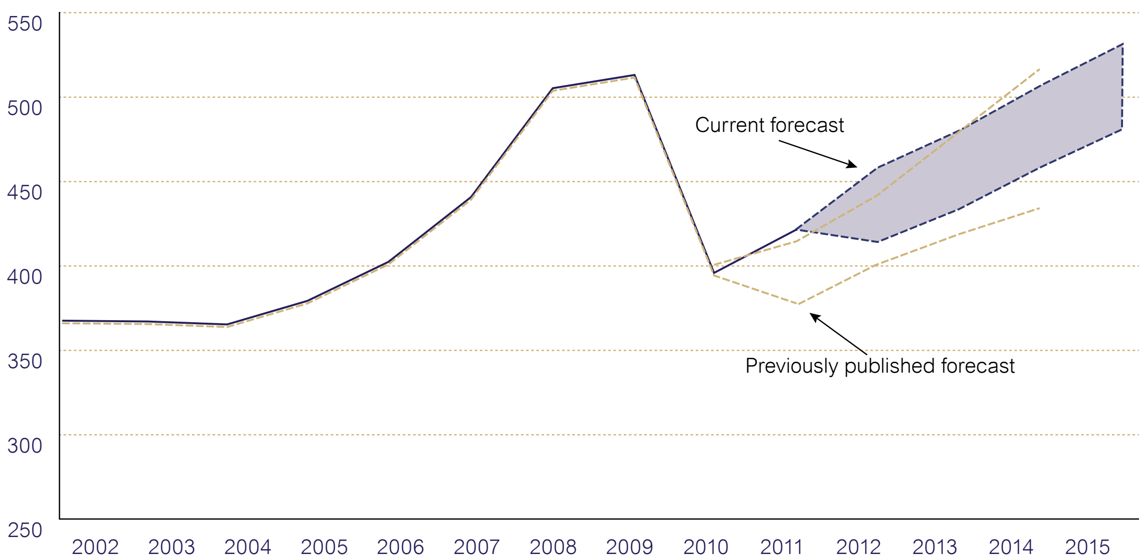
- *20 means 20 – the phasing out of many allowances for standard rate tax payers in YOA 2011.*
- *Previous Budget policy decisions - regarding low or no exemption threshold and allowance increases for YOA 2011 and 2012; and*
- *Lower mortgage interest relief claims as a consequence of the low interest rate environment.*

234. A number of the economic assumptions have been revised downwards in light of local and global economic developments since the last forecast was produced. As a consequence of the forecast of a slower recovery in the economy, income tax revenues are not expected to grow as quickly as before in 2014 and 2015.

FIGURE 3: CURRENT ROUNDED FORECAST FOR INCOME TAX REVENUE WITH 5% RANGE (ROUNDED)

	Actual	Forecast			
YOA	**2010**	**2011**	**2012**	**2013**	**2014**
Budget Year	**2011**	**2012**	**2013**	**2014**	**2015**
	£m	**£m**	**£m**	**£m**	**£m**
Upper	-	450	470	495	525
Central	**409**	**430**	**450**	**470**	**500**
Lower	-	410	425	450	475

FIGURE 4: INCOME TAX REVENUE, £ MILLION, BY BUDGET YEAR



235. **Sensitivity analysis**

In the taxable income part of the model, the assumptions about future employment, average earnings and economic growth are all important. In the allowances and reliefs part of the model, the assumptions about Budget policy on exemption thresholds and allowances are very important as well.

FIGURE 5: SUMMARY OF SENSITIVITY ANALYSIS

	Variation	
Assumption	**+1%**	**-1%**
Income:		
Employment	£2m to £3m	-£2m to -£3m
Average earnings	£2m to £3m	-£2m to -£3m
GVA	+£1m	-£1m
Exemptions, reliefs and allowances:		
Budget policy	-£3m	+£3m

236. **Factors not in the forecast**

There are some issues, highly uncertain in nature, size or timing, some of which could have the potential to affect future income tax revenues which have not been factored into the forecast. These include:

- *The impact of the removal of deemed distributions/full attribution from YOA 2012*
- *Early signs that company tax will be higher in YOA 2011 (subject to appeals)*
- *A possible one-off increase in tax revenue (subject to a final review by the HMRC)*

237. **Introduction**

This note sets out the results of the income tax forecasting model. The data and assumptions used have been jointly agreed by the Treasury and Income Tax Department and Economics Unit. The central estimates used are accompanied by a range to emphasise the inherent uncertainty in many of the variables.

238. **Modelling process**

Data on income by schedule and case of income (except for companies1) for years up to and including the previous year of assessment (YOA) are provided by the Taxes Office. The data they provide is adjusted so that it is suitable for forecasting purposes2. More detailed information on the value of reliefs and allowances claimed was also provided for the first time.

239. The forecast has been conducted on the basis of finalised (pre-audit) figures for YOA 2010. Little other information was available for YOA 2011.

240. An overview of the model is shown in figure 6. There are two main parts to the model – forecasting taxable income and forecasting the value of exemption thresholds, reliefs and allowances.

Taxable income is estimated over the forecast period by taking the baseline data provided by the Taxes Office and using statistical relationships between income and various economic variables, in combination with assumptions about the economic variables going forward (see Section 4). The economic variables include Gross Value Added (GVA), company profits, employment, average earnings and interest rates, for example.

The amount of reliefs and allowances is estimated over the forecast period by taking the baseline data and using assumptions about future tax payer numbers, inflation, interest rates and Budget policy. This is a recent improvement to the model made possible by additional data provided by the Taxes Office3.

FIGURE 6: MODEL OVERVIEW

BASELINE (by schedule)		FORECASTS (by schedule)
	statistical relationship	
Income	→	Forecast income
	economic assumptions	
less		less
	tax payer number assumptions	
Exemptions, reliefs and allowances	→	Forecast reliefs
	known and future policy assumptions	
multiplied by	economic assumptions	multiplied by
Tax rates		Tax rates
equals		equals
Net tax payable		Forecast net tax payable

1. After the introduction of 0/10, company income is no longer provided by case, but instead at an aggregate income level.
2. For example, final year tax payers are removed because they will not be part of the tax base in the future.
3. Previously, a constant yield was assumed on the basis that reliefs and allowances should increase at a similar rate to taxable income. This would generally be the case if they changed in line with average earnings every Budget. As this has tended not to happen, the yield has increased over time.

241. Forecast net payable is adjusted for the expectation of the size of bad debts in the year to arrive at a final forecast for income tax revenue.
242. In order to reflect the fact that there is significant uncertainty in the forecast, a central forecast is produced with a range, with the emphasis on the range rather than the point estimates. The upper and lower range has been set at +/- 5% for the forecast period.
243. The recent history and evolution of the tax forecasting process is included in Appendix

1.

244. **Baseline tax data (YOA 2010)**

Finalised information for YOA 2010 assessments shows that overall income tax revenues will be around £20 million higher than forecast in the Budget 2012. Figure 7 provides a breakdown and shows that overall the model proved reasonably accurate in predicting the changes in the various elements of the tax base. However, as a result of the yield assumption applied being too low, the largest single difference was an underestimate of £17 million tax revenue for Schedule E. There were a number of other smaller variations. The model overestimated the tax revenue for schedule E by £5 million. Schedule B and D tax revenue was also slightly underestimated (net £3 million) as a result of the model and assumptions regarding interest, equity and dividend income. Schedule C turned out to be £5 million higher than expected.

245. The yield increased for employees because the exemption thresholds, reliefs and allowances were not increased in the 2010 Budget, some reliefs and allowances were reduced for standard rate tax payers as a consequence of 20 means 20 and mortgage interest claims fell due to the low interest rate affecting mortgages.

246. In arriving at the new forecast, an analysis of exemptions, reliefs and allowances has been carried out which has enabled improvements to the model and more robust underlying assumptions to be made in this regard.

FIGURE 7: DIFFERENCES BETWEEN THE FORECAST AND OUTTURN FOR YOA 2010

Central scenario, YOA 2010	Forecast			Actual			Difference			
Income tax forecast paper - March 2011	Taxable income	Yield assumption	Tax revenue	Taxable income	Yield	Tax revenue	Model	Yield	Other	Total
	£m	%	£m	£m	%	£m	£m	£m	£m	£m
Employees:										
Schedule E	2180	12.8	278	2138	13.6	290	-5	17		12
Companies:										
Schedule C			59	536	11.9	64			5	5
Schedule Z (IBCs)+excos			9			11			2	2
Self employed and IH:										
Schedule B+D	300	15.5	46	330	14.8	49	4	-1		3
Bad debts			-4			-1			3	3
Total			388			413	-1	16	10	25
Business Plan 2012 - central			390							
Business Plan 2012 - range			+/- 15							
Budget 2012 - central			390							
Budget 2012 - range			+/- 15							

Note: the "actual" income tax revenue in the table above relates only to YOA 2010 where as the actual income tax revenue for Budget year 2011 includes amounts received from other years of assessment as they are finalised.

247. ## Assumptions

Since the last forecast was carried out, more recent data are available and forecasts for certain economic variables have been revised. Other important assumptions used to produce the forecasts are also outlined in this section.

248. ## Economic assumptions

The most recent economic assumptions are illustrated in Figure 8. A number of the economic assumptions have been revised downwards in light of local and global economic developments since the last forecast was produced.

249. As a consequence of this, income tax revenues are not expected to grow as quickly as before, although they start from a higher base now.

250. An explanation of how these assumptions are arrived at and how they have changed since the last forecast is included in Appendix 3.

FIGURE 8: ECONOMIC ASSUMPTIONS USED IN THE MODEL (% CHANGE)

Annual changes	2011	2012	2013	2014	2015
Real GVA	1.2	1.4	2.0	2.5	2.5
RPIX/RPIY	3.7	3.3	3.0	2.9	3.0
Nominal GVA	4.9	4.8	5.0	5.6	5.6
Company profits(a)	5.2	5.6	5.5	6.0	6.0
Compensation of employees(b)	3.5	4.0	4.8	5.1	5.3
Employment	1.0	0.5	1.0	1.0	0.5
Average earnings	2.5	3.5	3.8	4.1	4.8
Interest rates (%)	0.5	0.5	0.6	0.9	1.4
Interest rates (pp change)	0.0	0.0	0.1	0.3	0.6
House prices	-1.0	1.0	3.0	4.0	5.0

(a) Gross profits for all companies, including traders.

(b) The number of employees multiplied by the costs of employment (wages, bonuses, pensions).

Note: shaded figures are actuals

251. ## Investment income assumptions

AON Hewitt, the States investment managers, provide advice regarding future changes in bank deposit and equity dividend income which we incorporate into the model in arriving at the overall income tax forecast (figure 9).

FIGURE 9: INVESTMENT INCOME ASSUMPTIONS USED IN THE MODEL

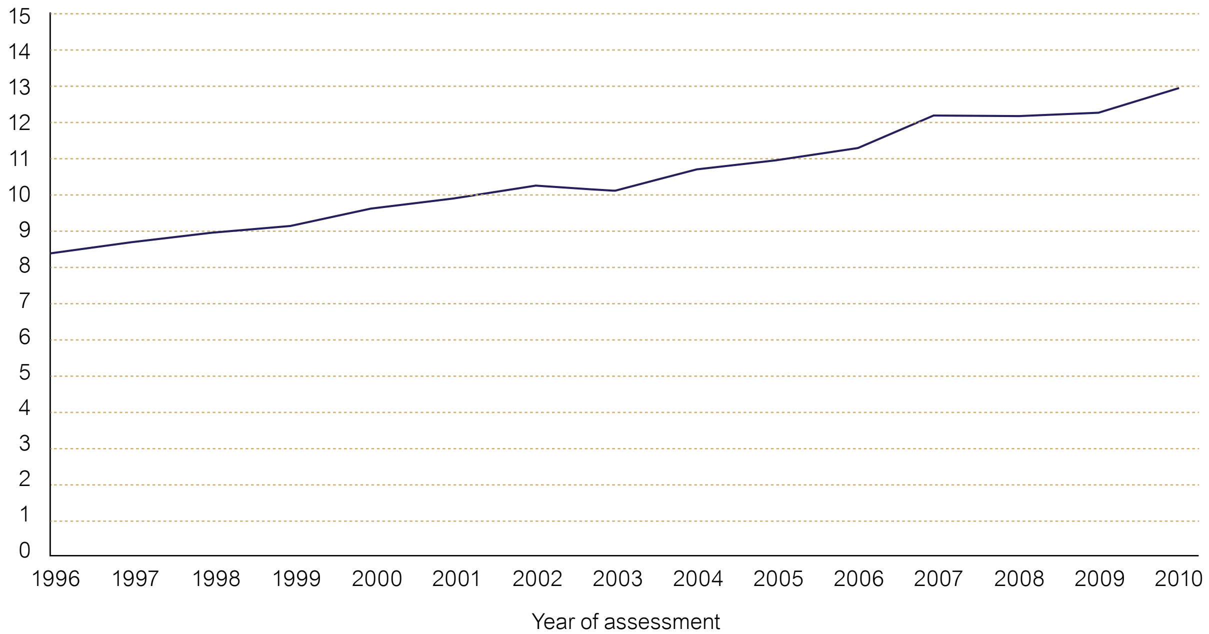
Hewitt Assumptions	2012	2013	2014	2015
Bank deposits	8%	20%	15%	20%
Equity dividends	6%	3.8%	2.5%	2.5%

252. **Exemptions, reliefs and allowances assumptions**

The way the model treats the tax payer allowances and reliefs part of the income tax system has been significantly improved since the last forecast.

253. The Taxes Office have provided a detailed analysis of the value of exemption thresholds, allowances and reliefs claimed by tax payers by schedule and by tax payer type (exempt, marginal and standard rate) in recent years. This has allowed the model to be changed so that future exemption thresholds, reliefs and allowances are treated independently of one another instead of jointly. Previously a "yield" assumption (tax revenue as % of taxable income) was used to model this part of the tax system in aggregate. The changes in employee yield in recent years are shown in figure 10. In the last forecast, the employee yield assumption was the main reason for the difference between forecast income tax revenue and actual income tax revenue.

FIGURE 10: EMPLOYEE YIELD (SCHEDULE E NET TAX PAYABLE AS A % OF SCHEDULE E TOTAL INCOME)



254. Now, assumptions about tax payer numbers and the future value of all the allowances and reliefs are made with reference to past Budget decisions, a future Budget policy stance4 and other economic variables, such as the rate of inflation. All the assumptions are included in appendix 5. The yield used in the model is now derived from all of the assumptions on the exemptions, reliefs and allowances over the forecast period. An analysis of the yield and the reasons for the changes we expect to see is included in appendix 2.

255. **Central forecast**

The central forecast is shown in figure 11, the previous central forecast published in the 2012 Budget is shown in figure 12 and the difference between them in figure 13.

The baseline future Budget policy stance is assumed to be slight growth in exemption thresholds and no growth in allowances and reliefs. This is consistent with Budget policy in recent years.

FIGURE 11: CENTRAL FORECAST FOR INCOME TAX

	Actual	Actual	Forecast			
YOA		**2010**	**2011**	**2012**	**2013**	**2014**
Budget Year	**2011**		**2012**	**2013**	**2014**	**2015**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Employees	286	290	309	323	342	364
Companies	75	75	74	77	80	84
Self employed and investment holders	50	49	51	52	53	54
Bad debts	-2	-1	-4	-4	-4	-4
Total	409	413	429	448	472	498

Note: The actual for YOA 2010 is slightly different from the Budget year 2011 actual because the latter includes tax revenue relating to other years of assessment.

FIGURE 12: PREVIOUS CENTRAL FORECAST FOR INCOME TAX

	Forecast			
YOA	**2010**	**2011**	**2012**	**2013**
Budget Year		**2012**	**2013**	**2014**
	£m	**£m**	**£m**	**£m**
Employees	276	292	314	340
Companies	74	76	78	79
Self employed and investment holders	46	48	50	53
Bad debts	-4	-4	-4	-4
Total	392	412	438	468

FIGURE 13: DIFFERENCE BETWEEN FORECASTS

	Forecast			
YOA	**2010**	**2011**	**2012**	**2013**
Budget Year		**2012**	**2013**	**2014**
	£m	**£m**	**£m**	**£m**
Employees	14	17	9	2
Companies	1	-2	-1	1
Self employed and investment holders	3	3	2	0
Bad debts	3	0	0	0
Total	21	17	10	4

256. Income tax revenue is forecast to be higher than previously expected for 2012 and 2013, mainly due to a higher employee tax yield. There are now better estimates for the impacts of:

- *20 means 20 – the withdrawal of many allowances for standard rate tax payers in YOA 2011.*
- *Previous Budget policy decisions - regarding low or no exemption threshold and allowance increases for YOA 2011 and*
- *2012; and*
- *Lower mortgage interest claims as a consequence of the low interest rate environment.*
- *A breakdown of the companies income tax forecast is in Appendix 6.*

Factors not included in the tax forecast

There are some items which might affect future income tax revenue but have not been included in the income tax forecast because they are highly uncertain in nature, size or timing.

These include:

- *Changes to the 0/10 regime - the recently announced changes to deemed distribution/attribution will impact future income tax revenue. Work is ongoing to implement anti-avoidance legislation to mitigate the impact of this change. As such, it is too early to identify the likely impact in relation to delays in cashflow and/or lost revenue and therefore no adjustments have been made to the forecast.*
- *Possible increases in company tax revenue - The Taxes Office now has data on 2011 estimated assessments. Initial indications are that these are higher than current forecasts, although these are still subject to a forty day appeal period and therefore are likely to change. Information from a tax agent on a small number of financial institutions indicate that there will be a further increase in tax from 2012 onwards of between £6 million and £12 million, dependent on realisation of projected profits, however there are currently significant uncertainties in this sector. Finally, there is the possibility of a large one-off tax from a corporate structure. However this is currently under review by HMRC.*

257. Forecast range

Previous forecast

In this forecast the range has been set at +/- 5% of the central forecast to allow for the uncertainty that is inherent in tax forecasting (figure 14).

In the previous forecast the economic assumptions for the optimistic (upper) and pessimistic (lower) scenarios determined the initial forecast range. There was a further “uncertainty” adjustment agreed by the ITFG of a +/- £4 million range for company tax (2012-2015) and a £+/- £2 million range (2012 and 2013 only) overall to reflect the greater uncertainty present in the short to medium term.

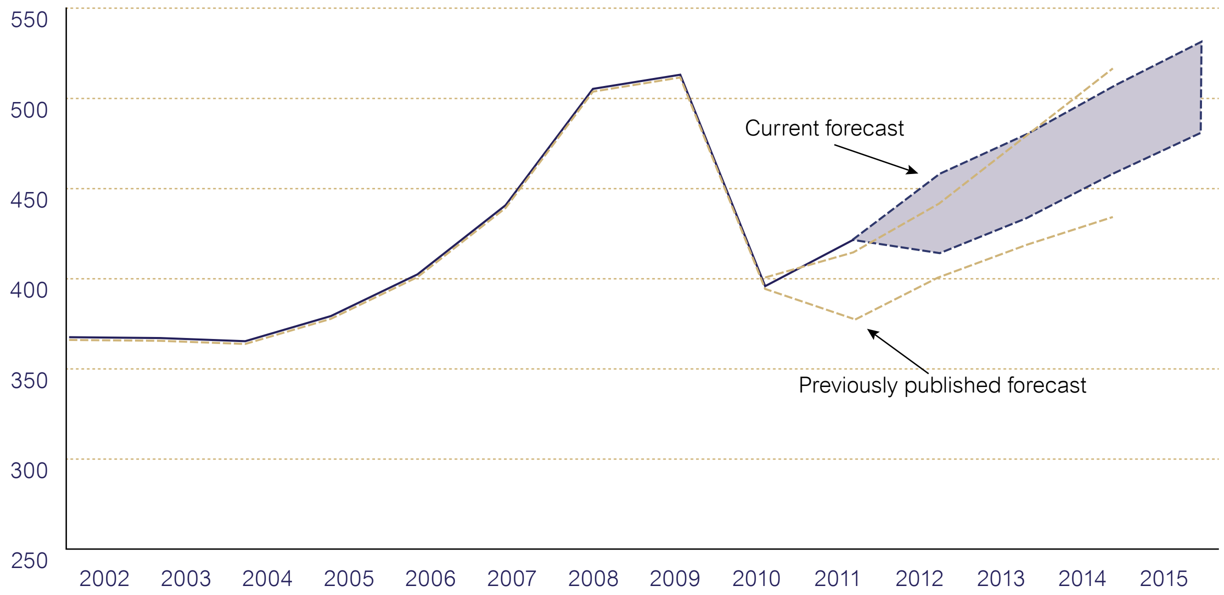
The economic assumptions underlying the forecast are varied as part of the sensitivity analysis.

FIGURE 14: CURRENT AND PREVIOUS FORECAST FOR INCOME TAX REVENUE, £ MILLION (ROUNDED)

CURRENT	Actual	Forecast			
YOA	**2010**	**2011**	**2012**	**2013**	**2014**
Budget Year	**2011**	**2012**	**2013**	**2014**	**2015**
	£m	**£m**	**£m**	**£m**	**£m**
Upper	-	450	470	495	525
Central	**409**	**430**	**450**	**470**	**500**
Lower	-	410	425	450	475

PREVIOUS	Forecast			
YOA	**2010**	**2011**	**2012**	**2013**
Budget Year	**2011**	**2012**	**2013**	**2014**
	£m	**£m**	**£m**	**£m**
Upper	405	430	465	510
Central	**390**	**415**	**440**	**470**
Lower	375	395	410	430

FIGURE 15: INCOME TAX REVENUE, £ MILLION



Sensitivity analysis

258. Assumptions are made for a wide range of variables in the model.

259. In modelling taxable income, the assumptions about future employment and average earnings growth are particularly important for employees (Schedule E) and self employed and investment holders (Schedule BD), where as the forecast for economic growth (GVA) is particularly important for companies (Schedule C). Future employment, average earnings and economic growth are themselves linked, but they are varied independently for the sake of this analysis.

260. For example, if future employment growth is higher by 1% in one year, then income tax revenue would be higher by between £2 million and £3 million in the following year and future years. The reverse is true if future employment growth is 1% lower than assumed.

261. Future employment growth and future earnings growth have similar importance in the model, so if future earnings growth turns out to be 1% higher or lower in one year, then tax revenue would also be higher or lower by £2 million to £3 million in the following year and future years.

262. Future GVA growth is another important assumption. If this is 1% higher than assumed in one year, then company tax will be about £1 million higher in the following year and future years. The reverse would also be true.

263. In modelling the exemption thresholds, reliefs and allowances, the assumptions about Budget policy regarding the uprating of exemptions and allowances is very important.

264. If Budget policy one year is to uprate all exemption thresholds and allowances by 1% more than we had assumed then income tax revenue would fall by around £3 million in the following year and future years. The reverse would be true if Budget policy one year was such that thresholds and allowances changed by 1% less than we had assumed.

265. The future change in tax payer numbers is also important, although if this is under/over estimated, there would be an under/over estimate in the amount of taxable income expected, resulting in a small net loss/gain overall.

266. A summary of the effects of these variations are included in figure 16. Caution should be taken in extending these estimates much beyond the effect of the 1% variations discussed above because there are many interactions between the assumptions, taxable income and reliefs in the model.

FIGURE 16: SUMMARY OF SENSITIVE ANALYSIS

	Variation	
Assumption	**+1%**	**-1%**
Income:		
Employment	£2m to £3m	-£2m to -£3m
Average earnings	£2m to £3m	-£2m to -£3m
GVA	+£1m	-£1m
Exemptions, reliefs and allowances:		
Budget policy	-£3m	+£3m

Appendix 1: Background to income tax forecasting

267. Income tax forecasting has progressed significantly in recent years. Originally the process involved a group of Officers advising the Comptroller of Income Tax and the Finance and Economics Committee on future trends in income tax. This group of Officers was formalised as the Income Tax Forecasting Group (ITFG) which initially continued to use its expert judgement to arrive at income tax forecasts with varying degrees of success.

268. With increasing scrutiny of both the process and outcomes the ITFG decided it was necessary to investigate further the statistical relationships between the tax base and economic variables to help improve forecasts. Up until that point (circa 2009) there was no robust method for translating likely trends in the key economic variables into changes in the tax base and ultimately trends in tax revenue. The forecasts used to assume that tax base components grew broadly in line with closely-related economic variables and that the most recent tax yields and collection rates remained constant going forward. Experience and statistical analysis showed this to be inaccurate.

269. In 2009, on the recommendation of the Treasury and Resources department a model was developed that could improve the understanding of the underlying relationships between economic variables and the tax base of the key schedules. A Bank of England employee who was on a secondment to the Economics Unit developed the model using standard econometric analysis and best practice.

270. As a result the tax base is now divided into Schedules and different economic relationships are used for the different types of income by schedule. The exact relationships between the income and selected economic variables (which may be lagged) are based on more reliable statistical relationships and therefore have greater potential to predict the size of future changes in income – although given the limited amount of back data there is still significant uncertainty. This uncertainty is greater during times of significant change, for example, when new major tax policy decisions are made and when the economic outlook is more volatile and uncertain (such as the recent unprecedented experience of the global great recession).

271. The relationship between annual growth of the economic variables and annual growth of the tax base are estimated with equations of the form:

272. tax base growtht = a + b x macroeconomic indicator growtht +c x macroeconomic indicator growtht where “a” is a “constant” number, and “b” and “c” are numbers that are used to multiply the growth rates of the variables which explain the expected changes in future tax base growth.

273. For example, the growth in Jersey property income at time t in Schedule E (employees) is given by:

274. “Jersey property income growth”t = 0.7 + 1.1x”compensation of employees growth”t-1

275. Future trends in unearned income are now based on assumptions provided by Hewitts who assess the relevant underlying investment related variables, rather than an economic relationship.

276. These developments provide a better starting point from which the ITFG can assess the initial forecasts and exercise their judgement regarding the trends of the tax base, the assumptions and the size of any uncertainty bands as they see fit. The most up to date information from the Taxes Office is always the starting point and where in-year estimates are available they will be the basis for the first year of any forecast.

* Lagged is where the change in the variable you are trying to predict is related to the change in another variable in an earlier time period.

277. Up until the June 2011 forecast, an explicit judgement about tax yield was required to translate the likely changes in the tax base into tax revenue. There was no underlying statistical analysis in the model to inform this decision and until then a standard assumption of relatively flat yields had been used and proved reasonably reliable.

278. Now, instead of assuming a yield over the forecast period, changes in the value of the exemptions, allowances and reliefs are estimated with reference to expectations regarding future taxpayer numbers, inflation, past Budget decisions and the likely future Budget stance.

279. The model is very informative but as there is significant uncertainty involved judgement is a vital and necessary ingredient.

* Lagged is where the change in the variable you are trying to predict is related to the change in another variable in an earlier time period

Appendix 2: An explanation for the forecast change in yield

SCHEDULE E

The forecast change in yield is shown on page 6 and repeated here for convenience.

SCHEDULE E		Data Forecast				
	Budget Year	2011	2012	2013	2014	2015
	YOA	2010	2011	2012	2013	2014
	NOTE					
YIELD CALCULATION						
Total income		2,227,455,957	2,306,501,310	2,402,416,576	2,519,011,722	2,649,055,632
Net tax payable		289,889,416	308,044,959	322,072,297	340,590,839	361,157,291
Yield		13.0	**13.4**	**13.4**	**13.5**	**13.6**
Yield change			0.34	0.05	0.11	0.11

The main factors explaining the yield change are:

Schedule E	Budget Year	2012	2013	2014	2015
	YOA	2011	2012	2013	2014
20 means 20		0.12			
Exemptions - budget policy		0.13	-0.05	0.05	0.07
Allowances - budget policy		0.09	0.09	0.11	0.12
Childcare costs - budget measure		-0.04			
Pension - budget measure			0.04		
Mortgage interest relief - claims recovery				-0.02	-0.05
Other		0.04	-0.03	-0.03	-0.03
		0.34	0.05	0.11	0.11

SCHEDULE BD

The forecast change in yield is shown on page 10 and repeated here for convenience.

Schedule BD		Data Forecast			
	Budget Year	2011	2012	2013	2014	2015
	YOA	2010	2011	2012	2013	2014
	NOTE					NOTE
YIELD CALCULATION						
Total income		352,660,053	357,213,831	361,586,769	365,990,378	370,933,115
Net tax payable		49,387,838	50,613,874	51,226,061	51,846,497	52,522,178
Yield		14.0	**14.2**	**14.2**	**14.2**	**14.2**
Yield change			0.16	0.00	0.00	-0.01

The main factors explaining the yield change are:

Schedule BD	Budget Year YOA	2012 2011	2013 2012	2014 2013	2015 2014
20 means 20		0.12			
Exemptions - budget policy		0.00	-0.08	-0.05	-0.05
Allowances - budget policy		0.03	0.01	0.01	0.01
Childcare costs - budget measure		-0.01			
Pension - budget measure			0.06		
Mortgage interest relief - claims recovery					-0.02
Other		0.02	0.01	0.04	0.05
		0.16	0.00	0.00	-0.01

Appendix 3: Economic assumptions and an explanation

PREVIOUS Central scenario	(2012 BUDGET)								
	Outturns		**Assumptions**						
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Real GVA	5.3	-3.2	-5.7	-3.0	0.2	1.7	2.5	3.0	n/a
RPIX/RPIY	2.6	5.1	3.5	2.7	2.6	3.4	3.0	2.5	n/a
Nominal GVA	8.1	0.5	-2.8	-0.4	2.8	5.2	5.6	5.6	n/a
Company profits	7.9	-5.4	-8.6	-2.0	2.5	3.5	3.5	3.5	n/a
Compensation of employees	8.3	7.5	3.4	1.1	3.0	6.7	7.5	7.3	n/a
Employment	2.4	2.3	0.0	0.0	0.5	1.0	2.0	2.0	n/a
Average Earnings	4.7	4.3	3.0	1.1	2.5	5.6	5.4	5.2	n/a
Interest rates (%)	5.5	4.7	0.6	0.5	0.6	1.3	2.3	2.3	n/a
Interest rates (pp change)	0.9	-0.8	-4.0	-0.1	0.1	0.7	1.0	0.0	n/a
House prices	12.7	20.3	2.4	-2.0	0.0	4.5	5.0	5.0	n/a

CURRENT Central scenario									
	Outturns		**Assumptions**						
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Real GVA	5.3	-3.2	-5.7	-4.9	1.2	1.4	2.0	2.5	2.5
RPIX/RPIY	2.6	5.1	3.5	2.6	3.7	3.3	3.0	2.9	3.0
Nominal GVA	8.1	0.5	-2.8	-2.4	4.9	4.8	5.0	5.6	5.6
Company profits	7.9	-5.4	-8.6	-7.0	5.2	5.6	5.5	6.0	6.0
Compensation of employees	8.3	7.5	1.6	1.4	3.5	4.0	4.8	5.1	5.3
Employment	2.4	2.3	-0.1	-0.1	1.0	0.5	1.0	1.0	0.5
Average Earnings	4.7	4.3	3.0	1.1	2.5	3.5	3.8	4.1	4.8
Interest rates (%)	5.5	4.7	0.6	0.5	0.5	0.5	0.6	0.9	1.4
Interest rates (pp change)	0.9	-0.8	-4.1	-0.1	0.0	0.0	0.1	0.3	0.6
House prices	12.7	20.3	2.4	-4.4	-0.8	1.0	3.0	4.0	5.0

DIFFERENCE Central scenario									
	Outturns		**Assumptions**						
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Real GVA	0.0	0.0	0.0	-1.9	1.0	-0.3	-0.5	-0.5	n/a
RPIX/RPIY	0.0	0.0	0.0	-0.1	1.1	-0.1	0.0	0.4	n/a
Nominal GVA	0.0	0.0	0.0	-2.0	2.1	-0.4	-0.6	0.0	n/a
Company profits	0.0	0.0	0.0	-5.0	2.7	2.1	2.0	2.5	n/a
Compensation of employees	0.0	0.0	-1.8	0.3	0.5	-2.7	-2.7	-2.2	n/a
Employment	0.0	0.0	-0.1	-0.1	0.5	-0.5	-1.0	-1.0	n/a
Average Earnings	0.0	0.0	0.0	0.0	0.0	-2.1	-1.6	-1.1	n/a
Interest rates (%)	0.0	0.0	0.0	0.0	-0.1	-0.8	-1.8	-1.5	n/a
Interest rates (pp change)	0.0	0.0	-0.1	0.0	-0.1	-0.7	-1.0	0.3	n/a
House prices	0.0	0.0	0.0	-2.4	-0.8	-3.5	-2.0	-1.0	n/a

Real GVA assumptions have been revised slightly as a consequence of small revisions to inflation forecasts and revisions to GVA data.

EXPLANATION OF ECONOMIC ASSUMPTIONS

Real GVA	The preferred measure of economic activity adjusted for inflation. Based on the most recent Fiscal Policy Panel economic growth forecast.
RPIX	Based on Economics Unit forecasts for RPIX inflation. (RPIY is used where GST would have a significant effect)
Nominal GVA	Calculated using the weighted sum of company profits and compensation of employees. Nominal GVA = (CoE growth * share of CoE in nominal GVA) + (profit growth * share of profits in nominal GVA)
Company Profits	Based on Economics Unit judgement and to be consistent with the economic growth forecast.
Compensation of Employees (CoE)	Calculated using employment and average earnings. Consistent with economic growth forecast. CoE growth = employment growth + average earnings growth + (employment growth x average earnings growth)
Employment	Based on Economics Unit judgement.
Average Earnings	Based on Economics Unit judgement. Current assumption is just above RPI at the start of the forecast period and the gap increasing over the period as the economy and the labour market recovers.
Interest Rates	Based on latest market expectations of interest rates from the Bank of England
Equity Prices	Based on UK Office of Budget Responsibility forecasts of UK nominal GDP
House Prices	Based on Economics Unit judgement.

Hewitt assumptions

A summary of the previous and current assumptions, and the difference between:

PREVIOUS
Hewitt Assumptions

		2011	2012	2013	2014	2015
Bank deposits	Optimistic	10%	40%	50%	40%	30%
	Central	0%	20%	32.5%	27.5%	17.5%
	Pessimistic	-10%	0%	15%	15%	5%
Equity Dividends	Optimistic	11.5%	10%	7.5%	5%	5%
	Central	9%	7.5%	3.8%	2.5%	2.5%
	Pessimistic	6.5%	5%	0%	0%	0%

CURRENT
Hewitt Assumptions

		2011	2012	2013	2014	2015
Bank deposits	Optimistic	10%	15%	40%	25%	30%
	Central	0%	8%	20.0%	15.0%	20.0%
	Pessimistic	-10%	0%	0%	5%	10%
Equity Dividends	Optimistic	11.5%	9%	7.5%	5%	5%
	Central	9%	6.0%	3.8%	2.5%	2.5%
	Pessimistic	6.5%	3%	0%	0%	0%

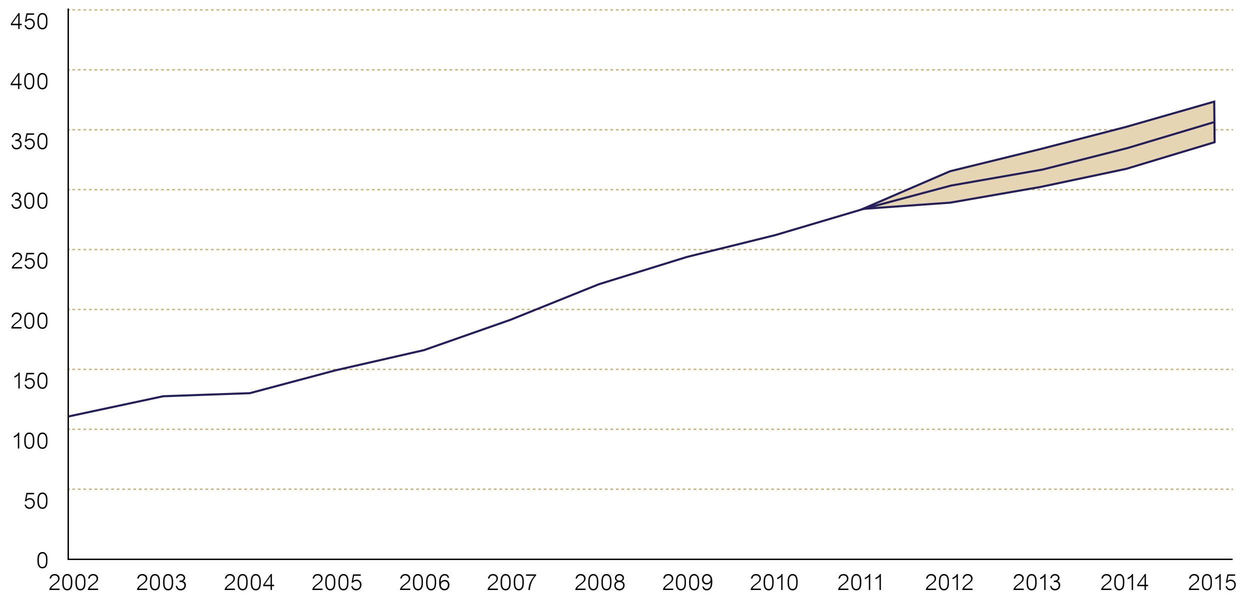
DIFFERENCE
Hewitt Assumptions

		2011	2012	2013	2014	2015
Bank deposits	Optimistic	0%	-25%	-10%	-15%	0%
	Central	0%	-13%	-12.5%	-12.5%	2.5%
	Pessimistic	0%	0%	-15%	-10%	5%
Equity Dividends	Optimistic	0.0%	-1%	0%	0%	0%
	Central	0.0%	-2%	0.0%	0.0%	0.0%
	Pessimistic	0.0%	-2%	0.0%	0.0%	0.0%

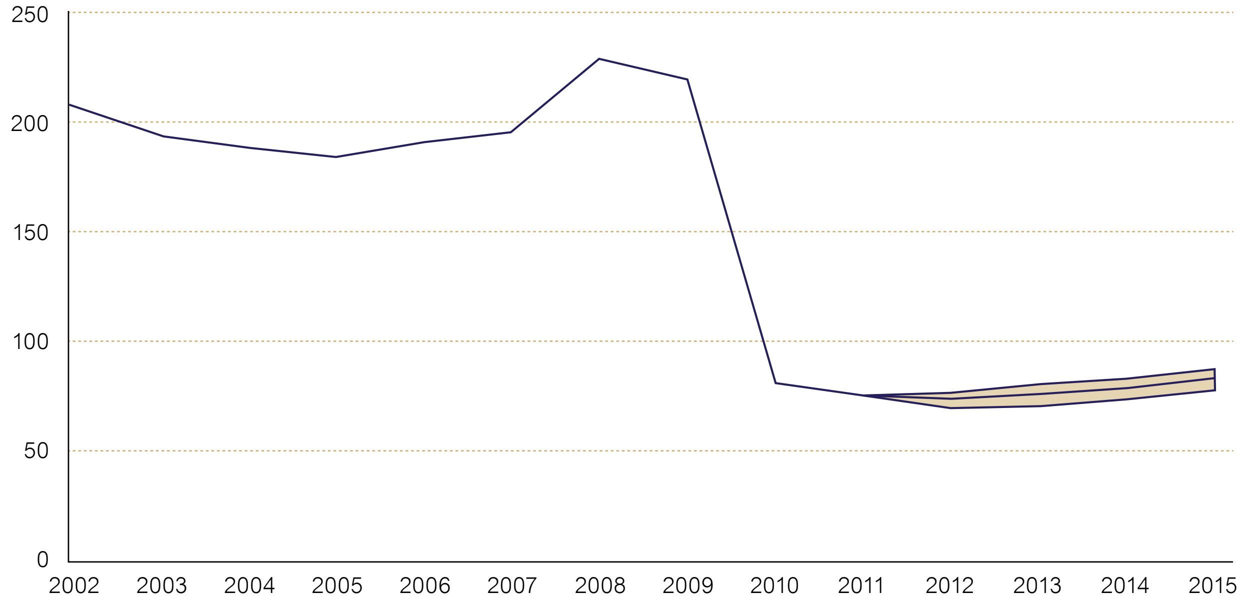
The detailed tables for the Schedule E and BD allowances and reliefs follow in appendix 5. The small difference between the tax revenue in these tables and the summary forecast table on page 1 are the impact of the Hewitt assumptions on bank interest and dividend income which are included separately.

Appendix 4: Forecasts by schedule, £million

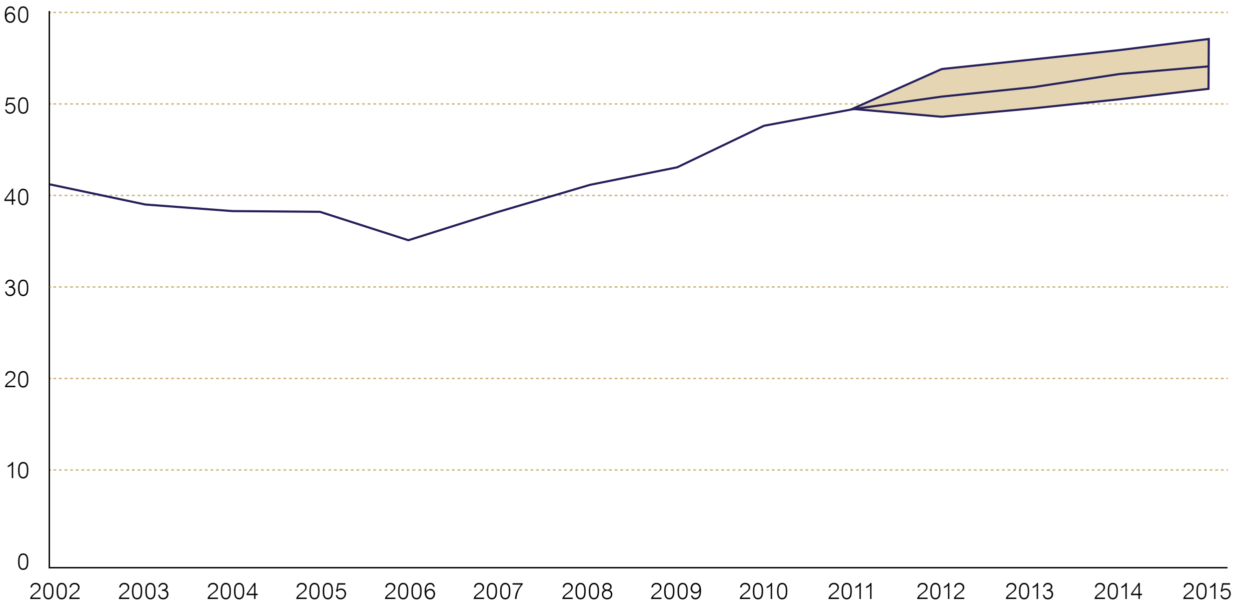
(A) EMPLOYEES



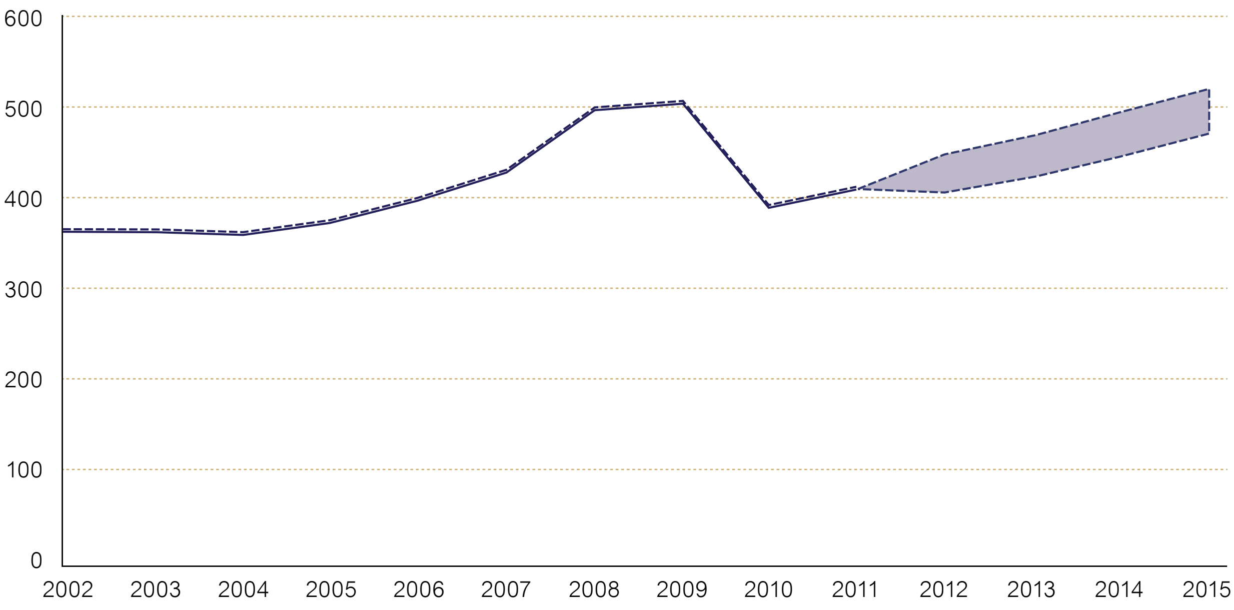
(B) COMPANIES



(C) SELF-EMPLOYED & INVESTMENT HOLDERS



(D) TOTAL INCOME TAX



Appendix 5: Exemptions, allowances and reliefs part of the model

SCHEDULE E		Data Forecast				
Budget Year		2011	2012	2013	2014	2015
YOA		2010	2011	2012	2013	2014
	NOTE					
YIELD CALCULATION						
Total income		2,227,455,957	2,306,501,310	2,402,416,576	2,519,011,722	2,649,055,632
Net tax payable		289,889,416	308,044,959	322,072,297	340,590,839	361,157,291
Yield		13.0	**13.4**	**13.4**	**13.5**	**13.6**
Yield change			0.34	0.05	0.11	0.11
Exempt						
Total taxable income	1	101,273,913	105,326,924	109,706,917	115,031,261	120,969,747
Married exemption		25,167,480	26,098,677	27,403,611	28,499,755	29,639,745
Single exemption		70,549,050	73,159,365	76,817,333	79,890,026	83,085,627
Married >63 exemption		20,689,020	21,454,514	22,527,239	23,428,329	24,365,462
Single >63 exemption		16,720,350	17,339,003	18,205,953	18,934,191	19,691,559
Wife's earned income		4,746,666	4,870,079	4,894,430	4,943,374	4,992,808
Mortgage interest		3,524,417	3,580,808	3,634,520	3,779,901	4,120,092
Child allowance		7,791,655	7,994,238	8,034,209	8,114,551	8,195,697
Single parent		2,569,870	2,636,687	2,649,870	2,676,369	2,703,132
Child care		563,221	1,065,051	1,110,848	1,155,282	1,202,649
		152,321,729	158,198,421	165,278,013	171,421,778	177,996,771
Taxable income after deductions		0	0	0	0	0
@27%		0	0	0	0	0
Marginal rate						
Total taxable income	1	1,309,837,923	1,401,468,529	1,459,748,239	1,530,593,387	1,609,610,228
Married exemption		197,285,300	204,584,856	214,814,099	223,406,663	232,342,929
Single exemption		272,724,756	282,815,572	296,956,351	308,834,605	321,187,989
Married >63 exemption		53,066,631	55,030,096	57,781,601	60,092,865	62,496,580
Single >63 exemption		30,607,032	31,739,492	33,326,467	34,659,525	36,045,906
Wife's earned income		43,537,444	44,669,418	44,892,765	45,341,692	45,795,109
Mortgage interest		48,833,192	49,614,523	50,358,741	52,373,091	57,086,669
Child allowance		39,915,796	40,953,607	41,158,375	41,569,958	41,985,658
Single parent		8,920,583	9,152,518	9,198,281	9,290,264	9,383,166
Child care		4,670,932	8,832,732	9,212,540	9,581,042	9,973,864
Pension relief		24,607,011	25,861,969	26,896,447	28,187,477	29,625,038
Employment costs		3,545,131	3,796,835	3,960,099	4,118,503	4,287,362
Loan interest already relieved		1,040,546	1,114,425	1,162,345	1,208,839	1,258,401
		728,754,354	758,166,043	789,718,110	818,664,523	851,468,672
Taxable income after deductions		581,083,569	643,302,485	670,030,129	711,928,863	758,141,556
@27%		156,892,564	173,691,671	180,908,135	192,220,793	204,698,220
Less: Taxed at source		674,197	702,601	732,201	763,049	795,196
		156,218,367	172,989,070	180,175,933	191,457,744	203,903,024
Standard rate						
Total taxable income	1	806,634,634	799,705,857	832,961,421	873,387,073	918,475,657
Wife's earned income		1,700,958	0	0	0	0
Mortgage interest		2,492,744	0	0	0	0
Child allowance		13,793,874	12,814,509	12,878,581	13,007,367	13,137,441
Single parent		1,229,625	1,142,322	1,148,033	1,159,514	1,171,109
Earned income		4,059,220	0	0	0	0
Personal allowance		5,180,285	0	0	0	0
Life assurance		2,322,985	1,405,406	1,328,109	1,248,422	1,173,517

Assumptions Schedule E	Budget year	2011	2011	2012	2013	2014	2015
	YOA	2010	2010	2011	2012	2013	2014
	NOTE						
Total taxable income	1	£m	%	%	%	%	%
Exempt		101,273,913	4.6	4.6	4.6	4.6	4.6
Marginal (27%)		1,309,837,923	59.1	60.8	60.8	60.8	60.8
Standard (20%)		806,634,634	36.4	34.7	34.7	34.7	34.7
		2,217,746,470	100	100	100	100	100

Source: LP spreadsheets

Marginal rate taxpayers	NOTE	2012	2013	2014	2015
Exemption thresholds					
Married exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		3.7	5.0	4.0	4.0
Single exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		3.7	5.0	4.0	4.0
Married >63 exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		3.7	5.0	4.0	4.0
Single >63 exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		3.7	5.0	4.0	4.0
Allowances					
Wife's earned income					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		2.6	0.5	1.0	1.0
Mortgage interest relief					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
Interest rate effect change	6	0.0	0.0	0.0	4.0
House price effect change	6	-1.0	1.0	3.0	4.0
		1.6	1.5	4.0	9.0
Child allowance					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		2.6	0.5	1.0	1.0
Single parent					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
		2.6	0.5	1.0	1.0
Childcare costs					
Budget policy change	7	82.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	1.6	0.0	0.0	0.0
Tax payer number change	5	1.0	0.5	1.0	1.0
Average amount claimed change	8	4.5	3.8	3.0	3.1
		89.1	4.3	4.0	4.1

Assumptions Schedule E	Budget year	2011	2012	2013	2014	2015
	YOA	2010	2011	2012	2013	2014
	NOTE		%	%	%	%
Pension relief						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		1.6	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	9		2.5	3.5	3.8	4.1
			5.1	4.0	4.8	5.1
Employment costs						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		1.6	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			7.1	4.3	4.0	4.1
Loan interest already relieved						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		1.6	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			7.1	4.3	4.0	4.1
Taxed at source						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Balance to total income rate of change			3.2	3.7	3.2	3.2
	10		4.2	4.2	4.2	4.2
Standard rate taxpayers						
Allowances						
Wife's earned income						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
20 means 20			-101.0	-0.5	-1.0	-1.0
	11		-100.0	0.0	0.0	0.0
Mortgage interest						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Interest rate effect change			0.0	0.0	0.0	4.0
House price effect change			-1.0	1.0	3.0	4.0
20 means 20			-100.0	-1.5	-4.0	-9.0
	11		-100.0	0.0	0.0	0.0
Child allowance						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
			-7.1	0.5	1.0	1.0
Single parent						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
			-7.1	0.5	1.0	1.0
Earned income						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
20 means 20			-101.0	-0.5	-1.0	-1.0
	11		-100.0	0.0	0.0	0.0
Personal allowance						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
20 means 20			-101.0	-0.5	-1.0	-1.0
	11		-100.0	0.0	0.0	0.0

Assumptions Schedule E	Budget year	2011	2012	2013	2014	2015
	YOA	2010	2011	2012	2013	2014
	NOTE		%	%	%	%
Life assurance						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
20 means 20			-40.5	0.0	0.0	0.0
Grandfathering adjustment			0.0	-6.0	-7.0	-7.0
	12		-39.5	-5.5	-6.0	-6.0
Pension relief						
Budget policy change			0.0	-30.5	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	9		2.5	3.5	3.8	4.1
	13		-4.6	-26.5	4.8	5.1
Pension relief - other jurisdictions						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	9		2.5	3.5	3.8	4.1
			-4.6	4.0	4.8	5.1
Employment costs						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Loan interest already relieved						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change			4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Double tax credits						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Non-resident relief						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Concessional relief						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Other reliefs						
Budget policy change			0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4		-8.1	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Average amount claimed change	8		4.5	3.8	3.0	3.1
			-2.6	4.3	4.0	4.1
Taxed at source						
Budget policy change			0.0	0.0	0.0	0.0
Tax payer number change	5		1.0	0.5	1.0	1.0
Balance to total income rate of change			3.2	3.7	3.2	3.2
	10		4.2	4.2	4.2	4.2

Schedule BD		Data Forecast			
Budget Year	2011	2012	2013	2014	2015
YOA	2010	2011	2012	2013	2014
NOTE					NOTE
YIELD CALCULATION					
Total income	352,660,053	357,213,831	361,586,769	365,990,378	370,933,115
Net tax payable	49,387,838	50,613,874	51,226,061	51,846,497	52,522,178
Yield	14.0	**14.2**	**14.2**	**14.2**	**14.2**
Yield change		0.16	0.00	0.00	-0.01
Exempt					
Total taxable income	13,789,889	13,967,953	14,138,946	14,311,138	14,504,411
Married exemption	1,946,880	1,968,296	2,056,869	2,118,575	2,182,132
Single exemption	2,201,100	2,225,312	2,325,451	2,395,215	2,467,071
Married >63 exemption	7,639,380	7,723,413	8,070,967	8,313,096	8,562,489
Single >63 exemption	4,218,890	4,265,298	4,457,236	4,590,953	4,728,682
Wife's earned income	740,862	740,862	740,862	740,862	740,862
Mortgage interest	374,238	370,496	374,201	385,427	423,969
Child allowance	424,627	424,627	424,627	424,627	424,627
Single parent	77,764	77,764	77,764	77,764	77,764
Child care	5,708	10,645	11,050	11,381	11,734
	17,629,449	17,806,713	18,539,027	19,057,900	19,619,330
Taxable income after deductions	0	0	0	0	0
@27%	0	0	0	0	0
Marginal rate					
Total taxable income	86,571,733	87,689,604	88,763,083	89,844,090	91,057,443
Married exemption	10,728,510	10,846,524	11,334,617	11,674,656	12,024,895
Single exemption	4,164,283	4,210,090	4,399,544	4,531,530	4,667,476
Married >63 exemption	13,405,085	13,552,541	14,162,405	14,587,277	15,024,896
Single >63 exemption	6,456,410	6,527,431	6,821,165	7,025,800	7,236,574
Wife's earned income	3,288,779	3,288,779	3,288,779	3,288,779	3,288,779
Mortgage interest	1,834,690	1,816,343	1,834,507	1,889,542	2,078,496
Child allowance	1,697,191	1,697,191	1,697,191	1,697,191	1,697,191
Single parent	96,172	96,172	96,172	96,172	96,172
Child care	58,428	108,968	113,109	116,502	120,114
Pension relief	1,549,044	1,587,770	1,643,342	1,705,789	1,775,726
Employment costs	84,776	88,591	91,957	94,716	97,652
Other reliefs	222,010	232,000	240,816	248,041	255,730
	43,585,378	44,052,400	45,723,605	46,955,996	48,363,702
Taxable income after deductions	42,986,355	43,637,204	43,039,478	42,888,094	42,693,741
@27%	11,606,316	11,782,045	11,620,659	11,579,785	11,527,310
Less: Taxed at source	168,262	167,421	165,746	162,432	159,183
	11,438,054	11,614,625	11,454,912	11,417,354	11,368,127
Standard rate					
Total taxable income	252,298,431	255,556,274	258,684,741	261,835,151	265,371,260
Wife's earned income	250,279	0	0	0	0
Mortgage interest	372,429	0	0	0	0
Child allowance	2,042,485	2,042,485	2,042,485	2,042,485	2,042,485
Single parent	79,010	79,010	79,010	79,010	79,010
Earned income	657,466	0	0	0	0
Personal allowance	925,142	0	0	0	0
Life assurance	415,566	249,340	234,379	217,973	202,715
Pension relief	3,066,588	3,143,253	2,294,574	2,381,768	2,479,421
Pension relief - other jurisdictions	1,878,021	1,924,972	1,992,346	2,068,055	2,152,845
Employment costs	314,765	328,929	341,429	351,672	362,573
Loan interest already relieved	594,646	621,405	645,018	664,369	684,964
Double tax credits	2,573,836	2,689,659	2,791,866	2,875,622	2,964,766

Assumptions Schedule BD	Budget year	2011	2011	2012	2013	2014	2015
	YOA	2010	2010	2011	2012	2013	2014
	NOTE						
Total taxable income	1	£m	%	%	%	%	%
Exempt		12,642,226	3.9	3.9	3.9	3.9	3.9
Marginal (27%)		79,366,804	24.5	24.5	24.5	24.5	24.5
Standard (20%)		231,300,903	71.5	71.5	71.5	71.5	71.5
		323,309,933	100	100	100	100	100
Source: LP spreadsheets							

Marginal rate taxpayers	Note	2012	2013	2014	2015
Exemption thresholds					
Married exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		1.1	4.5	3.0	3.0
Single exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		1.1	4.5	3.0	3.0
Married >63 exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		1.1	4.5	3.0	3.0
Single >63 exemption					
Budget policy change	3	1.1	4.5	3.0	3.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		1.1	4.5	3.0	3.0
Allowances					
Wife's earned income					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
Mortgage interest relief					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Interest rate effect change	6	0.0	0.0	0.0	6.0
House price effect change	6	-1.0	1.0	3.0	4.0
		-1.0	1.0	3.0	10.0
Child allowance					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
Single parent					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
Childcare costs					
Budget policy change	7	82.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		86.5	3.8	3.0	3.1

Assumptions Schedule BD	Budget year	2012	2013	2014	2015
	YOA	2011	2012	2013	2014
	NOTE	%	%	%	%
Pension relief					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	9	2.5	3.5	3.8	4.1
		2.5	3.5	3.8	4.1
Employment costs					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Loan interest already relieved					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Taxed at source					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Balance to total income rate of change		-0.5	-1.0	-2.0	-2.0
	10	-0.5	-1.0	-2.0	-2.0

Standard rate taxpayers					
Allowances					
Wife's earned income					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
20 means 20		-100.0	0.0	0.0	0.0
	11	-100.0	0.0	0.0	0.0
Mortgage interest					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Interest rate effect change		0.0	0.0	0.0	6.0
House price effect change		-1.0	1.0	3.0	4.0
20 means 20		-99.0	-1.0	-3.0	-10.0
	11	-100.0	0.0	0.0	0.0
Child allowance					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
Single parent					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
Earned income					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
20 means 20		-100.0	0.0	0.0	0.0
	11	-100.0	0.0	0.0	0.0
Personal allowance					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
20 means 20		-100.0	0.0	0.0	0.0
	11	-100.0	0.0	0.0	0.0

Assumptions Schedule BD	Budget year	2012	2013	2014	2015
	YOA	2011	2012	2013	2014
	NOTE	%	%	%	%
Life assurance					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
20 means 20		-40.0	0.0	0.0	0.0
Grandfathering adjustment		0.0	-6.0	-7.0	-7.0
	12	-40.0	-6.0	-7.0	-7.0
Pension relief					
Budget policy change		0.0	-30.5	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	9	2.5	3.5	3.8	4.1
	13	2.5	-27.0	3.8	4.1
Pension relief - other jurisdictions					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	9	2.5	3.5	3.8	4.1
		2.5	3.5	3.8	4.1
Employment costs					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Loan interest already relieved					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed change		4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Double tax credits					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Non-resident relief					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Concessional relief					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Other reliefs					
Budget policy change		0.0	0.0	0.0	0.0
20 means 20 taxpayer move	4	0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Average amount claimed chan	8	4.5	3.8	3.0	3.1
		4.5	3.8	3.0	3.1
Taxed at source					
Budget policy change		0.0	0.0	0.0	0.0
Tax payer number change	5	0.0	0.0	0.0	0.0
Balance to total income rate of change		0.0	0.0	0.0	0.0
	10	0.0	0.0	0.0	0.0

Notes

1 Total taxable income forecast is given by the economic model. This is apportioned across tax payer types using %ages from the underlying tax data for YOA 2010. These %ages are adjusted in 2011 for the final year of 20 means 20 and the % is held constant for the remainder of the forecast period.
The adjustment to %ages due to 20 means 20 was calculated by looking at the impact of 20 means 20 on tax payer numbers and taxable income for 2010 and projecting forward to 2011.

2 This adjustment is required for two main reasons. Firstly there are small differences between the underlying tax data and the aggregate data due to the way in which the information system stores data and the "live" nature of the underlying data. Secondly, the aggregate tax data has been adjusted for non-collectible amounts where as the underlying tax data has not.

3 RPI assumption used for the later years that we have not already decide policy in the Budget. This is between freezing and average earnings increases which have been used in the past.

4 Schedule E: This adjustment allows for the movement of taxpayers from the standard rate to the marginal rate in YOA 2011. It is +1.6% for marginal rate allowances and -8.1% for standard rate allowances because of the relative numbers of tax payers in each band.
Schedule BD: It is assumed that there will be no movement of tax payers as a consequence of the final year of 20 means 20.

5 Schedule E: We want to forecast the number of marginal+standard rate tax payers. However recent numbers have been volatile and not correlated with any economic indicators. Using an average growth rate may not be appropriate either. Over the last few years the total number of taxpayers (marginal+standard+exempt) has changed by a similar % to the overall change in employment. Over the forecast period, employment change assumptions are therefore used to model future changes in the number of tax payers claiming all exemptions and allowances.
Schedule BD: Over the last few years the total number of tax payers has remained fairly constant, so no growth in the number of these tax payers is assumed.

6 Future changes to mortgage interest relief claims are estimated by referring to market expectations for future interest rates and our future house price assumptions. The main change is expected for YOA 2014 when we expect interest rates to increase slightly resulting in a 6% increase in interest claims. This estimate is highly uncertain and should be reconsidered carefully when forecasts are updated.

7 This %age is required to add £4m worth of childcare cost claims (approximately £1.1m worth in tax revenue terms) which is consistent with estimates for this 2012 Budget proposal. It was agreed to affect YOA 2011.

8 Claims for childcare costs, employment costs and various other reliefs are increased in line with RPI over the forecast period.

9 Penson relief is increased in line with average earnings increases.

10 Taxed at source increases are set to be in line with forecast changes in taxed at source within total income. Schedule E this is 4.2%, Schedule BD this is 0%.

11 Standard rate allowances that are going under 20 means 20 are set to be removed -100%.

12 This is reduced by 40% due to the part that is going under 20 means 20 and the remainder is grandfathered out gradually over the forecast period as advised by Treasury.

13 2012 YOA is -26% in order to decrease allowances claimed by the expected £0.9m for Schedule E and £0.2m for Schedule BD.

Appendix 6: Schedule C detail

	Data Forecasts					
	2010	2011	2012	2013	2014	2015
TOTAL INCOME	524,487,896	550,219,867	576,834,905	605,960,936	639,604,394	675,115,766
NET TAX PAYABLE	64,019,858	63,825,505	66,912,849	70,291,469	74,194,110	78,313,429
Yield = net tax payable / total earned, unearned and property income	12.2	11.6	11.6	11.6	11.6	11.6

Total company tax breakdown

YOA	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Schedule C	64	64	67	70	74
IBC	11	9	0	0	0
IBC (going to Schedule C)	0	0	9	9	9
2011 Budget measures	0	1	1	1	1
2012 Budget measures	0	0	0	0	0
	75	74	77	80	84

Supplementary Note 3

280. ## Goods and Services Tax (GST) and International Service Entity (ISE) fees

281. What drives the level of GST and ISE fee income?

282. GST is the second largest element of States income, being forecast to raise £71 million in 2013. The Tax was introduced at a rate of 3% in 2008 as part of the Fiscal Strategy Review and increased to 5% from June 2011.

283. ISE fees are payable by organisations entitled to register as an International Service Entity. The ability to register is limited to certain types of business (e.g. banks and trust companies). Registered ISEs do not charge GST and in most cases will not have GST charged to them (or are able to recover GST paid if it is charged). The fee payable differs by type of business – for example banks pay £50,000 a year. Forecast income from ISE fees in 2013 is £9 million.

284. As a consumption tax, GST is obviously driven by the level of spending in the economy. Forecasting the income from GST takes two forms:-

- *Longer-term the volume of sales liable to GST is assumed to be relatively static so the income forecast is uplifted only by the forecast increase in RPI.*
- *In-year two reforecasts are done for that year's total forecast:*
  - *In March based on complete returns for the previous year; and*
  - *In October based on returns to the end of June.*
- *These in-year reforecasts are then used to update the annual forecasts moving forward.*

285. Forecast GST is relatively insensitive to errors in the forecast RPI – an error of 1% in the RPI forecast affects the level of GST income by £600,000.

286. For ISE fees the previous year's income is used as a guide for forecasting.

287. 2011 actual GST and ISE fee income was £66.3 million against a forecast of £66.8 million in the 2011 Budget (0.75% under). Indications this year already are that the 2012 Budget forecast of £80 million may be £2 million (2.5%) too high. It is possible, therefore that another variable could be brought into forecasting and that the level of GST is affected by some other factor, for example average earnings. The move from a 0.75% underachievement to one of potentially 2.5% also suggests that the accuracy of forecasting could be weakening. More work will be done on the methodology over the next year.

288. ## Strategy 2013-2019

The Tax Policy Unit has a three year work plan which sets out those aspects of the Income Tax system which will be subject to review and potential change over the life of the Medium Term Financial Plan. The Unit has listed the following as a matter which may be looked at over the next three years but it is not considered a priority:

- *GST on share transfers and the availability of group registrations*

289. Further consultation is expected to be carried out on ISE fees but any resulting changes are likely to be neutral in terms of States income.

290. The Treasury Minister has given a commitment that there will be no increase in the rate of GST over the life of the MTFP.

291. **Forecasts**

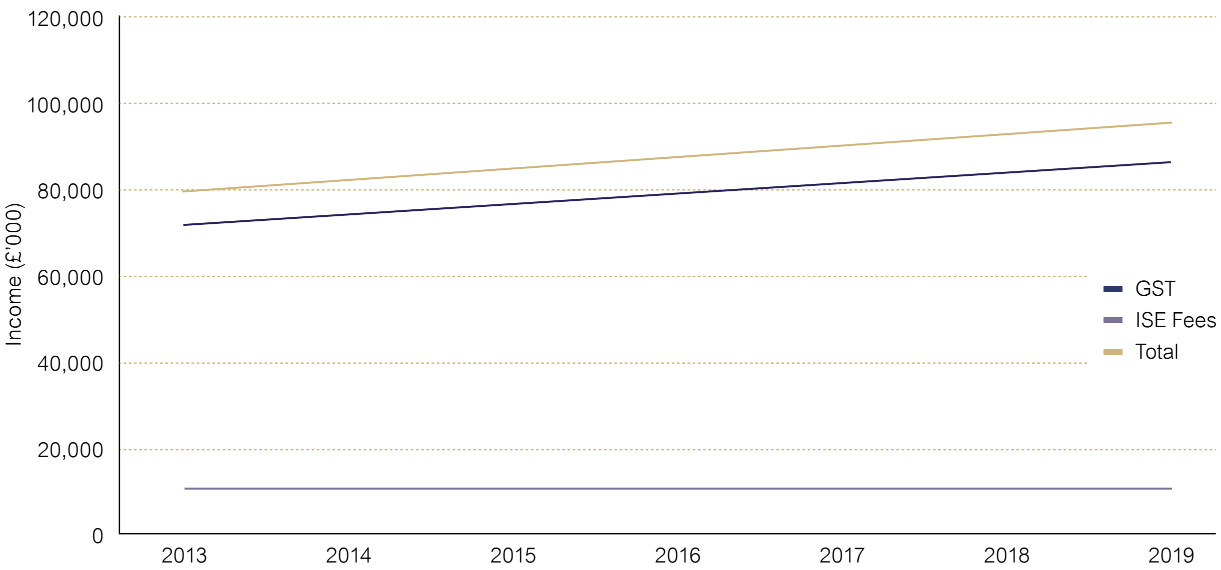
The following assumptions have been used in preparing these forecasts:

% change	2012	2013	2014	2015	2016	2017	2018	2019
RPI	3.8	3.0	3.1	3.5	3.5	3.5	3.5	3.5

Forecasts are as follows (in £'000):

	2013	2014	2015	2016	2017	2018	2019
GST	70,761	72,955	75,508	78,151	80,886	83,717	86,647
ISE Fees	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Total	79,761	81,955	84,508	87,151	89,886	92,717	95,647

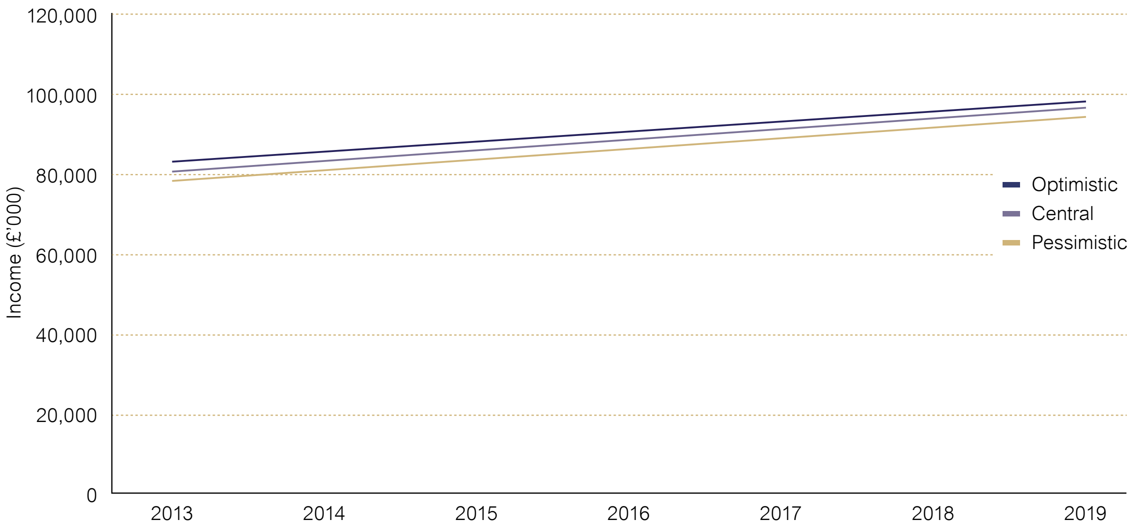
GST AND ISE FEES FORECAST 2013–2019



292. The following table and chart show the range of potential income if a 2.5% margin of error (as appears to be experienced to date in 2012) is taken into account (table in £'000).

	2013	2014	2015	2016	2017	2018	2019
Optimistic	81,530	83,778	86,396	89,105	91,908	94,810	97,813
Central	79,761	81,955	84,508	87,151	89,886	92,717	95,647
Pessimistic	77,992	80,131	82,620	85,197	87,864	90,624	93,481

RANGE OF GST AND ISE FEES FORECASTS 2013–2019



Supplementary Note 4

Impôt Duties

293. **What drives the level of Impôts income?**

Impôt Duties are forecast to raise approximately £52 million in 2013. They are collected from duty paid on the following:

- *Spirits*
- *Wine*
- *Cider*
- *Beer*
- *Tobacco*
- *Fuel*
- *Customs*
- *Vehicle Excise Duty (VED)*

294. The amounts raised by each of the above in 2011 were as follows:

295. Impôt duties are considered to be driven by the following factors, which are used in forecasting:

- *Previous year's duty collected;*
- *Forecast trends in consumption – generally upwards for wine and cider, static for customs and downwards for all other categories; and*
- *Strategy on setting rates – generally this has been at RPI (i.e. the rate of inflation) for all categories except alcohol and tobacco, where above RPI increases have been made to support Health strategies on these.*

296. Forecasting Impôts income is normally reasonably accurate. The 2011 total received was within 4% of forecast, with the largest variance (in VED) having a known cause:

	Estimate	Actual	Variance	% variance
Fuel	£21,053,000	£20,865,658	-£187,342	-1%
Tobacco	£13,162,000	£12,478,766	-£683,234	-5%
Wines	£6,563,000	£6,464,821	-£98,179	-1%
Beer	£5,381,000	£5,378,662	-£2,338	0%
Spirits	£4,182,000	£4,018,240	-£163,760	-4%
Cider	£858,000	£916,836	£58,836	7%
VED	£1,000,000	£894,280	-£105,720	-11%
Customs	£150,000	£148,091	-£1,909	-1%
Totals	£52,349,000	£51,165,353	-£1,183,647	-2%

297. Where such variances appear to indicate a change in future consumption trends then future forecasts are adjusted accordingly. Otherwise no changes are considered necessary to the current forecast model.

298. Once duties have been set for a particular Budget year then it is only differences between actual and forecast consumption levels that can affect the income forecasts. As an example if tobacco consumption fell by 1% more than forecast in 2013 then impôt income would fall by £140,000. A 1% heavier fall in fuel consumption in 2013 would reduce income by £205,000.

299. **Strategy 2013-2019**

The Minister has no proposals for any significant changes to the approach to setting Impôts duties over the period of the Long-Term Revenue Plan although at each Budget time he will consider whether isolated changes are justified. The strategy is therefore to increase duties by RPI (i.e. the rate of inflation) for all categories except alcohol and tobacco, where above RPI increases will be considered to support Health strategies on these. Above inflation increases similar to those made in recent years could raise an additional £8.5 million a year by 2019 and a total of £33.7 million over the life of the LTRP.

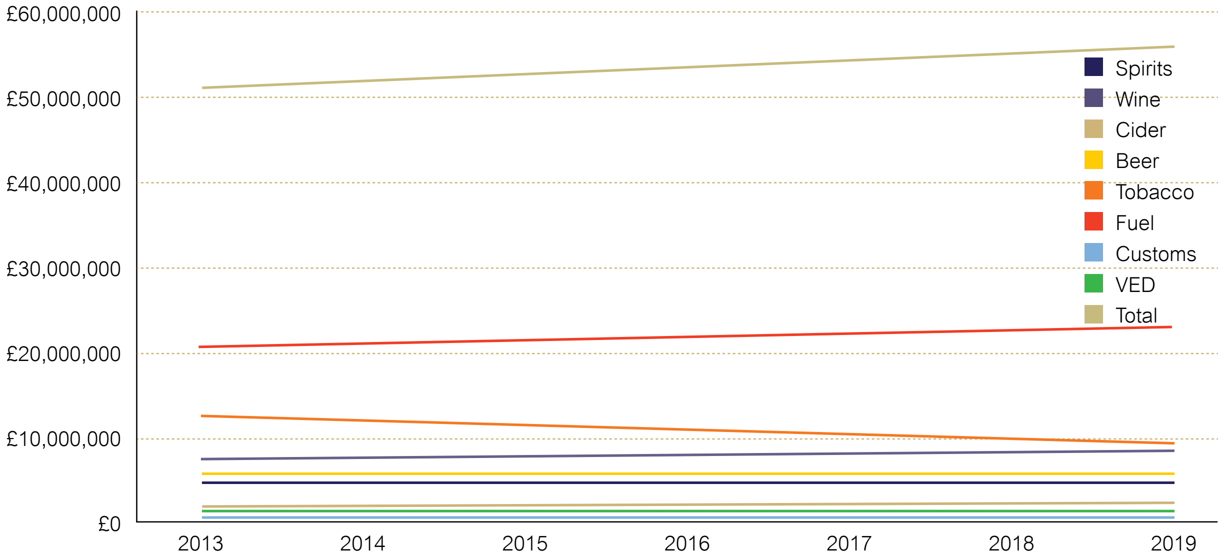
300. **Forecasts**

The forecasts have been prepared using these assumptions:

Commodity	Annual change in consumption
Spirits	down 3%
Wine	up 1%
Cider	up 4%
Beer	down 2%
Tobacco	down 7%
Fuel	down 1%
Customs	no change

a) If duty on alcohol and tobacco is increased at RPI:

	2013	2014	2015	2016	2017	2018	2019
Spirits	£4,062,000	£4,062,000	£4,079,000	£4,095,000	£4,111,000	£4,128,000	£4,144,000
Wine	£7,084,000	£7,377,000	£7,712,000	£8,061,000	£8,425,000	£8,808,000	£9,207,000
Cider	£1,015,000	£1,088,000	£1,171,000	£1,262,000	£1,358,000	£1,460,000	£1,573,000
Beer	£5,601,000	£5,659,000	£5,740,000	£5,822,000	£5,906,000	£5,991,000	£6,077,000
Tobacco	£12,110,000	£11,611,000	£11,176,000	£10,759,000	£10,355,000	£9,967,000	£9,595,000
Fuel	£20,408,000	£20,831,000	£21,345,000	£21,872,000	£22,410,000	£22,962,000	£23,528,000
Customs	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£1,500,000
VED	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Total	**£51,430,000**	**£51,778,000**	**£52,373,000**	**£53,021,000**	**£53,715,000**	**£54,466,000**	**£55,274,000**

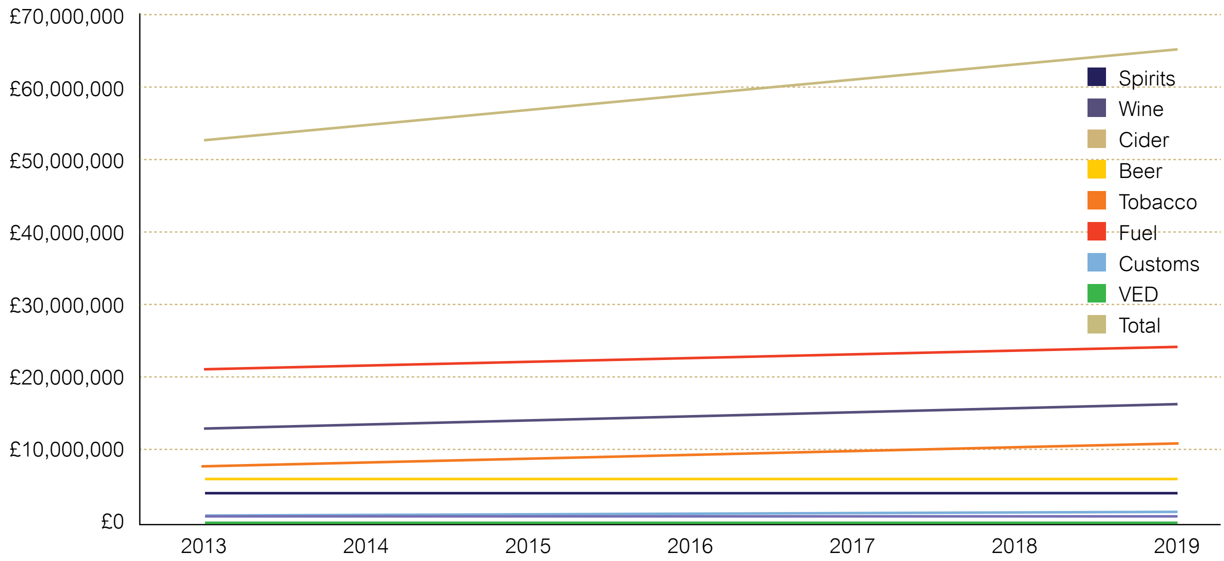


b) If duty on alcohol and tobacco is raised at a rate above RPI as has occurred in most recent years:

	2013	2014	2015	2016	2017	2018	2019
RPI	3.0%	3.1%	3.5%	3.5%	3.5%	3.5%	3.5%
Alcohol	RPI+2%	RPI+2%	RPI+2%	RPI+2%	RPI+2%	RPI+2%	RPI+2%
Tobacco	RPI+7%	RPI+7%	RPI+7%	RPI+7%	RPI+7%	RPI+7%	RPI+7%

FORECAST INCOME

	2013	2014	2015	2016	2017	2018	2019
Spirits	£4,142,000	£4,222,000	£4,320,000	£4,422,000	£4,524,000	£4,631,000	£4,738,000
Wine	£7,221,000	£7,666,000	£8,168,000	£8,703,000	£9,275,000	£9,882,000	£10,530,000
Cider	£1,035,000	£1,130,000	£1,241,000	£1,362,000	£1,494,000	£1,639,000	£1,800,000
Beer	£5,710,000	£5,882,000	£6,081,000	£6,288,000	£6,501,000	£6,721,000	£6,948,000
Tobacco	£12,933,000	£13,242,000	£13,610,000	£13,985,000	£14,372,000	£14,770,000	£15,177,000
Fuel	£20,408,000	£20,831,000	£21,345,000	£21,872,000	£22,410,000	£22,962,000	£23,528,000
Customs	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
VED	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Total	**£52,599,000**	**£54,123,000**	**£55,915,000**	**£57,782,000**	**£59,726,000**	**£61,755,000**	**£63,871,000**



301. This policy would raise an additional £8.5 million a year by 2019 and a total of £33.7 million over the life of the LTRP.

Supplementary Note 5

Stamp Duty and Land Transaction Tax

302. **What drives the level of Stamp Duty income?**

Stamp Duty is forecast to raise approximately £23 million in 2013. It is collected largely from duty paid on commercial and residential property transactions, although there are a number of individual duties and fees set out in the Stamp Duties and Fees Law 1998. In particular Probate due on Wills can generate £2-£3 million per year and is extremely difficult to forecast with any certainty as it can be influenced by a small number of very high value estates. In addition Land Transaction Tax, introduced in 2010 to ensure the equivalent of Stamp Duty is raised on share transfer property transactions, generates around £1.5 million per year.

CURRENT STAMP DUTY RATES ARE AS FOLLOWS:

Property value (£)	Rate
0 – 50,000	0.5%
50,001 - 300,000	1.5%
300,001 - 500,000	2.0%
500,001 - 700,000	2.5%
700,001 - 1,000,000	3.0%
1,000,001 - 1,500,000	3.5%
1,500,001 - 2,000,000	4.0%
>2,000,001	5.0%

303. First-time buyers currently pay a reduced rate on properties up to a value of £450,000 until the end of 2012 when the threshold reverts to £400,000. A first-time buyer will pay Stamp Duty of £1,500 on a £450,000 property.

EQUIVALENT UK RATES ARE AS FOLLOWS:

Purchase price/lease premium or transfer value	Stamp Duty Land Tax rate
Up to £125,000	Zero
Over £125,000 to £250,000	1%
Over £250,000 to £500,000	3%
Over £500,000 to £1 million	4%
Over £1 million to £2 million	5%
Over £2 million from 22 March 2012	7%
Over £2 million (purchased by certain persons including corporate bodies) from 21 March 2012	15%

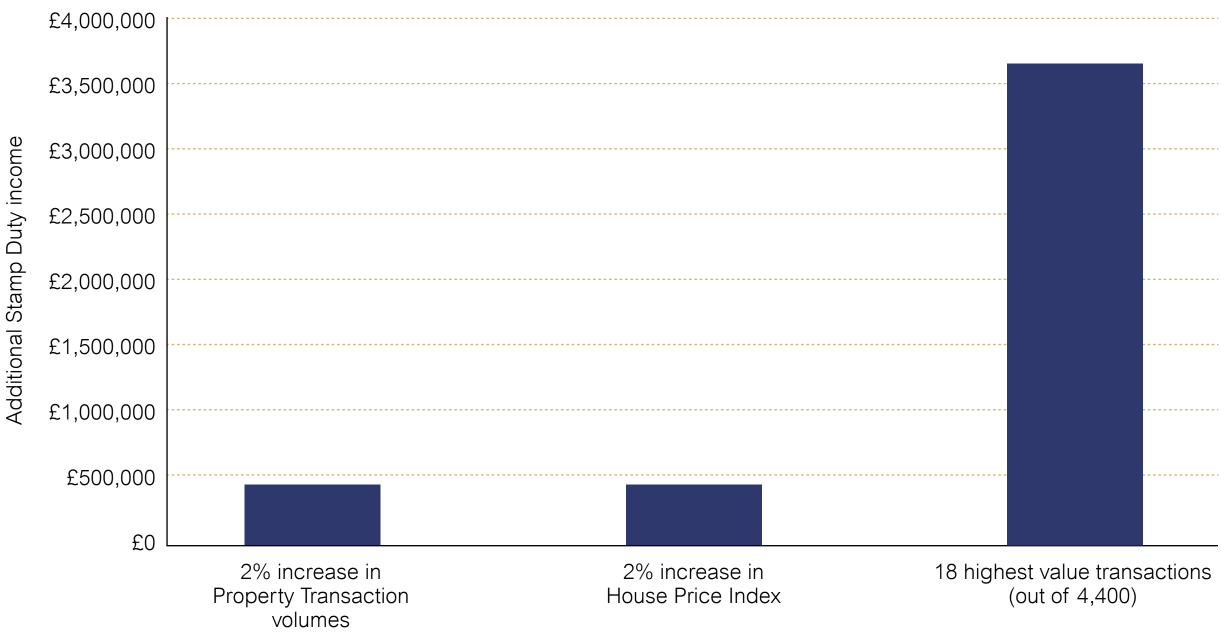
304. Stamp Duty on property transactions is considered to be driven by the following factors, which are used in forecasting:

- *Previous year's duty collected;*
- *Known seasonal variations e.g. the volume of transactions and receipts is known to increase between April and July each year based on past year trends;*
- *Volume of property transactions – this is forecast by the Economics Unit with pessimistic, central and optimistic scenarios. The central scenario is normally used for financial planning purposes. This forecast is updated at least annually but is not altered between the Medium Term Financial Plan and the Budget to ensure comparability of forecasts; and*
- *House Price Index - this is forecast by the Economics Unit with pessimistic, central and optimistic scenarios. The central scenario is normally used for financial planning purposes. This forecast is updated at least annually but is not altered between the Medium Term Financial Plan and the Budget to ensure comparability of forecasts. Because of the volatile nature of property buying activity, the influence of prevailing economic conditions and the disproportionate influence of a small number of high value transactions, Stamp Duty income is difficult to predict with any certainty. For example in 2010 property related Stamp Duty was £2 million less than forecast at £15.9 million. In 2011 it was £2 million more than forecast at £17.9 million. Additionally Probate Duty raised over £400,000 more than forecast in 2011.*

	2010	2011
Stamp Duty forecast	£17,928,389	£15,967,756
Stamp Duty actual	£15,888,345	£17,914,885
Stamp Duty Variance	-£2,040,044	£1,947,129
Probate forecast	£2,500,000	£2,500,000
Probate actual	£2,312,700	£2,927,875
Probate variance	-£187,300	£427,875

305. Officers continue to work at improving the ability to forecast this income but it is unlikely ever to be precise due to the influence of the behaviour of individuals and companies. A 2% reduction in the forecast volume of transactions would reduce income by £400,000. A 2% reduction in the forecast house price index would result in a similar reduction. However, in 2011 13 property transactions resulted in Stamp Duty payable of over £100,000 each with one in excess of £400,000. Five wills registered also resulted in Stamp Duty payable of over £100,000 each. Eighteen individual receipts (out of 4,400) therefore contributed ten times as much (£3.7 million) as a 2% increase above forecast for the House Price Index. If this level of income is then used as the basis for the following year's forecast this then compounds the uncertainty of predicting income.

WHY FORECASTING STAMP DUTY IS DIFFICULT – 2011



306. Land Transaction Tax (LTT) is closely related to Stamp Duty. It is a tax introduced in 2010 to ensure that individuals buying share transfer properties pay an amount exactly equivalent to the Stamp Duty they would have paid on a freehold property. The Tax is forecast to raise £1.5 million in 2013. Forecasts are driven by the same factors that affect Stamp Duty i.e. previous year's receipts, house transaction volume and the house price index. Using the current forecasts for those economic factors income from LTT is forecast to rise to £2.3 million by 2019.

Strategy 2013-2019

307. The Minister has no proposals for any significant increases in Stamp Duty over the period of the Long-Term Revenue Plan although at each Budget time he will consider whether isolated changes are justified e.g. to the first-time buyer rates. The Stamp Duties and Fees Law is complex, however, and the Minister has a longer term aim of simplifying the Schedule of charges to make it easier to understand for the public and professionals alike. The Minister has committed to undertaking a review of Probate duty.

308. The UK has recently introduced an increased rate of 7% Stamp Duty on properties over £2 million. An increase of 1% on all properties over £1 million in Jersey would raise approximately £730,000. This would take the rate for properties over £2 million to 6%. Adopting a 1% increase between £1 million and £2 million and adopting the UK rate of 7% above £2 million would raise an additional £1.4 million in total.

309. The calculation of Stamp Duty payable also differs between Jersey and the UK. In the UK once a threshold is reached, the increased percentage is payable on the whole amount. In Jersey the increased rate is only payable on the value above the previous threshold. Changing to the UK methodology for all Jersey property sales would raise an additional £3.5 million Stamp Duty a year. Changing the calculation for properties over £1 million only would raise an extra £1.8 million a year.

310. The following table compares Stamp Duty payable in Jersey, the UK, Guernsey and the Isle of Man for a number of example property prices:

Property value	Payable in Jersey	Jersey headline %	Jersey Effective %	Payable in UK	UK Effective %	Payable in Gsy	Gsy Effective %	Payable in IoM	IoM Effective %
£50,000	£250	0.5%	0.50%	£0	0%	£1,000	2%	£250	0.5%
£125,001	£1,000	1.5%	0.80%	£1,250	1%	£2,500	2%	£625	0.5%
£300,000	£4,000	1.5%	1.33%	£9,000	3%	£9,000	3%	£1,500	0.5%
£500,000	£8,000	2.0%	1.60%	£15,000	3%	£15,000	3%	£2,500	0.5%
£700,000	£13,000	2.5%	1.86%	£28,000	4%	£21,000	3%	£3,500	0.5%
£1,000,000	£22,000	3.0%	2.20%	£40,000	4%	£30,000	3%	£5,000	0.5%
£1,500,000	£39,500	3.5%	2.63%	£75,000	5%	£45,000	3%	£7,500	0.5%
£2,000,000	£59,500	4.0%	2.98%	£100,000	5%	£60,000	3%	£10,000	0.5%
£5,000,000	£209,500	5.0%	4.19%	£350,000	7%	£150,000	3%	£25,000	0.5%

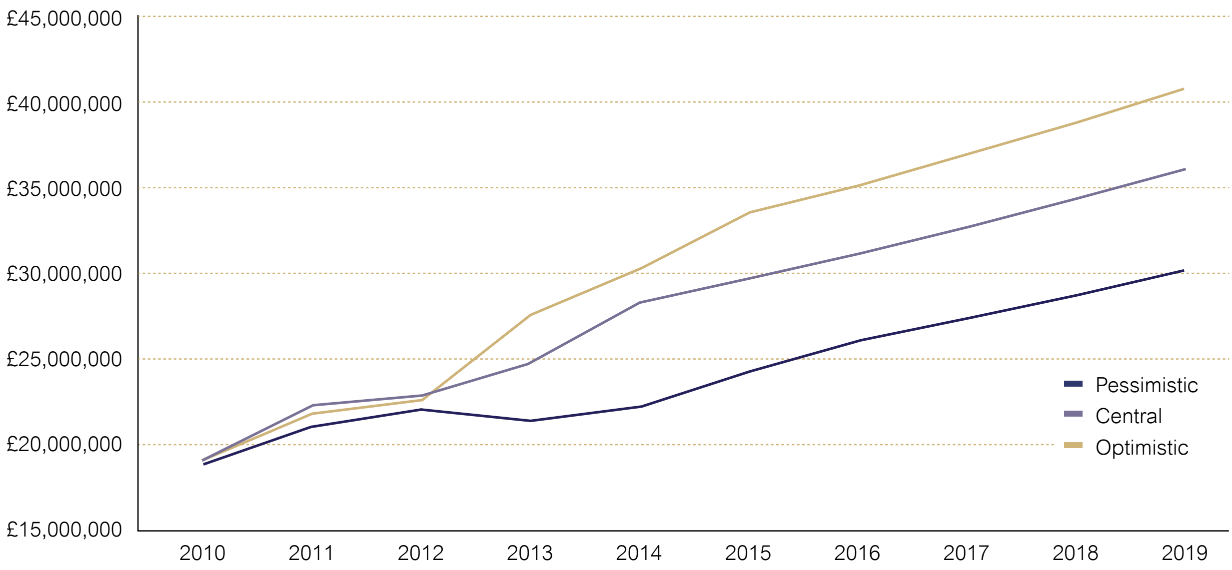
311. Forecasts

The forecasts have been prepared using these economic assumptions:

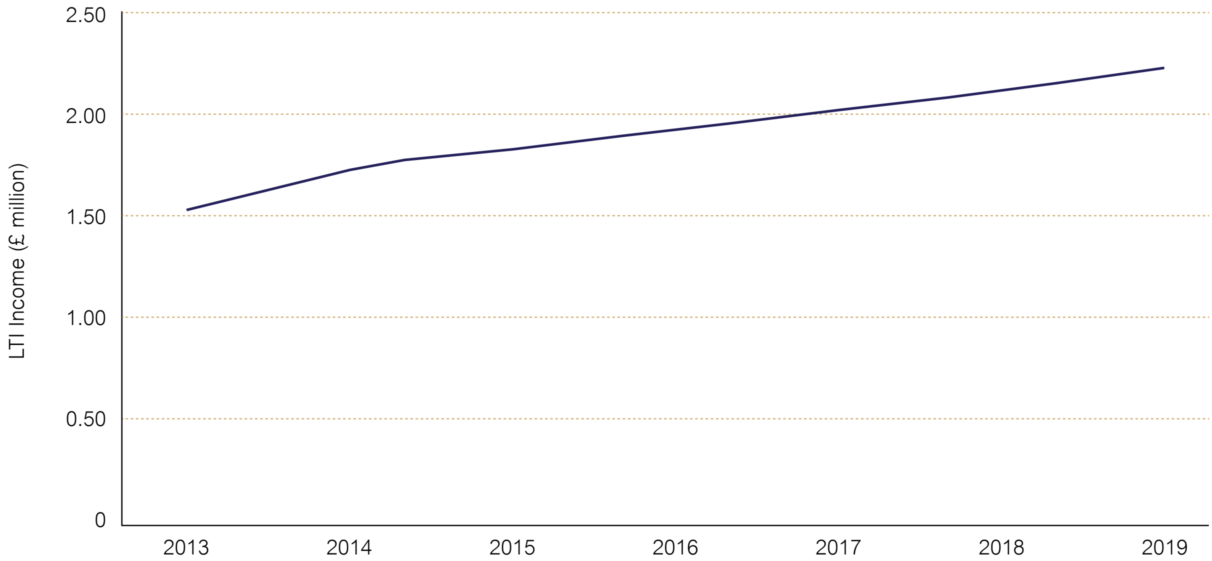
	2013	2014	2015	2016	2017	2018	2019
Central							
House Volume Index growth	5.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
House Price Index growth	3.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Optimistic							
House Volume Index growth	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
House Price Index growth	9.0%	10.0%	11.0%	5.0%	5.0%	5.0%	5.0%
Pessimistic							
House Volume Index growth	0.0%	5.0%	10.0%	0.0%	0.0%	0.0%	0.0%
House Price Index growth	-3.0%	-2.0%	-1.0%	5.0%	5.0%	5.0%	5.0%

	Pessimistic	Central	Optimistic
2010	£18,201,045	£18,201,045	£18,201,045
2011	£19,895,038	£20,842,760	£20,530,718
2012	£20,934,959	£21,434,959	£21,434,959
2013	£20,366,910	£22,978,158	£25,203,015
2014	£20,899,550	£25,927,012	£27,473,317
2015	£22,581,610	£27,098,363	£30,220,382
2016	£24,110,691	£28,328,281	£31,606,401
2017	£25,191,225	£29,619,695	£33,061,721
2018	£26,325,786	£30,975,680	£34,589,807
2019	£27,517,076	£32,399,464	£36,194,297

STAMP DUTY



LAND TRANSACTION TAX



312. There were over 4,400 transactions which attracted Stamp Duty in 2011 – over 80 a week

Supplementary Note 6

Island-wide Rate

313. **What drives the level of Island-wide Rate income?**

The Island-wide Rate was introduced in 2006 to move the cost of Parish Welfare and Residential Care to the States, with the Parishes paying an annual Rate to the States in return. The level of the Rate was set in 2006 based on the previous year's costs of welfare and residential care. The rate is then uplifted annually by the rate of inflation (RPI). Thus this source of income can be predicted with reasonable certainty. 2013 income is estimated at £11.67 million, rising to £14.29 million by 2019.

314. **Strategy 2013-2019**

Because arrangements for the Island-wide Rate are laid down in legislation there is little scope to increase income. The cost to the States of what was previously paid for by the Parishes is now significantly greater than the funds received via the Island-wide Rate. The Minister could seek to amend current arrangements which would require bringing an amendment to the Rates (Jersey) Law 2005. Any change would, however, simply pass on these costs to a different sector of Islanders.

315. **Forecasts**

The forecast for the Island-wide Rate uses the following RPI % assumptions:

2013	2014	2015	2016	2017	2018	2019
3.0	3.1	3.5	3.5	3.5	3.5	3.5

Supplementary Note 7

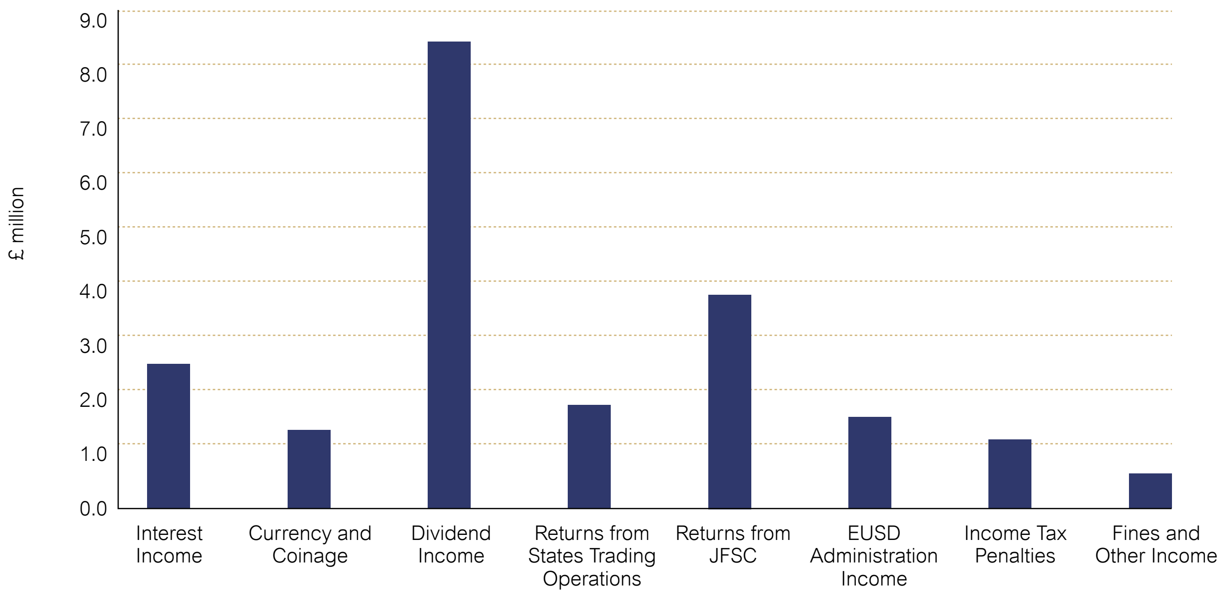
Other States Income

316. **What drives the level of Other States Income?**

Other States Income is forecast to be £21 million in 2013, rising to £34 million by 2019. It consists of a number of elements:

1. Interest on consolidated fund balance – just over £2 million in 2013
2. Surplus on Currency and Coinage Fund – just over £1 million in 2013
3. Dividend income – just over £8 million in 2013
4. Returns from States Trading Operations - £1.6 million in 2013
5. Returns from the Jersey Financial Services Commission (JFSC) - £3.7 million in 2013
6. European Union Savings Directive (EUSD) Administration Income - £1.5 million in 2013
7. Income Tax penalties - £1.1 million in 2013
8. Fines and other income - just over £600,000 in 2013

OTHER STATES INCOME – 2013

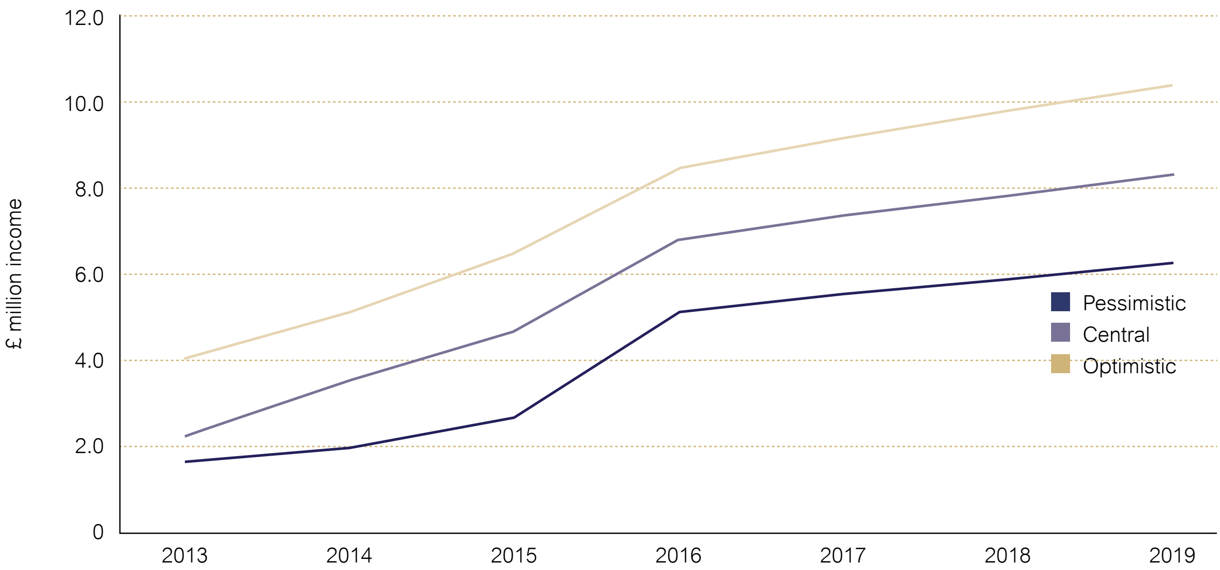


317. Interest on the consolidated fund balance is obtained by using active cash managers to invest the day-to-day cash balance on the States' "current account". The estimate of income is driven by the following three factors used in forecasting:-

- *The estimate of LIBOR (London Interbank Offered Rate) – this is considered to be a better measure for this purpose than the Bank of England base rate and is forecast for us by our Investment Advisers.*

- *The estimate of improvement on LIBOR by our cash managers. This is based on their past performance which is then rolled forward as a forecast.*
- *The estimated average balance on the consolidated fund available for investment. This in turn depends on forecast income and expenditure for the year.*
  The forecast for consolidated fund interest income is very sensitive to the first two factors. An additional 0.5% on LIBOR or the cash managers' performance over LIBOR would bring in approximately an additional £800,000 in a year. As LIBOR is forecast to increase from 2% in 2013 to 4.6% in 2019 so forecast interest grows from £2.1 million to £8.2 million a year, assuming the extra interest is reinvested. The forecast is less sensitive to the forecast balance on the consolidated fund. For example if consolidated fund income is £10 million more than forecast, then interest would increase by only £70,000.

FORECAST INTEREST INCOME ON CONSOLIDATED FUND CASH BALANCE

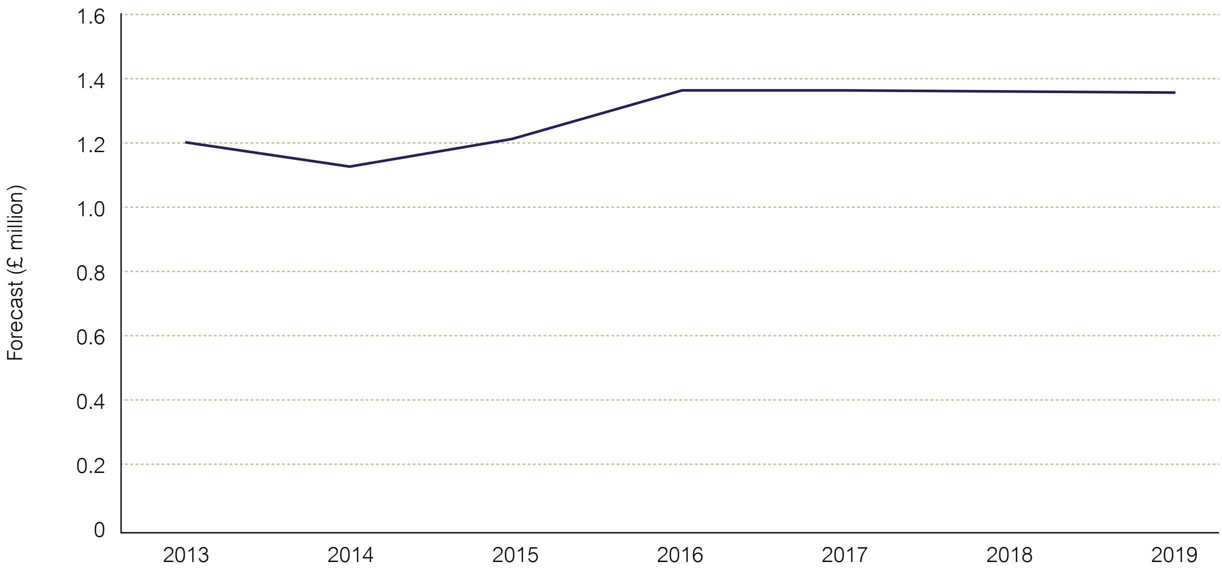


318. The annual surplus on the Currency and Coinage Fund has historically been treated as consolidated fund investment income as there is no advantage in the Currency Fund growing beyond its current size. This surplus is driven by the following factors used in forecasting:-

- *The Fund's investment strategy i.e. the split between equity, cash and infrastructure investments.*
- *Forecast returns from infrastructure investment e.g. the 2.5% preference shares in JT.*
- *Forecast growth in equity investments - forecast for us by our Investment Advisers.*
- *Forecast interest on cash invested – this is worked out on the same basis as consolidated fund interest in the paragraph above.*

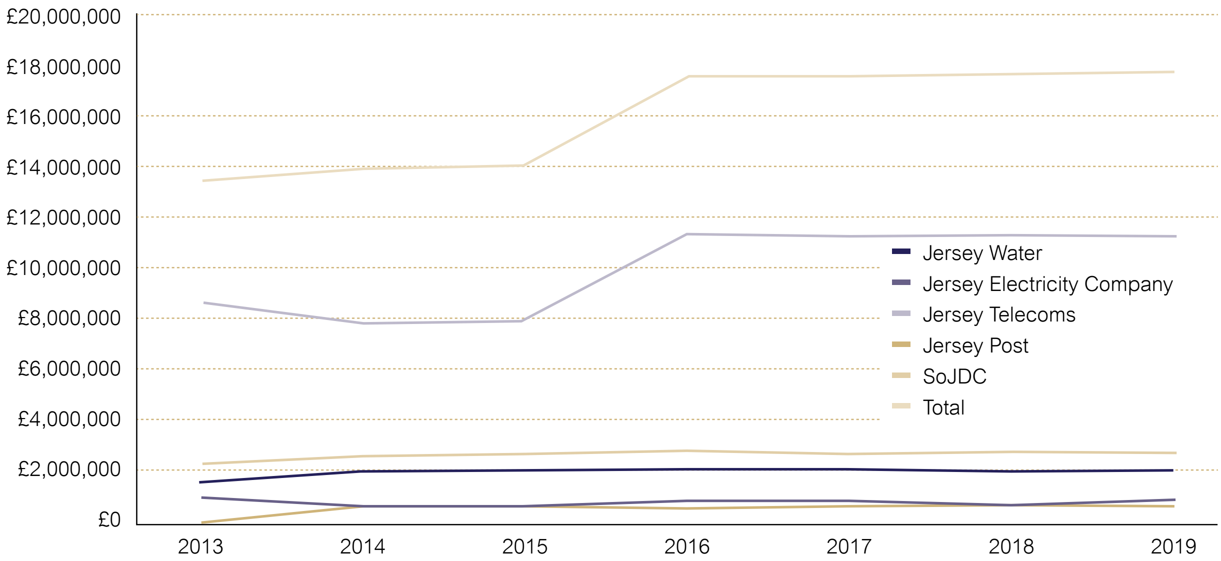
319. The first two elements tend not to change frequently and can be forecast with some certainty. The forecast is relatively sensitive to the last two factors – a change of 1% in either the forecast equity growth rate or cash return will affect income by about £150,000 – but the overall level of this income source is low, varying only between £1.15 million and £1.34 million over the life of the Long Term Revenue Plan.

FORECAST CURRENCY FUND SUPPLIES



320. Dividend income is the largest element of investment income by some way at £8.3 million for 2013, rising to over £10.3 million by 2019 if current dividend policy is maintained. Although dividends from ordinary shares (as opposed to preference shares which pay a fixed rate of interest) are, to some extent, affected by economic factors affecting the companies concerned (Jersey Water, JEC, JT, Jersey Post and SoJDC), the States are in a position of strength as major (or only) shareholder to influence dividends. This area should, therefore, be one that can be forecast with reasonable certainty and which can be used to increase returns to the States over the life of the LTRP.

FORECAST DIVIDEND INCOME



321. The States Trading Operations are:-

- *Jersey Car Parking:*
- *Jersey Fleet Management:*
- *Jersey Harbours; and*
- *Jersey Airport*

322. Under the Public Finance Law each of these, by agreement with the Treasury Minister, can make a return to the States to contribute towards general spending. During the period of the LTRP only Car Parks and Harbours are expected to make a return:

- *Jersey Car Parking - £1.6 million in 2013 increasing annually to £1.7 million by 2019; and*
- *Jersey Harbours - £43,000 a year.*
- *The Minister could seek to increase the returns from States Trading Operations but this could weaken the ability of these organisations to fund their necessary capital expenditure. This element of income can obviously be forecast with some certainty.*

323. Returns from the Jersey Financial Services Commission (JFSC) arise from the ability of the States to levy an annual fee on companies to reflect the loss of income to the States when the JFSC was set up. This income could be increased by the Minister but any increase in company fees would need to be considered in the context of the overall costs of doing business in Jersey. This income can be forecast with reasonable certainty.

324. European Union Savings Directive (EUSD) Administration Income relates to the percentage of tax able to be retained by the States from tax deducted from foreign individuals who do not wish to disclose their details to their own jurisdiction. Although this income is forecast to be £1.5 million in 2013, the increase in the rate of the retention tax to 35% from July 2011 means that fewer people will choose to adopt this approach with the result that it is not felt to be prudent to forecast any income beyond 2013.

325. Income Tax Penalties are of two types:

- *Late payment surcharge (10% of tax due) – income forecast to be £450,000 in 2013; and*
- *Late filing fee (£250) – forecast income of £620,000 in 2013.*

Future years' income is forecast to remain around these levels. Income from this source could be increased by raising the level of the surcharge and fee by amending the Income Tax Law.

326. Fines and Other Income consists of:

- *Miscellaneous fines - £300,000 in 2013:*
- *Miscellaneous loan interest (on loans made by the States) - £120,000 in 2013; and*
- *Crown Revenues - £230,000 in 2013.*

Miscellaneous fines and Crown Revenues are forecast to increase annually by around the rate of inflation and miscellaneous loan interest will fall as loans are repaid. There is little scope to increase income from these sources.

327. **Strategy 2013-2019**

For consolidated fund interest income the Minister will continue to monitor the performance of our cash managers and look to bring improvements to the return above LIBOR wherever possible.

328. The investment strategy for the Currency Fund is regularly monitored by the Investment Sub-Committee and our Investment Advisers and any opportunities for improvement will be taken. However, the current strategy is not expected to change materially over the life of the LTRP.

329. Dividend income is where the Minister will seek to significantly improve income over the life of the LTRP. The States assets must be worked to deliver all possible benefits to Islanders and reduce wherever possible the need to reduce expenditure or increase income in other ways.

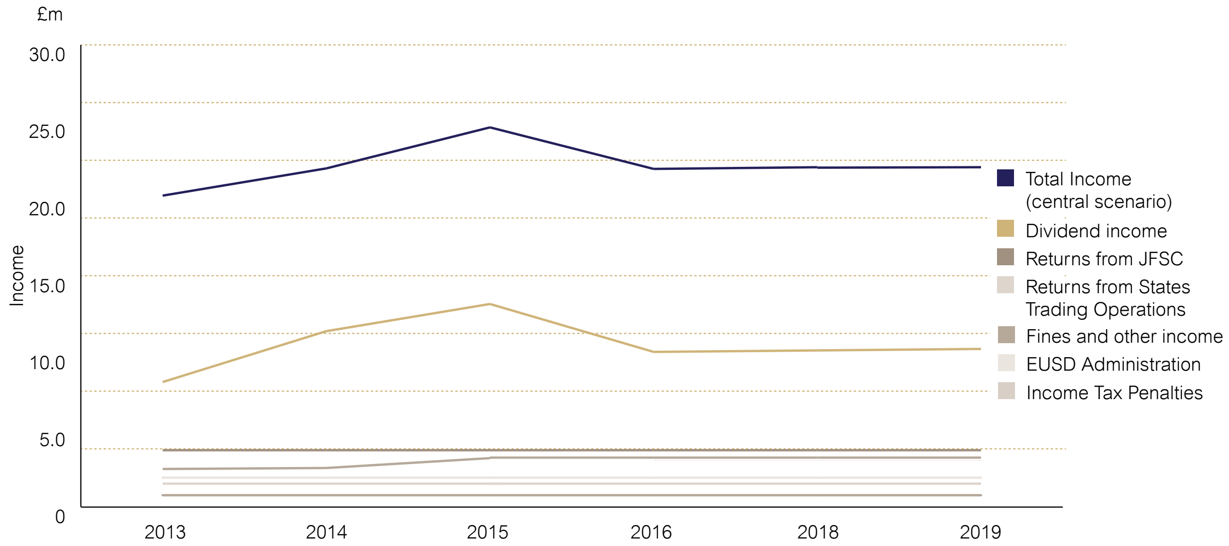
330. For other sources the Minister could look to increasing income from the following sources as outlined above:

- *Returns from States Trading Operations;*
- *Company fees collected by the JFSC; and*
- *Income Tax penalties.*

331. **Forecasts**

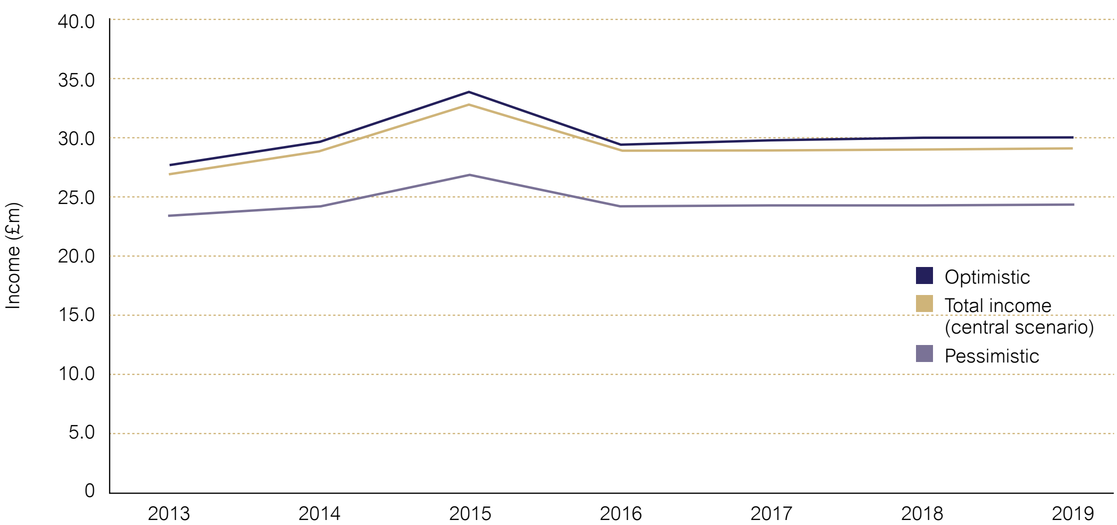
The forecasts have been prepared using these economic assumptions:

	2013	2014	2015	2016	2017	2018	2019
LIBOR (%)	1.3	2.4	3.1	4.3	4.3	4.3	4.3
Return achieved over LIBOR (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Average Cons Fund balance (£m)	135	128	136	147	159	170	181
Growth in equity investments	3.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%



Other States Income	All figures £m							
	2012	2013	2014	2015	2016	2017	2018	2019
Interest Income	2.6	2.5	2.6	3.2	3.3	3.3	3.3	3.3
Currency and coinage	1.1	1.2	1.1	1.2	1.2	1.2	1.2	1.2
Dividend Income	13.5	8.3	11.2	13.3	10.3	10.3	10.3	10.3
Returns from States Trading Operations		1.7	1.7	1.8	1.8	1.8	1.8	1.8
Returns from JFSC		3.7	3.7	3.7	3.7	3.7	3.7	3.7
EUSD Administration Income	1.5	1.5	-	-	-	-	-	-
Income Tax Penalties		1.1	1.1	1.1	1.1	1.1	1.1	1.1
Fines and other income		0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total Income (central scenario)	**18.7**	**20.5**	**21.9**	**24.8**	**21.9**	**21.9**	**21.9**	**22.0**
Previous forecast	17.2	18.6	19.9	20.5				
Scenarios								
Optimistic	18.4	21.2	22.5	25.4	22.3	22.4	22.5	22.6
Pessimistic	15.1	17.9	18.3	20.4	18.4	18.4	18.4	18.4

OTHER STATES INCOME FORECAST

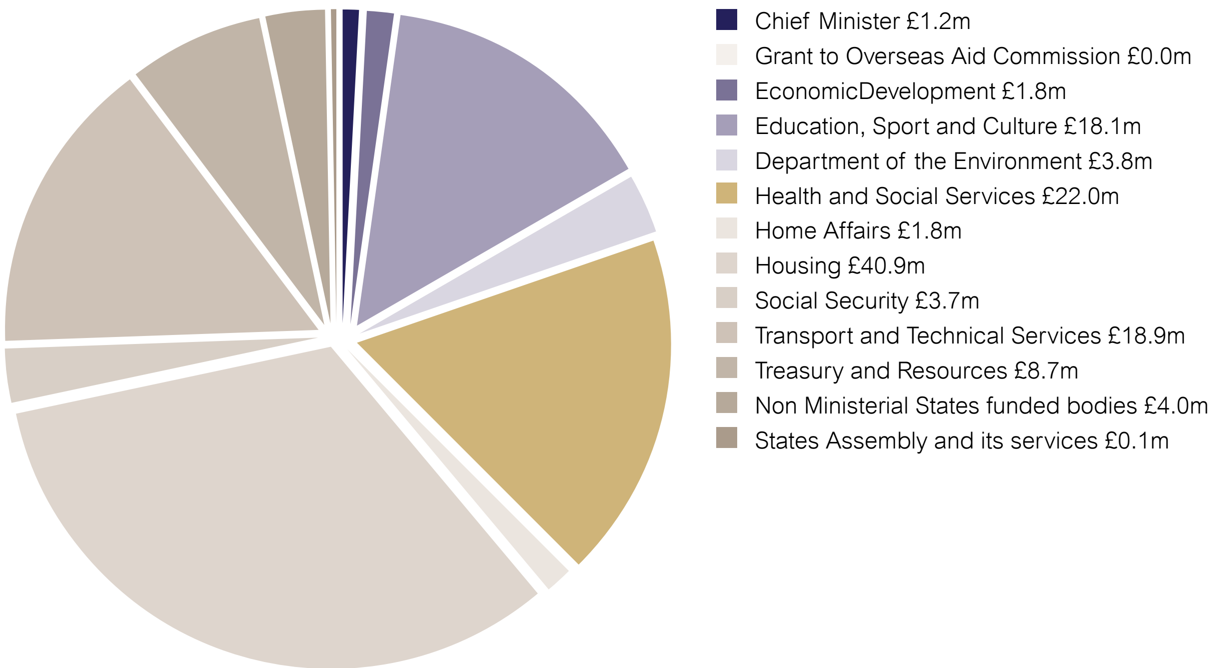


Supplementary Note 8

332. **What drives the level of Departmental Income**

Departmental Income is forecast to be £122m in 2012. The income is largely in respect of goods and services provided by departments for which charges are made. The largest single source of department income is from Housing Rents at £38 million, or over 30% of the total. The 2012 income for Health includes the second year of a £6 million grant from the Health Insurance Fund (HIF) for primary care services. Other significant income arises from fee paying schools, health private patient charges and sports centre income.

Split States of Jersey Department Income 2012



333. **Examples of Departmental Income**

Department	Type of Income	£ million
Housing	Housing Rents	£38 million
Education, Sport and Culture	Fee Paying Schools	£9 million
Health and Social Services	Grant from HIF for Primary Care	£6 million
Health and Social Services	Private Patients Income	£6 million
Education, Sport and Culture	Sports Centre Income	£3 million
Transport and Technical Services	Bus Contract Income	£3 million
Transport and Technical Services	Waste Tipping Fees	£1 million
Department of Environment	Planning Application Fees	£1 million
Department of Environment	Building Control Fees	£1 million
Home Affairs	Passport Fees	£1 million

334. **Types of Departmental Income**

As discussions progress with departments, further definition of the types of departmental income may emerge but, initially there appear to be three main types:

- *Statutory Fees, Fines and Charges*
  - *These are licences, fees or charges which are set in either law or regulation. Generally, the provision that is to be charged for is identified and what can be charged for is defined – in some cases quite loosely. This has caused reference to legal opinion*
- *Discretionary Fees and Charges*
  - *These are generally fees and charges for services where the States is in competition with other providers or provide an alternative service i.e. sports centres.*
- *Recharges*
  - *These can be intra or inter departmental;*
  - *Internal charges for services within the States – these are covered by a separate Financial Direction (FD 6.2) and may be considered beyond the scope of any review. However, these can be relevant where they form part of the full cost that is charged to the user.*

335. **Current Financial Directions and Forecasting**

Departments are encouraged to review fees and charges on an annual basis or otherwise in line with the statutory requirements and historically there has been a restriction to a 2.5% increase with a requirement to ascertain Treasury Minister approval for increases above this level.

336. Any new departmental user pays charges are required to be approved by the States or as part of any associated legislation.

337. Each department will forecast its income as part of the Medium Term Financial Plan which will take into account the changes in services and priorities and also the recent trends for departmental income.

338. **Future Strategy**

Departmental income makes an important contribution to the States financial position, particularly with the greater uncertainty surrounding States Income in the current economic circumstances.

339. The current financial directions are written in such a way which could reduce and constrain increases in fees and charges by firstly encouraging departments to reduce costs, and secondly by applying the 2.5% Anti-Inflation Strategy (P125/2000). The financial directions do make provision for and, recognise that there are instances where the full cost of the service can be recovered which allow higher increases to be justified.

340. One of the options to improve the financial position, address funding pressures and possibly deliver a further level of savings would be to revise the financial directions to support a user pays principle and encourage departments to review appropriate fees and charges to ensure the full cost of services are recovered and also define what should be included in such “full cost”.

341. It will be important to demonstrate that charges are reasonable, are only recovering the cost of a service and don’t significantly disadvantage or burden a particular sector of the community. Any new charges would still need to be approved by the States. Particular

focus would be on a review of fees and charges to the private sector to ensure full cost recovery.

342. Economic advice supports a general inflation target for the Island, which provides a reasonable benchmark against which increases in fees and charges are justified. However, economic advice does not preclude the recovery of full cost of services and anti-inflation policy should not be a barrier to the regular review of charges. Policy to control inflation should be focusing on the general price level (not the prices of individual goods or services) and the overall balance between supply and demand in the economy. The advice is that any concessions should be clearly defined and understood so as not to result in any unintended consequences in the market or economy.

343. There are risks associated with increasing fees and charges, particularly where they are subject to competition and trading volumes. A greater reliance on income may also create additional risk with a dependency on the state of the economy.

APPENDIX TWO: DIVIDEND POLICY FOR STRATEGIC INVESTMENTS

Appendix Two - Dividend Policy for Strategic Investments

344. The States of Jersey holds varied share holdings, as detailed below. For the Medium Term Financial Plan it is assumed that the existing shareholdings will remain unchanged for the Consolidated Fund:-

Note: A further new preference share is forecast to be taken out in Jersey Telecom Group Limited during 2012, relating to Gigabit Jersey. This will be reflected as an Infrastructure Investment in the Currency Fund.

345. The following dividends have been forecast for the Strategic Investments:-

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Jersey Electricity plc	2,358	2,551	2,615	2,680	2,747
Jersey New Waterworks Company Limited	1,527	1,896	1,932	1,969	2,007
Jersey Telecom Group Limited	9,020	8,857	2,391	5,034	4,119
Jersey Post International Limited	513	5,013	623	744	655
Total	13,418	17,804	7,561	10,427	9,528

Existing Shareholdings

346. **Jersey Electricity plc** - The States of Jersey holds all the ordinary shares in Jersey Electricity plc which represents approximately 62% of the Company's total issued share capital as at 31 December 2011 (86.4% of the total voting rights). Jersey Electricity plc also has "A" shares in issue which are listed on the London Stock Exchange, and two classes of preference shares, which hold 3% of the voting rights.

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Jersey Electricity plc	2,358	2,551	2,615	2,680	2,747

347. **Jersey New Waterworks Company Limited** - The States of Jersey hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5%-10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2011.

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
States of Jersey Development Company	1,527	1,896	1,932	1,969	2,007

348. **States of Jersey Investment Limited** - The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in Jersey Telecom Group Limited and Jersey Post International Limited. Due to its nature as a holding company, SOJIL is consolidated in full and included inside the Consolidated Fund. This has the effect of treating the investments in Jersey Telecom and Jersey Post as part of the Consolidated Fund.

349. **Jersey Telecom Group Limited** - SOJIL holds all the Ordinary shares and all the 9% cumulative preference shares in the Jersey Telecom Group Limited.

350. **Jersey Post International Limited** - SOJIL holds all the Ordinary shares in Jersey Post International Limited.

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Jersey Telecom Group Limited	9,020	8,857	2,391	5,034	2,747
Jersey Post International Limited	513	5,013	623	744	655
Total	9,533	13,357	3,014	5,778	4,774

351. **Basis for calculation of Forecast Dividends:-**

The following assumptions have been made:-

- *Where available, dividend forecasts have been provided by the entities, at the current agreed dividend policy rates, with the exception of Jersey Telecom Group Limited.*
- *Jersey Telecom Group Limited's dividends forecasts for 2013 onwards are based on a new dividend strategy and the adoption of a revised capital structure for the company. This will allow Jersey Telecom to develop its business in line with the industry's peer groups with the intention of maintaining and delivering long term growth in shareholder value for the States.*

352. For quoted or listed companies – current dividend returns have been used and increased by the States Inflationary assumptions for any ordinary shareholdings.

- *The forecast dividends include the interest receivable on all preference share holdings.*
- *All dividend income is forecast gross, before any deductions of income tax.*

Financial Return Policy for States of Jersey Development Company (SOJDC)

353. **Existing Shareholdings**

The States of Jersey holds 100% of the issued share capital for the States of Jersey Development Company Limited. However for Statutory Accounting purposes, this is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

354. For the Medium Term Financial Plan it is assumed that the existing shareholdings will remain unchanged and that the Financial Returns will be reported separately under the Consolidated Fund.

355. The following Financial Returns have been forecast for SOJDC:-

	Budget	Forecasts			
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Jersey New Waterworks Company Limited	-	759	759	759	759

356. **Basis for calculation of Forecast Financial Returns:-**

The following assumptions have been made:-

- *Where available, forecasts have been provided by the States of Jersey Development Company. They relate to specific returns for individual sites.*
- *The above forecast returns, solely relates to a receipt for the Esplanade Car Park (MD-TR-2012-0006). At the time of forecasting we were not aware of any other financial returns.*
- *All financial returns are forecast gross, as income tax deductions are not relevant.*

APPENDIX THREE:
CARRY FORWARD REPORT 2011/2012

Appendix Three – Carry Forward Report 2011/2012

Treasury and Resources Report

2011 year end carry forwards

357. **Purpose of Report**

To consider the carry forward requests from departments for unspent budgets from 2011 to 2012. Departments have been managing their budgets tightly in order to prepare for meeting their savings target and to direct resources to the highest priority areas.

358. **Background**

The carry forward process is an intrinsic part of the overall financial management of the States of Jersey. It allows departments to manage across financial years, helps eliminate the "year end" spend syndrome and gives departments a greater sense of certainty with their funding.

359. The process is one of careful evaluation and significant effort is put in to ensuring that those funds carried forward have a specific service provision requirement in the following financial year. The process rewards those departments that have managed their budgets well and allows them to allocate funds to:

- *meet pressures,*
- *deliver longer term savings for CSR and,*
- *ultimately, deliver service improvements associated with the draft strategic priorities for the new Council of Ministers.*

360. Departments have been managing their budgets very carefully with a clear intention to deliver their savings targets in future years. Details of those underspends are set out below:

	2011 Actuals £'000	2011 Budgets £'000	Budget Variance (Adv)/Fav £'000	Near Cash £'000
Near Cash	598,608	640,064	41,456	41,456
Non Cash	40,618	37,073	(3,545)	-
Total	**639,226**	**677,137**	**37,911**	**41,456**
Central Reserves & Restructuring	-	13,624	13,624	(13,624)
States Near Cash Departmental Variance				**£27,832**

361. I In the Budget approved on 10th November 2011, there was a commitment made to increase the Consolidated Fund balance by £10 million. £3.3 million unspent Article 11(8) monies, approved via P67/2008 and P174/2009 for Pandemic Flu, P91/2008, P83/2009 for Historical Child Abuse Enquiry, P17/2009 for Williamson, P83/2009 for Economic Downturn, have been returned. With this amount of expenditure returned, plus

the over achievement of income received, the Consolidated Fund balance is more than £10 million improved at the end of 2011.

362. The majority of the underspend has been requested for various carry forwards by departments and for ease of reconciliation and explanation, these have been broken down into different groups:-

- *Departmental carry forwards of £27.8 million made up of :-*
- *Revenue Cash Limits £22,856,636*
- *Fiscal Stimulus £155,593,*
- *Restructuring Funding £985,982,*
- *Court and Case Costs £2,859,917,*
- *Funded Spending Pressures £963,609 and;*
- *Restructuring and Central Reserves, held in Treasury and Resources, of £13.6 million.*
- *An explanation of each group of carry forwards can be found in paragraphs 3 to 5. Departments were also requested to identify their Spending Pressures for 2012 so that these may be prioritised and considered for funding from any remaining underspend.*

363. Revenue Cash Limits - £22,856,636

The year end forecast underspend is summarised, by department, in Appendix A. This table shows funds are available to fund the full amount requested by departments. A summary of requests is in Table 1 of Appendix B.

364. All departments are showing an underspend this year, the amounts being requested to be carried forward by departments are as follows:-

365. Chief Minister's - £886,755

366. Statistics budgets - £160,000

A budget of £120,000 is required to complete the report and publish the results from the 2011 Census. The Household Expenditure Survey is due to take place once sufficient budget is available from an annual base allocation of £40,000.

367. Law Drafting - £25,000

A budget of £25,000 is required to enable existing 2011 Law Drafting projects to be completed.

368. Human Resources - £215,000

Learning and Development to fund training programmes, such as the Modern Manager Programme, Corporate Management Board development, States Members and Council of Ministers training - £147,000. Reduce cost pressure of £195,000 to fund additional post in Health and Social Services as recommended in the Verita Report - £68,000.

369. International Division - £292,000

This programme of work has been funded in 2011 and 2010 from non-recurring sources – carry forwards and fiscal stimulus. Parts of the programme have been delayed awaiting EU decisions and agreements to be concluded with the UK Ministry of Justice but the planned programme is not funded beyond 2011.

370. PECRS pre-1987 debt - £194,755

2011 underspend of £194,755 includes £81,000 from 2010. This is required to protect against the variability of future years' debt. This number is calculated by the actuaries and is influenced by changes in pay scales etc. Providing a comfort budget ensures expenditure items such as States employees training is not affected by what is largely an accounting entry.

Note: as a result of MD-TR-2011-0137 which transfers responsibility for Pensions from Chief Minister's to Treasury and Resources, this carry forward will be transferred to Treasury and Resources.

371. Overseas Aid - £4,202

Any underspend in this area has historically been carried forward without challenge.

372. Economic Development - £957,984

373. Ofcom Income - £714,984

Unanticipated income from Ofcom and Digital Switchover was added to the department's net revenue expenditure in 2011. It was agreed that any of this unspent income could be carried forward into 2012 and spent by the Department as required. (MD-TR-2011-0105). Areas which have been identified so far are the partial contribution of £150,000 to E-commerce for Digital Jersey and the film project which was delayed in 2011.

374. Aircraft Registry - £20,000

The implementation of the Aircraft Registry project has been delayed and the budget will now be required in 2012.

375. Jersey Finance Ltd - £175,000

A delay in a film project has released this underspend. The request to carry forward this budget is to restore the JFL grant in 2012 which had been reduced as a result of the CSR process.

376. Subtitling - £48,000

A grant has been requested by Channel Television for subtitling to continue for 2012 only. It was originally a 2011 CSR saving, which was funded by Jersey Enterprise during 2011. This funding will cease in 2013.

377. Education, Sport and Culture - £3,353,660

378. Delegated Financial Management - £681,050

These balances belong to individual schools. The current Delegated Financial Management arrangement allows schools to carry forward positive balances of up to 3% of budget in order to support expenditure items such as future contracts and school development plans and manage the differential between the academic and financial year.

379. Fee Paying Schools - £775,960

A number of the Fee Paying schools had targeted savings identified during the debate on the reduction in subsidy and, even with the reduction in fee levels, are projecting accumulating surpluses. In the future, the funds will also enable the Department to work with the schools over a period of transition to minimise the impact on fee levels and the schools finances.

380. Higher Education - £800,000

The base budget was exceeded in 2010 and, although was forecast to be insufficient in 2011, the eventual outturn was £126,000 under spent illustrating the volatile nature of this budget. It is requested that the unused departmental contingency be carried forward to

2012 to counter the changes imposed by the UK Government on University fees and the resultant uncertainty over fee levels for 2012/13 and beyond.

381. **Healthy Eating School Contract - £21,000**

Represents the balance of funds transferred following Ministerial approval from the Hautlieu School capital project to complete the initiative.

382. **Departmental Restructuring Reserve - £195,650**

Commencing in 2012 there is a predicted fall in pupil numbers in the secondary sector which is likely to place pressure on school budgets, if the required reduction in staffing cannot be achieved. The Reserve will be essential to leverage staff changes so that the funds can be released to meet predicted increased primary numbers and the other funding pressures.

383. **Lunchtime Supervision Shortfall - £120,000**

A sum of £300,000 has been allocated to the Department to meet the cost of changes to lunchtime supervision. Following a period of consultation with headteachers, it has become evident that it is essential to increase the funding available to schools to introduce the changes to ensure the safety of pupils and appropriate levels of behaviour management.

384. **Teaching Assistant Restructuring - £60,000**

Following a period of consultation with headteachers and specialist staff, a new framework has been developed in recognition of the duties that are undertaken by teaching assistants. An assessment panel will ensure that the process of assessing individual teaching assistants is carried out fairly and equitably across the service.

385. **Nursery Education Fund Growth - £360,000**

The number of NEF children going to nursery school has risen sharply from 381 to 476 in 2011/12. This is due to an increase in the birth rate experienced over the past four years. The forecast shortfall in 2012 is £280,000. Additional hours purchased by parents in States Nurseries have been lower than expected and the income shortfall in 2012 is likely to be £80,000.

386. **Sports Advisory Council Grant - £100,000**

The new Minister for Education, Sport and Culture has received feedback from sporting organisations that the CSR cut to the grant to the Sport Advisory Council was too great. It is The Minister's intention to provide a breathing space during 2012 whilst a full review of the Sports provision resulting in a Sports Strategy for the Island is undertaken. This reinstates part of the 2012 cut.

387. **ICT Strategy - £240,000**

This money will be used to implement the Department's ICT strategy.

388. **Health & Social Services - £1,028,000**

389. **Medical Equipment - £156,000**

Funding has been committed in 2011 but the equipment will not be delivered until 2012. This is simply a timing issue.

390. **Bowel Cancer Screening - £100,000**

An average of 62 new cases occur amongst islanders annually. Most are not diagnosed until a late stage, leaving patients with a poor prognosis and requiring expensive off island treatment. Survival is strongly related to the stage of disease at diagnosis. The National Screening Committee approved a one-off Flexible Sigmoidoscopy at age 55 as a cost-effective bowel cancer screening intervention which is expected to reduce bowel cancer deaths by 40% over 10 years. Establishing this service has an initial set up / capital of approximately £100,000; utilisation of the 2011 underspend for this purpose would enable this development to progress promptly in 2012, with the recurring revenue cost being met from additional funds allocated to the department in the 2012 Business Plan.

391. **Individual Care Packages - £150,000**

There are a low, but increasing, number of patients and clients requiring high cost individual care arrangements. The number of these specific arrangements is particularly high at present and an allocation of additional funding of £150,000 from carry forward funds will help address this current number of high cost care arrangements.

392. **Reduced Delayed Discharges - £100,000**

The continuing impact of the ageing demographic impacts on the number of patients in hospital waiting for discharge to the community and nursing homes. The allocation of £100,000 from carry forward funds together with a further allocation from 2012 Business Plan funding will allow this issue to be addressed, particularly over the winter months.

393. **Tamiflu - £522,000**

It is normal practice to write off stocks of drugs that are past their expiry date. On this occasion, Health advise that the expiry date of stocks of Tamiflu have been extended and therefore do not need to be written off.

394. **Home Affairs - £1,429,035**

395. **Jersey Fire and Rescue Service - £50,000**

To enable the retention of Offshore Ship Firefighting capability for 2012. This was previously funded by the UK, but as part of the UK CSR the Department for Transport announced in September the withdrawal of this funding for the Maritime Incident Response Group (MIRG). Future funding will be required and will be included in the MTFP as this is a recurring pressure.

396. **Prison! Me! No Way! Grant - £45,000**

To fund this project in 2012, however, future funding will be required from 2013 onwards and will be include in the MTFP as this is a recurring pressure.

397. **Maintenance Works/Equipment - £102,000**

Delays to projects, to be carried out in 2012 - Jersey Field Squadron repairs to TA Centre, £35,000, Jersey Fire and Rescue Service roof repairs, £55,000, Jersey Customs Immigration Service for Guichets (booths) and surveillance equipment, £12,000. All projects agreed in 2011 – this is simply a timing issue.

398. **Criminal Injuries Compensation Scheme - £44,200**

To supplement the 2012 budget as the Accounting Officer has no control over the amount or quantum of awards agreed by the Criminal Injuries Compensation Board.

399. **Vetting and Barring Office - £55,000**

Review of staffing and arrangements with Criminal Records Bureau – additional staff may be required for the States of Jersey Police.

400. **Prison - £90,000**

In 2011 the SEB approved the move to a new pay spine for Prison Officers and if no pay award funding is available in 2012 there will be a potential funding shortfall.

401. **Managing future CSR Savings - £1,042,835**

Timing delays are predicted in the delivery of 2012 and 2013 CSR savings. Contingency plans are being developed to achieve the savings and funds carried forward will enable any initial shortfalls to be covered in 2012 and 2013, consisting of £799,200 within the States of Jersey Police and the remainder for non-Police projects.

402. **Housing - £1,379,906**

403. **Backlog Maintenance - £1,379,906**

The underspend will go towards projects such as the heating installations, the Le Marais bin chutes, the Le Squez refurbishment, lift refurbishment, insulation works etc., all works required under the maintenance programme to address this backlog.

404. **Department of the Environment - £216,608**

405. **Met Office Staff Secondment - £40,000**

Following the decision from Jersey Airport requiring ongoing observational services from the Met office, together with maternity cover, there is a need to second in staff with the necessary skills from the UK office until additional staff can be recruited and trained. The department requests £40,000 of the surplus income from increased planning applications to fund this pressure.

406. **Planning and Building - £176,608**

A sum of £146,608 is required for Planning appeals which occur each year and are not budgeted for together with £30,000 for producing further masterplans for the Island.

407. **Social Security – Department £5,310,261**

408. **Adjustment agreed as per Budget Statement 2011 - £5,172,692**

409. **Cold Weather Bonus - £50,000**

The States Assembly has decided to extend the Cold Weather Bonus (P186/2011). Funding for the scheme is in the 2012 Annual Business Plan, however £50,000 is required to develop the IT system (one-off cost). The additional manpower for this benefit will be absorbed within the existing headcount of the Department.

410. **Long Term Care Scheme - £580,000**

This is an initial estimate as the project is currently being scoped and is funding for income collection only, based upon the contribution system being used, as the current plan is to collect income for 6 months before commencing payment of benefit. Should that plan change further funding would be required. The sum requested includes IT set up costs, staffing and contract drafting.

411. **Minimum Wage Research - £25,000**

Research is required into the prevalence of employees being paid at the minimum wage. A budget of £25,000 is required for this purpose.

412. **Discrimination Legislation - £100,000**

Funding required for resources needed to prepare discrimination legislation for lodging by the end of 2012 in accordance with the States decision P118/2011. The funds are required for staff costs, expert legal advice and consultation.

413. **Temporary Insolvency Compensation Scheme - £100,000**

During 2011 legislation was agreed for a permanent statutory Insolvency Benefit which will be implemented in 2012. Until that time, the temporary scheme introduced in 2009 will continue.

414. **Staff Costs - £224,000**

There is a shortfall in the staff budget as a result of a late adjustment for Fiscal Strategy Review which was not reflected in the gross staff number in time for 2012 Business Plan. It was suggested that any unspent 2011 revenue budget be carried forward to support this gap.

415. **Increased Unemployment - £2,000,000**

The downturn in the economy has resulted in an increase in the numbers of unemployed people and those seeking assistance through Income Support. Estimates have been made by adapting the October income support model to take account of the Central Assumptions made by the Economic Adviser plus 1%. This does not include the effects of the removal of Low Value Consignment Relief.

416. **Back to Work - Proactive measures to reduce unemployment - £7,403,953**

The Department proposes to use the remainder of the 2011 revenue underspend to provide the financial resources needed in order to deliver the "Back to Work" programme. An element will be required to meet the increased costs in income support; the remainder will be allocated to the programme. A Treasury representative will be a member of the team looking at what the programme should deliver and they will be providing financial management and advice around the funds allocated to this piece of work.

417. **Transport and Technical Services - £1,824,841**

Budgets have been transferred from Capital to Revenue to comply with GAAP, and are therefore required to complete the projects:-

418. **Asbestos disposal - £1,236,749**

Asbestos is presently being temporarily stored in containers at La Collette but this is not a sustainable medium term solution. This money was allocated to cover the permanent disposal of this waste. Delays have occurred and the department is working with the Regulator to finalise details of its plans for the permanent disposal of asbestos and a planning application has been submitted and is awaiting determination by the Minister for Planning and Environment.

419. **Liquid Waste Strategy - £536,000**

The Liquid Waste Strategy deals with liquid waste in accordance with environmental standards and provides the best sustainable options for the Island. Initial technical investigations have commenced but the strategy will not be fully developed until 2012.

420. **Highway Maintenance - £52,092**

This will be used in 2012 for patching of roads which has fallen behind schedule.

421. **Treasury and Resources - £787,753**

422. **Taxes Office - £381,500**

The Taxes Transformation Programme is a major programme of work to deliver significant improvements to the States of Jersey tax-related functions (including achieving projected additional revenues of between £2million and £10 million per year). The Programme was due to start in April but was delayed until November, resulting in an underspend of £338,000. This is a four year project and funding for the remaining three years has not yet been fully identified. This carry forward is being requested to meet a proportion of the funding for the remaining years - £350,000.

To complete the work required to implement the requirements of the Civil Partnerships Legislation in the ITAX system which was expected to be completed in 2011 - £16,500.

To back-fill a post in Personal Tax to allow an Assessment Manager to support IS team in the development of self assessment programmes - £15,000.

423. **Modern Managers Programme - £40,000**

This will fund the Modern Manager Programme targeted at finance staff in 2012.

424. **Actuarial Advice and Pension Project - £101,000**

Substantial work is being undertaken in reviewing current pension arrangements and this project work is required in 2012. Additional actuarial advice is also required as part of the pensions review project and this will occur in 2012.

425. **Backlog Maintenance - £265,253**

Jersey Property Holdings – timing of completion of the Les Chênes Refurbishment. (The contract will span year end – estimated value of works remaining for 2012).

426. **Non Ministerial Departments - £504,939**

Comptroller Auditor General - £255,713

427. The CAG is underspent and has a programme of reviews to be carried out some commenced prior to year end but are unlikely to be finalised until 2012.

428. **Bailiff's Chambers - £84,391**

Additional expenditure of approximately £150,000 will be required in 2012 relating to events taking place to celebrate the Queen's Diamond Jubilee.

429. **Office of Lieutenant Governor - £45,000**

Maternity leave and extra cover for the PA and Visits Secretary and the PA and Engagements Secretary, and cover for Chef's leave will cost an estimated £34,000.

Replacement of the alarm system and equipment will cost an estimated £6,000.

The Governor's contribution to the Queen's Diamond Jubilee Celebrations – including Royal Visits and additional costs in staff and entertainment costs need a further allocation of £5,000.

430. **Probation - £20,000**

Due to an increase in referrals, it is likely that additional resources to cover maternity leave in 2012 will now have to be procured externally.

431. **Viscounts' Service - £99,835**

This will fund an upgrade of software for the Desastre section. Following the tendering process, headed by the Business Support Group, it is clear that the project will exceed original estimates of costs, therefore this funding will ensure continuation of the upgrade.

432. **Fiscal Stimulus - £155,593**

In May 2009, the States approved P55/2009 to permit the withdrawal of up to £44 million from the Consolidated Fund to be reallocated for the net expenditure of a number of departments in order to fund a proposed discretionary economic stimulus package.

The programme of projects given approval by the Fiscal Stimulus Steering group continues to deliver benefits to the economy, supporting employment in the Island and creating new opportunities for businesses in Jersey. Some of these projects are unable to meet a conclusion in 2011 therefore a request is made to carry forward those balances agreed but not yet spent. A summary of requests is in Table 2 of Appendix B.

A breakdown of these amounts, by department is as follows:-

433. **Economic Development - £89,999**

A letter requesting the carry forward was sent from the EDD Minister to the Treasury Minister 19/08/11 and the Fiscal Stimulus Steering Group has given their recommendation to approve the carry forward for the delivery of the Single European Payments Area project.

434. **Treasury and Resources - £65,594**

Final Payment for the grant to Jersey Hospice Care which will be paid early 2012.

435. **Restructuring Costs**

In the 2011 Business Plan £6 million was allocated to restructuring costs which would provide investment funding to departments in order for them to be able to deliver future savings. During the year £5.3 million was allocated to departments leaving £711,900 unallocated.

Due to timing some of the allocated budget is unspent and is requested to be carried forward to 2012. The balance of the provision for Restructuring Costs, held within Treasury and Resources, is also requested for carry forward to 2012.

A summary of requests is in Table 3 of Appendix B and a breakdown of these amounts in more detail is as follows:

436. **Chief Minister's - £176,077**

2011 restructuring budget required to provide additional Law Draftsman to support all CSR proposals with law drafting implications. There has been a delay in recruiting the staff therefore this budget is now required for 2012 - £78,000.

CSR Project Team – to cover ongoing costs of supporting CSR and modernisation programmes - £24,761.

The original transfer for £295,000 to provide additional HR support for the CSR programme has an unspent budget of £39,916 and is required for ongoing Organisational Development initiatives and internal communications training.

Actuarial Review budget of £80,000 has an unspent budget of £33,400 due to timing and this work will continue into 2012.

437. **Health and Social Services - £290,000**

The out-turn includes an underspend of approximately £290,000 relating to timing of the implementation of CSR projects. It is expected that the programme will still take two years to deliver and therefore the 2011 saving is simply a timing matter; the spend will still be required to deliver the programme, and therefore a carry forward equivalent to the projected underspend is required This has been discussed and agreed with the central CSR Team.

438. **Home Affairs - £24,500**

An amount of £29,000 was agreed from the Restructuring Provision for the costs associated with changes to PECRS required for the introduction of a new Prison Officer grade. As at 31 December expenditure of £4,500 has been incurred and the balance of £24,500 will be required in 2012 for the work to be completed.

439. **Department of the Environment - £64,000**

Improved Administration £50,000

Request to carry forward total funding allocation as this project has been delayed to coincide with the department's full implementation of PIP (Process Improvement Programme) which has been deferred until 2012.

440. **Met Office Review £14,000**

Total funding of £35,000 allocated for review of Met Office with a target saving of £128,000 by 2013. The review is well advanced but will not be finalised until 2012.

441. **Transport and Technical Services - £25,076**

442. **Energy Audit £25,076**

Relates to funding of £50,000 in connection with the Bellozanne Energy Audit which is expected to generate c.£100,000 of utility savings per annum. The audit has commenced but will not be completed until 2012.

443. **Treasury and Resources - £406,329**

444. **Finance Change Team - £150,000**

A saving has been made on the Finance Change Team so as to part-fund the Taxes Transformation project in 2012.

445. **Procurement Transformation - £256,329**

This is due to the timing of awarding the contract for the new Procure To Pay system, which is now planned for the first quarter of 2012.

446. **Provision for Restructuring Costs - £711,900**

As requested in MD-TR-2011-0126, if all requests are approved, a balance of £711,900 will remain in the Restructuring Provision in 2011 and it is proposed that this balance is carried forward in 2012 to supplement that year's budget allocation.

447. **Central Reserves/Contingency**

448. **Provision for Central Reserves/Contingency**

The £2 million allocation for an AME Central Reserve was not required in 2011 but is requested to be carried forward to fund increases in Income Support costs as a result of increasing unemployment.

Of the £6.8 million allocated to DEL Central Reserves in the 2011 Business Plan,

£950,000 has been allocated to departments leaving £5.9 million requested to be carried forward to 2012.

449. Project Alpha

The £5 million allocation from the Insurance Deductible Fund for Project Alpha has been transferred as a ring-fenced amount in Central Reserves.

450. Court and Case Costs Smoothing Reserve

The Court and Case Cost underspends from departments, £2,859,917, mainly non-ministerial, are requested as a carry forward to be held in Central Reserves and earmarked in the Smoothing Reserve.

451. 7. 2012 Spending Pressures

A number of departments have underspends in their base cash limits that they have not requested to be carried forward. This provides an opportunity to allocate funding for priority spending pressures identified for 2012 for which no alternative funds can be identified:

Department	Amount £	Reason
Chief Minister's	100,000	Assisting Developing Countries
	100,000	External expert advice on specialist technical matters related to the extension of the WTO membership
	127,000	Supports the new post of Health & Social Services HR Director and recruitment of medical staffing manager at a higher level, as recommended in the Verita report
	91,000	Extra Law Draftsman for various Laws funded by T&R, Housing and JFSC
	418,000	**Total**
Economic Development	150,000	Policy and Regulation - Digital Jersey
	150,000	**Total**
Health and Social Services	330,000	Activity Increases - Secure Placement
	330,000	**Total**
Bailiff's Chambers	65,609	Queen's Diamond Jubilee Celebrations
	65,609	**Total**
Grand Total	**963,609**	

The 2012 spending pressures have been reviewed by the Corporate Management Board and it is proposed to fund the pressures identified above from the departmental underspends of £974,346 not requested for carry forward.

A breakdown in more detail of all identified spending pressures is as follows:-

452. Chief Ministers - £418,000

453. International Finances - £200,000

454. Assisting Developing Countries - £100,000.

External expert advice on specialist technical matters related to the extension of the UK membership of the World Trade Organisation - £100,000.

455. Human Resources - £127,000

There is a structural deficit within the HR budget under its current structure. Primarily this supports the establishment, hiring and relocation of the new post of HSSD HR Director. In addition, the budget has increased to recruit a medical staffing manager at a higher level given that this was a key critique in the Verita report - £127,000.

456. **Law Draftsman - £91,000**

Funding is required for an additional Law Draftsman for various Law projects. It has been agreed that some departments will assist with funding this pressure and in 2012 they propose to fund these costs from their underspends as follows; Treasury and Resources (£70,000) for the Pensions Law and Housing (£21,000) for the Housing Transformation Programme. The Jersey Financial Services Commission has also agreed to assist with funding up to £70,000.

457. **Economic Development - £150,000**

458. **Policy and Regulation - £150,000**

Establish the E-Commerce Commission, now known as Digital Jersey - £300,000. The department will provide the balance of the funding from the unanticipated income from Ofcom and Digital Switchover, which has previously been agreed as a carry forward. (MD-TR-2011-0105).

459. **Health and Social Services - £330,000**

460. **Activity Increases - £330,000**

A number of high cost cases are placing significant pressure on the Department's budget. In particular, a single placement in a secure UK institution at the end of 2011 will create a cost pressure in the region of £330,000 in 2012.

461. **Bailiff's Chambers - £65,609**

Queen's Diamond Jubilee

To meet the shortfall of the £150,000 requirement to assist with the celebrations and hospitality around the Island.

462. **Recommendations**

- *To approve departmental carry forward requests set out in paragraph 3 and Appendix B Table 1.*
- *To approve the Fiscal stimulus carry forwards as set out in paragraph 4 and Appendix B Table 2.*
- *To approve the Restructuring carry forwards as set out in paragraph 5 and Appendix B Table 3.*
- *To approve the Central Reserves carry forwards as set out in paragraph 6 and Appendix B Table 4.*
- *To approve the remaining available underspend to fund the prioritised 2012 spending pressures set out in paragraph 7 totalling £963,609.*

CARRY FORWARD PAPER - APPENDIX A

Department	2011 Actual Out-turn Variance Near Cash £	Fiscal Stimulus £	Restructuring £	Reserves £	Court & Case Costs £	Revenue Carry Forwards £	Total Carry Forwards £	Departmental Underspends not requested for carry forward £	2012 Spending Pressures £
Chief Minister	1,074,933	-	176,077	-	-	886,755	**1,062,832**	12,101	848,000
Overseas Aid	4,202	-	-	-	-	4,202	**4,202**	-	-
Economic Development	1,049,227	89,999	-	-	-	957,984	**1,047,983**	1,244	1,000,000
Education Sport & Culture	3,353,661	-	-	-	-	3,353,660	**3,353,660**	1	500,000
Health & Social Services	1,318,492	-	290,000	-	-	1,028,000	**1,318,000**	492	9,000,000
Home Affairs	1,536,535	-	24,500	-	40,800	1,429,035	**1,494,335**	42,200	-
Housing	1,400,906	-	-	-	-	1,379,906	**1,379,906**	21,000	6,500,000
Department of the Environment	280,608	-	64,000	-	-	216,608	**280,608**	-	100,000
Social Security	10,482,953	-	-	-	-	10,482,953	**10,482,953**	-	see report
Transport & Technical Services	1,849,917	-	25,076	-	-	1,824,841	**1,849,917**	-	1,300,000
Treasury	1,009,881	-	406,329	-	-	522,500	**928,829**	81,052	-
Resources	331,253	65,594	-	-	-	265,253	**330,847**	406	200,000
Central Reserves & Restructuring	13,623,900	-	711,900	12,912,000	-	-	**13,623,900**	-	-
States Assembly	303,226	-	-	-	-	-	**-**	303,226	-
Non-Ministerial States Funded (detail below)	3,836,680	-	-	-	2,819,117	504,939	**3,324,056**	512,624	105,609
Total	**41,456,374**	**155,593**	**1,697,882**	**12,912,000**	**2,859,917**	**22,856,636**	**40,482,028**	**974,346**	**19,553,609**
Earmarked for Smoothing Reserve	-	-	-	**2,859,917**	**(2,859,917)**	-	-	-	-
Grand Total	**41,456,374**	**155,593**	**1,697,882**	**15,771,917**	**-**	**22,856,636**	**40,482,028**	**974,346**	**19,553,609**

Department	2011 Actual Out-turn Variance Near Cash £	Fiscal Stimulus £	Restructuring £	Reserves £	Court & Case Costs £	Revenue Carry Forwards £	Total Carry Forwards £	Departmental Underspends not requested for carry forward £	2012 Spending Pressures £
Non-Ministerial States Funded									
CAG	**255,713**	-	-	-	-	255,713	**255,713**	-	-
Bailiff's Chamber	**84,391**	-	-	-	-	84,391	**84,391**	-	65,609
Law Officers'									
Department Budget	**332,857**	-	-	-	-	-	**-**	332,857	-
Court & Case Costs	**2,409,706**	-	-	-	2,409,706	-	**2,409,706**	-	-
Judicial Greffe	**-**	-	-	-	-	-	**-**	-	40,000
Data Protection	**1,476**	-	-	-	-	-	**-**	1,476	
Lieutenant Governor									
Department Budget	**49,359**	-	-	-	-	45,000	**45,000**	4,359	-
Court & Case Costs	**2**	-	-	-	-	-	**-**	2	-
Dean of Jersey	**849**	-	-	-	-	-	**-**	849	-
Official Analyst	**32,812**	-	-	-	-	-	**-**	32,812	-
Probation	**160,269**	-	-	-	-	20,000	**20,000**	140,269	-
Viscount's Service									
Department Budget	**99,835**	-	-	-	-	99,835	**99,835**	-	-
Court & Case Costs	**409,411**	-	-	-	409,411	-	**409,411**	-	-
Total	**3,836,680**	-	-	-	2,819,117	504,939	**3,324,056**	512,624	105,609
Earmarked for Smoothing Reserve	**-**	**-**	**-**	**2,819,117**	**(2,819,117)**	**-**	**0**	**0**	**-**
Grand Total	**3,836,680**	**-**	**-**	**2,819,117**	**-**	**504,939**	**3,324,056**	**512,624**	**105,609**

CARRY FORWARD PAPER - APPENDIX B– TABLE 1

Department	Net revenue expenditure carry forward requested £	Carry forward request reason
Chief Minister's	160,000	Statistics - Census and Household Expenditure Survey
	25,000	Law Drafting projects
	215,000	Human Resources
	292,000	Spending Pressures, mainly in relation to International Affairs
	194,755	PECRS pre-1987 debt contingency
	886,755	**Total**
Overseas Aid	4,202	Underspends usually carry forward
	4,202	**Total**
Economic Development	714,984	Ofcom and Digital Switchover
	20,000	Aircraft Registry
	175,000	Jersey Finance Ltd
	48,000	CTV Subtitling
	957,984	**Total**
Education, Sport & Culture	681,050	Delegated Financial Management
	775,960	Fee Paying Schools
	800,000	Higher Education
	21,000	Healthy Eating School Contract
	195,650	Departmental Restructuring Resserve
	120,000	Lunchtime Supervision
	60,000	Teaching Assistant Restructuring
	360,000	Nursery Education Fund Growth
	100,000	Sports Advisory Council Grant
	240,000	ICT Strategy
	3,353,660	**Total**
Health & Social Services	156,000	Medical Equipment
	100,000	Bowel Cancer Screening
	150,000	Individual Care Packages
	100,000	Reduced Delayed Discharges
	522,000	Tamiflu - extended life
	1,028,000	**Total**
Home Affairs	50,000	Jersey Fire Rescue Service -Offshore Ship firefighting
	45,000	Prison!Me!No Way! Grant
	102,000	Maintenance Work
	44,200	Criminal Injuries Compensation Scheme
	55,000	Vetting and Barring Office Staffing
	90,000	Prison Pay Spine
	1,042,835	Management of future CSR Savings
	1,429,035	**Total**
Housing	1,379,906	Backlog Maintenance
	1,379,906	**Total**
Department of the Environment	40,000	Met Office Staff Secondment
	176,608	Planning and Building - Masterplans and Planning Appeals
	216,608	**Total**
Social Security	50,000	Cold Weather Bonus
	580,000	Long Term Care Scheme
	25,000	Minimum Wage Research
	100,000	Discrimination Legislation
	100,000	Temporary Insolvency Compensation Scheme
	224,000	Staff Costs
	2,000,000	Increased Unemployment
	7,403,953	Back to Work - Proactive measures to reduce unemployment
	10,482,953	**Total**
Transport & Technical Services	1,236,749	Asbestos Disposal
	536,000	Liquid Waste Strategy
	52,092	Highway Maintenance
	1,824,841	**Total**

CARRY FORWARD PAPER - TABLE 1 (CONT.)

Department	Net revenue expenditure carry forward requested £	Carry forward request reason
Treasury & Resources	381,500	Taxes Transformation Project, Civil Partnership Legislation
	141,000	MMP, actuarial advice and Pensions Review Project
	265,253	Backlog Maintenance
	787,753	**Total**
CAG	255,713	Programme of reviews
	255,713	**Total**
Bailiff's Chamber	84,391	Queen's Diamond Jubilee
	84,391	**Total**
Office of Lieutenant Governor	34,000	Maternity and Leave staffing cover
	6,000	Replacement of alarm system and equipment
	5,000	Queen's Diamond Jubilee
	45,000	**Total**
Probation	20,000	Maternity Leave Cover
	20,000	**Total**
Viscount's Service	99,835	Software Upgrade
	99,835	**Total**
Grand Total	**22,856,636**	

CARRY FORWARD PAPER - TABLE 2

Department	Fiscal Stimulus Carry Forward Request £	Carry forward request reason
Economic Development	89,999	Single European Payments Area Project
	89,999	**Total**
Treasury & Resources	65,594	Grant for Jersey Hospice Care Project
	65,594	**Total**
Grand Total	**155,593**	

CARRY FORWARD PAPER - TABLE 3

Department	Restructuring Carry Forward Request £	Carry forward request reason
Chief Minister's	78,000	Additional Law Draftsman
	24,761	CSR Project Team
	39,916	Organisational Development
	33,400	Actuarial Review
	176,077	**Total**
Health and Social Services	290,000	Delay in CSR projects.
	290,000	**Total**
Home Affairs	24,500	PECRS changes to new staff position.
	24,500	**Total**
Department of the Environment	50,000	Thinning of Files
	14,000	Met Office Review
	64,000	**Total**
Transport and Technical Services	25,076	Energy Audit
	25,076	**Total**
Treasury and Resources	150,000	Finance Change Team - Taxes Transformation Project
	256,329	Procurement Transformation
	406,329	**Total**
T&R - Restructuring Costs	711,900	Supplement restructuring costs in 2012
	711,900	**Total**
Grand Total	**1,697,882**	

TABLE 4

Department	Central Reserves Forward Request £	Carry forward request reason
T&R - Central Reserves	2,000,000	AME reserve for unemployment
	4,550,000	One-Off Reserve balance
	1,362,000	DEL Reserve
Grand Total	**7,912,000**	

APPENDIX FOUR: INDICATIVE LONG TERM CAPITAL PLAN: 2012 - 2032

Appendix Four

Long Term Capital Plan – Indicative Plans for 2012 to 2032 (£1,646 million)

463. The ongoing development and management of the LTCP is a key financial planning tool for the States of Jersey. It aims to ensure that capital expenditure is approved and delivered in an optimum way, prioritised towards the delivery of key Strategic Aims, at the appropriate time, based on best available information and delivering best value from constrained States financial resources. It allows funding solutions to be developed and implemented in a co-ordinated and timely basis.

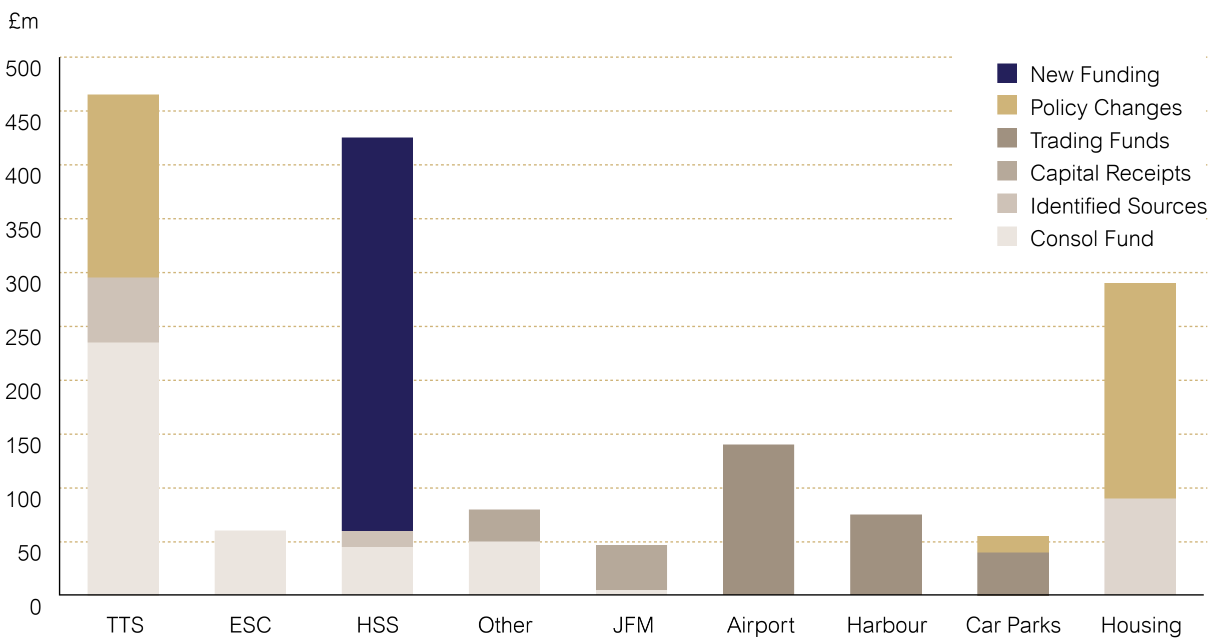
464. In summary the LTCP must flow from the high level States Strategic Policy and Plan. In turn it will inform the MTFP.

Current process for LTCP

465. The LTCP covers the period 2012-2032. Information has been provided by Departments and collated by Treasury and Resources. For the years up to and including 2017 inflation to estimated outturn has been included. For the years 2018-2032 the plan excludes inflation. It is important to note that the amounts for Harbours and Airport will need to be re-validated as part of the incorporation process.

466. The LTCP, as currently set out, reflects the changes made by the Corporate Management Board Sub Committee and detailed in the previous section. Analysis of the funding sources available has also been undertaken and the estimated funding gap identified. It is important to stress that more detailed work will be undertaken on the LTCP and the specific schemes within it. It is also important to stress that the LTCP will be a "living document" which will inevitably change and be refined over time. This will be managed through Treasury and Resources and the MTFP process.

467. The current position identifies the overall departmental expenditure requirement to be £1,646 million. This is analysed by in summary below with project details explained by department.



Housing

	Capital Programme - Housing Scheme Description	Total Anticipated Capital to 2032 £000
	Housing Projects	
H1	New Build Projects	229,985
H2	Major Refurbishments Projects	44,987
H3	Repairs and Improvement Works	14,474
	Sub Total	**289,446**
	Total Housing	**289,446**

468. The Housing Department has launched a major "Housing Transformation Project" which is now the subject of a White Paper. It aims to transform the way social housing is delivered in the Island, separating policy development and regulation from the actual delivery of services.

469. It aims to better co-ordinate the delivery of social housing through the different providers (existing Housing Department, Housing Trusts, Cottage Homes, and Parishes) and to standardise the process for allocating housing through the Affordable Housing Gateway.

470. This also includes the proposal for the Housing Department to become a separately constituted entity that will deliver Social Housing in conjunction with the existing Housing Trusts. Whilst this will have no impact on the delivery plan currently shown within the LTCP, it will affect how we recognise these projects within our MTFP. At this point, we are reflecting the Housing Department as it is currently constituted and including the housing projects are part of our overall LTCP.

471. The Housing Department does not receive an annual capital allocation to undertake new build projects and refurbishments, but instead must rely on sales of existing housing stock following a States Decision (P6/2007). Although the Housing Department have generated income to fund new schemes, there has been an issue with the timing of funding availability which has constrained the longer term planning of capital investment.

472. In order to help address this in the short term, £27.1 million funding was agreed in 2012 to allow the fast tracking of some schemes, with the added benefit of supporting the construction industry.

473. In the future, Housing Department will need to be able to access private finance and this LTCP assumes that a proportion of funding will come from some form of borrowing. Housing Department are working in conjunction with Treasury to identify borrowing requirements and timing of funding.

H1 New Build Projects - £230 million

474. A detailed plan of new build sites has been prepared by the Housing Department to the end of 2019. Thereafter, it is anticipated that an allowance of £3 million per annum will be sufficient for the remaining requirements which are likely to be for life long homes. The timing of the schemes is subject to final approval but the LTCP has been built on the following assumptions. There is a budget set out for each scheme but the amounts are not included in this plan as they will be subject to competitive tender:

475. Housing has identified a number factors that will affect the delivery of the programme:-

- *Having the capacity and access to funding to build new homes.*
- *A key partnership with Jersey Development Company to help deliver developments of a more challenging nature such as the development of La Collette.*
- *The ability to build new homes on existing sites.*
- *A target of 1,000 new social rented homes delivered in the next 12 years.*
- *An additional 100 units built for sale.*

H2 and H3 Major Refurbishment/Repair/Improvement Projects - £59 million

	Budget 2012 £000	Budget 2013 £000	Budget 2014 £000	Budget 2015 £000	Budget 2016 £000	Budget 2017 £000	Budget 2018 £000	Budget 2019 £000
Major Refurbishments Projects								
Jardin des Carreaux								
La Collette High Rise								
Journeaux Street Intensification								
Hampshire Gardens								
Convent Court								
Caesarea Court								
De Quetteville Court High Rise								
Hue Court High Rise								
Osborne Court								

476. This programme aims to bring existing stock up to the "decent homes" standard within 10 years and for that standard to be maintained thereafter.

477. The standard being used to define the programme is the English Decent Homes Standard. This requires that all homes should:
- *Meet the current statutory minimum standard for housing.*
- *Be in a reasonable state of repair.*
- *Have acceptable and modern facilities and services such that our accommodation has at least four of the following attributes:*
  - *Kitchen units less than 20 years old.*
  - *A kitchen with adequate space and layout.*
  - *Bathroom fittings less than 30 years old.*
  - *An appropriately located bathroom and WC.*
  - *Adequate noise insulation.*
  - *Adequate size and layout of common areas to blocks containing flats*
- *Provide an acceptable level of thermal comfort in respect of both insulation and heating.*

478. 73% of our current homes are already up to decent homes standard and this programme aims to bring all existing stock to this standard within 10 years and for that standard to be maintained thereafter.

479. There are strong links between housing standards and health. It is clear that as our population ages, our housing and in particular our social housing will need to change if it is to complement the initiatives being proposed by Health and Social Services.

Health and Social Services

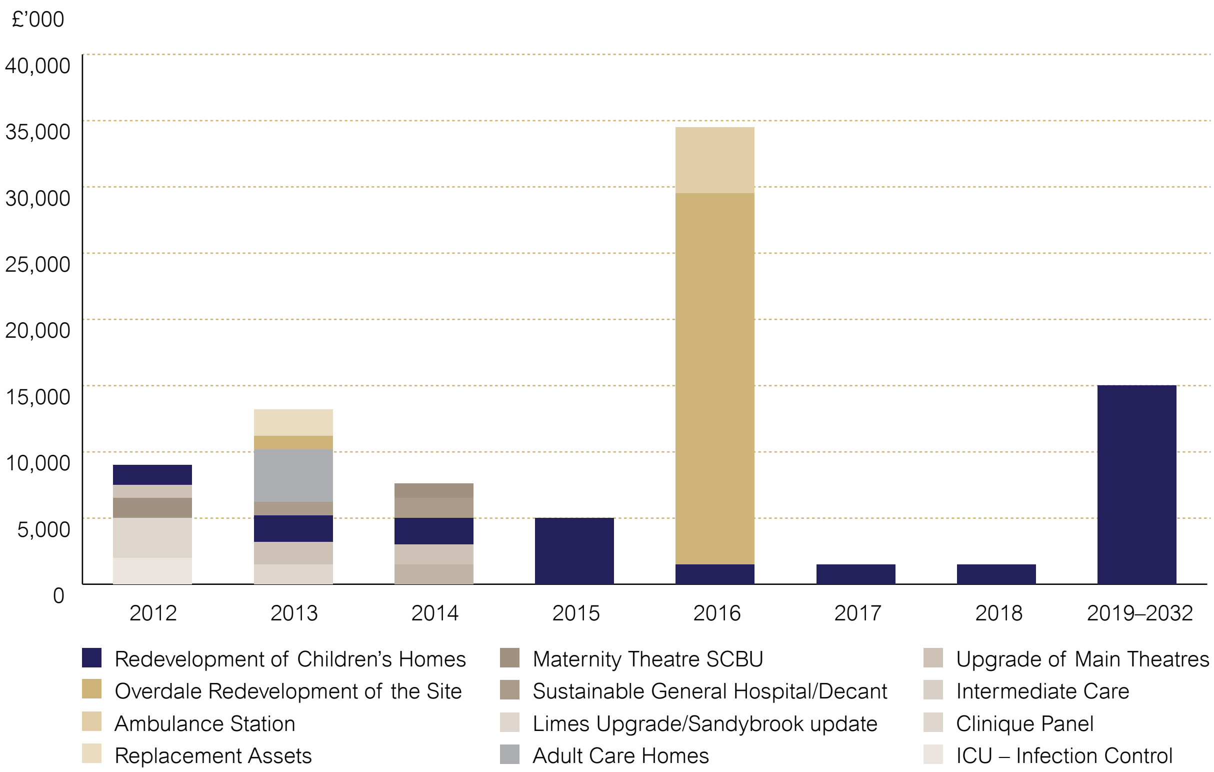
480. In 2011, Health and Social Services published a Green Paper 'Care for each other, Caring for ourselves' which set out the challenges to be faced in relation to the future of health and social care services: a rapidly aging population; growing demand for services; spiralling costs; difficulties associated with recruitment of staff plus buildings and facilities in need of significant overhaul and financial investment. During the subsequent consultation process, almost 1,350 Islanders responded and they were overwhelmingly in favour of redesigning health and social services. On this basis, the White Paper was issued in June 2012 and proposes "A new model for health and social care" which aims to ensure that services continue to be safe and affordable for the future, that the right services are delivered and that projected increases in demand can be met.

481. The current capital plan is based on this model and details those projects that have already been identified as priorities. The feasibility work on medical services provision is due to be completed in September 2012 and this will give greater clarity to required projects. In the interim, this plan has the immediately identified capital requirements arising from the Outline Business Cases (OBCs) and high level estimates of the most pressing replacement assets.

	Scheme Description	Total Anticipated Capital to 2032 £000
HSS1	ICU - Infection Control (Annex A)	2,500
HSS2	Limes Upgrade	700
HSS3	Clinique Pinel	2,868
HSS4	Maternity Theatre SCBU - Patient Safety, Privacy & Dignity (Annex F)	1,494
HSS5	Upgrade of Main Theatres - Infection Control and Reliability (Annex G)	4,988
HSS6	Replacement Assets (Various)	29,910
HSS7	Replacement Assets (MRI Scanner)	2,277
HSS8	Replacement Assets (RIS / PACS IT assets)	1,567
HSS9	Sustainable General Hospital - Feasibility Study	350
HSS10	Sustainable General Hospital - Planning	2,000
HSS11	Adult Care Homes	4,000
HSS12	Overdale Feasibility	350
HSS13	Overdale Redevelopment of the Site	30,000
HSS14	Redevelopment of Children's Homes	2,000
HSS15	Limes Upgrade	1,000
HSS16	Intermediate Care	500
HSS17	Sandybrook	1,700
HSS18	Ambulance Station - Feasibility	100
HSS19	Ambulance Station	4,600
HSS20	Allowance for General Hospital	332,000
	Total Health & Social Services	**424,904**

482. This plan supports the Health and Social Services Transition Plan which will focus on improvements in:
- *Services for Children*
- *Services that encourage healthy lifestyles*
- *Services for adults with mental health issues*
- *Services for older adults (Mental Health, Long Term Conditions, Intermediate Care and End of Life Care)*

483. This clear plan for future development requires significant capital investment and the table below shows business as usual projects, excluding the allowance being made for the General Hospital of £332 million.



484. At this point, it is possible to only possible to make a high level estimate of the eventual cost of providing medical services and within the LTCP this is estimated at £332 million (HSS20) to be required in 2016. This will be developed once there is greater certainty arising from the feasibility study which is due in September 2012.

HSS1 – ICU Infection Control (£2.5 million)

485. This project is from the 2012 Business Plan and concerns the revised layout of several wards within the General Hospital in order to improve the ability to control infection. This project will:
- *Increase the bed space areas to between 16.5 million2 and 23.0 million2 (average of 18.4 million2) which will significantly reduce the risk of the cross infection of neutropaenic patients and further improve infection control through the provision of adequate storage facilities, hand washing basins, equipment decontamination facilities.*

- *Provide required dedicated Isolated Power Systems (IPS) which continuously monitor electrical circuits and Uninterruptible Power Supplies (UPS) which guarantee continuous service to medical monitoring equipment in case of power failure.*
- *Improve fire segregation in the unit and create a secure horizontal escape route to the main corridor by interlinking the patient treatment areas.*

HSS2 and HSS15 – Limes Upgrade (£1.7 million)

486. The Limes is a care home built in the 1980s to a very high standard but not refurbished since. This project will replace all floors, wall and ceiling finishes in all bedrooms, shower rooms, corridors and communal areas. In addition, there will be three new assisted bathrooms, a modernisation of sluice rooms and a complete redecoration of the building inside and out. This project will partly be funded by a contribution from Charitable Funds (£1 million) and will begin in 2013.

HSS3 – Clinique Pinel (£2.9 million)

487. This project is from the 2012 Business Plan, although the overall amount has been increased due to a revision in requirements. Clinique Pinel provides 17 beds for the assessment, treatment and respite for people suffering from organic mental health problems (the dementias) in Beech Ward and 17 beds for the assessment and treatment of functional mental health problems (depression, psychosis and anxiety etc) in Cedar Ward. Clinique Pinel also provides a further 10 beds for people who have had long term mental health conditions and have become institutionalised over the years and are unable to cope with residential care away from a hospital setting in Lavender Ward. This project will ensure that the building is fully compliant with fire regulations, compliant with Infection Control Recommendations and will address issues of patient dignity.

- *The day to day risk to patients will be reduced through safety measures such as the introduction of handrails.*
- *Flooring and lighting will be improved.*
- *Decoration and signage will be co-ordinated in such a way so as to 'sign post' more clearly areas for patients.*
- *Patient dignity will be improved through improved bathing facilities including showers within Clinique Pinel. An improved toilet layout will aid with patient continence issues and the general enhancement of environmental conditions within the building will reduce confused and frustrated behaviour.*

HSS4 – Maternity Theatre and SCBU (£1.5 million)

488. This project is from the 2012 Business Plan and concerns the refurbishment of maternity facilities within the General Hospital. The Maternity Unit and Special Care Baby Unit (SCBU) are based on the 1st floor of the 1960's wing of the Hospital adjacent to main theatres. The current obstetric theatre in the maternity unit will be modernised.

HSS5 – Upgrade of Main Theatres (£4.9 million)

489. This is a project from the 2012 Business plan and concerns the Main theatres on the 1st floor of the Hospital. The existing theatres were constructed in the late 1980's and the ventilation plant has reached the end of its serviceable life. Two theatres have laminar flow air exchange systems which is an essential requirement for orthopaedic surgery and this project will introduce this for all theatres.

490. The project will:

- *Reconfigure existing theatre 1 to allow direct access from the new maternity theatre to the recovery area and use of the new maternity theatre as a decant during the work on main theatres.*
- *Refurbish existing theatres 3 & 4 with an expansion of theatre 4 and installation of laminar flow in theatres 3 & 4.*
- *Replacement of air handling plant in accordance with current guidance in theatres 1 – 4.*
- *Replace the reception area for patients for surgery.*
- *Centralise and expand the storage space available for main theatres.*

HSS6 – General Replacement Assets (£29.9 million)

491. Replacement assets are funded on a rolling basis and the Health and Social Services Department have provided a detailed list of items to the end of 2015.

492. From 2016 onwards, an estimated rolling replacement amount of £1.5 million has been put into the programme until 2022. For the period 2023 to 2032 this is reduced to £1 million per annum on the basis that new equipment may be provided as part of the build of the new or replacement hospital.

493. Example replacement assets for the period 2013 to 2015 include:

- *CCU Monitoring System and Telemetry*
- *Echocardiography equipment*
- *X Ray Equipment in a number of wards*
- *Gastroscopes*
- *Ultrasound machines*
- *Digital Image Reader*

HSS7 – MRI Scanner (£2.3 million)

494. The Health and Social Services Department currently owns and operates one MRI scanner, which was commissioned in December 2007. The MRI scanner is in constant use in the hospital – 6,635 scans were undertaken in 2011, which equates to an average of 22 per day for every working day, and some weekend usage.

495. The MRI scanner currently in use will need replacing in 2015. The scope of this project included purchase and commissioning of a new machine, and also the necessary building costs associated with installation.

HSS8 – Replacement of the Picture Archiving Communication System (PACS) and the Radiology Information System (RIS) (£1.6 million)

496. PACS and RIS equipment helps to run the Radiology Department and distribute reports and images to all relevant clinicians both inside and outside the hospital. The current provision is an integrated chain with products from two different manufacturers which runs on different platforms.

497. The PACS and RIS systems were introduced as part of the ICR programme in order to facilitate the development of improved patient care and safety, better planning of radiology activity, improved clinical education and research, a better working environment and improved accountability. The systems were purchased and implemented by GE Healthcare Systems and will have reached the end of its effective life in 2015.

498. Replacing the PACS and RIS systems at the appropriate time will ensure that current efficiencies are maintained (in both time, manpower and equipment) and that Radiology can limit the risk of equipment failure by having the most appropriate system available.

HSS9 and HSS10 – Hospital Feasibility Study (£0.35 million) and Planning (£2 million)

499. This provides for the feasibility and planning work that will be required for the provision of medical services.

HSS11 – Adult Care Homes (£4 million)

500. There are several key issues that require addressing within the Special Needs Service and this project aims to deliver the following improvements:

- *Fit for purpose homes for life for people with significant and complex needs.*
- *Appropriate day services for people with learning disabilities, integrated in to the community.*
- *Development of appropriate day time services for people on the autistic spectrum.*
- *Appropriate residential setting for specialist assessment and treatment of vulnerable adults.*

HSS12 – Overdale Feasibility Study (£0.35 million)

501. The facilities at St Saviour's Hospital are reaching the end of their economic life. The capacity of the existing facilities needs to be doubled in the medium term to meet growing need. In the 2013 - 2015 period a feasibility study is planned for this service area.

HSS13 – Overdale Redevelopment (£30 million)

502. The feasibility study will provide a review of the provision for mental health services for the future and will draw on initial work developed in 2009.

HSS14 - Redevelopment of Children's Homes (£2 million)

503. This project is due to begin in 2014 and will develop homes for children who require residential care, which may include:

- *the acquisition and development of a new home.*
- *the provision of suitable accommodation for children with complex and challenging behaviour who might otherwise need to be placed in off island UK specialist placements*
- *the development of short break facilities, including day service and residential services.*

HSS15 – Additional Funds for Limes (Included in HSS4 above)

HSS16 – Intermediate Care (£0.5 million)

504. This project proposes the establishment of an integrated Intermediate Care Centre which will serve as the base for the new IC service (across health & social care) for the benefit of our adult population to promote faster recovery from illness, to protect them from unnecessary acute hospital admission and premature admission to long-term residential care, by supporting timely discharge from hospital and maximising independent living.

HSS17 – Sandybrook refurbishment (£1.7 million)

505. Sandybrook provides residential nursing care for older people who have been assessed as needing continuing care. It currently provides 28 beds and is adjacent to the Sandybrook day centre. Sandybrook has not been refurbished since it was constructed in 1999.

506. The aim of the project is to:
    - *Redecorate the internal environment.*
    - *Provide a bariatric bedroom on the ground floor by increasing the width of the doors and strengthening the ceiling for hoist tracking.*
    - *Replacing the current Arjo bath and providing a second Arjo bath on the first floor.*
    - *Provide a sluice room on the first floor.*
    - *Install a backup generator.*

HSS18 and HSS19 – Ambulance Station Feasibility (£0.1 million) and Ambulance Station project (£4.6 million)

507. In the 2013 - 2015 period a feasibility study is planned in order to determine whether to co-locate blue light services on one site. The project to relocate the Ambulance Station is planned to commence in 2016 but is subject to the relocation of the police and the outcome of the review of blue light services. This estimate amount has been derived from a high level analysis of Ambulance requirements but is subject to review.

HSS20 – Allowance for General Hospital (medical services provision) (£332 million)

508. The initial consultation work for medical services provision has identified that there are a number of options that need to be explored and this will be part of the feasibility work currently being undertaken. As an interim, two estimates have been included in the LTCP with regard to medical services provision. £300 million has been provided as an estimate of the cost of a brand new hospital and this was derived using standard benchmark costing information from similar projects in the UK. £32 million relates to the creation of new wards on the existing site which cannot wait for the outcome of the main project. It has been assumed that an element of replacement assets is within this estimate, both these high level estimates will need to be refined as part of the feasibility study and are subject to change.

Transport and Technical Services

	Scheme Description	Total Anticipated Capital to 2032 £000
	TTS - General	
TTS1	Replacement Assets (Various) - Some in LWS	4,666
TTS2	Sea Defences Backlog	16,309
TTS3	Infrastructure Assets (Various - Sea Defences)	187,695
		208,670
	TTS - Waste Management	-
TTS4	Waste: Ash Pit La Collette	20,388
TTS5	EFW Plant La Collette (inc replacement assets)	15,761
TTS6	Sewage Treatment Works - Upgrade	15,605
TTS7	Animal Carcus Incinerator	2,000
TTS8	Refurbishment of Abattoir	500
TTS9	Refurbishment of Clinical Waste Incinerator	15,246
TTS10	Infrastructure Assets - solid waste	208
TTS11	Infrastructure Assets - liquid waste	1,500
TTS121	Infrastructure Assets - pumping stations	200
TTS13	Infrastructure Assets - drainage	2,648
TTS14	Infrastructure Assets - drainage	136
TTS15	New Public Recycling Centre	2,050
TTS16	Bottom Ash Recycling	1,538
TTS17	Glass Recycling Plant	1,104
TTS18	APC Residue Solution	4,000
TTS19	West Of Jersey Recycling Centre	2,000
TTS20	In-Vessel Composting Replacements	2,000
TTS21	Scrap yard Capital Basic Infrastructure	1,025
TTS22	Philips Street Shaft	3,600
		91,509
	TTS-Roads	
TTS23	Roads Backlog	38,194
TTS24	Infrastructure Assets	3,089
		-
		41,283
	TTS - Public Amenities	
TTS25	Pedestrian / Cycle Track Improvements	9,483
TTS26	**Allowance for Liquid Waste Strategy**	**120,000**
	Total TTS	**470,945**

509. Transport and Technical Services (TTS) are responsible for the maintenance and management of £1 billion of assets, comprising £720 million of infrastructure assets (highways, drainage, sea defences) and £280 million of other fixed assets.

510. TTS is divided into three general areas of activity – Waste Management, Municipal Services and Transport. The Waste Management directorate is responsible for the handling of the Island's solid and liquid waste and the provision and maintenance of the public parks, gardens and open spaces. Their key objective is to try to reduce the amount of waste that requires treating on the Island.

511. The Municipal Services directorate is responsible for the handling of the Island's sea defences and road network and for providing the management services for the delivery of all in-house capital projects. Their key objective is to ensure the maintenance and upgrading of the Island's infrastructure networks.

512. The Transport Directorate is responsible for the introduction of the Sustainable Transport Policy (STP), the provision and management of public parking facilities and the monitoring and registration of all the Island's vehicles. Their key objective is the delivery of the STP, which will be facilitated by, among other things, funding island wide projects to improve the pedestrian and cycle infrastructure networks.

513. The current LTCP has allowed for £471 million to be allocated to TTS for its capital requirements, although only £294 million is shown as being funded from the Consolidated Fund. The remainder will need to be raised through policy changes that will be developed as the overall strategy is finalised.

TTS1 – Replacement Assets (£4.7 million)

514. This category of expenditure is concerned with those individual assets that come up for a rolling replacement, based on their age and the requirement to replace them within the overall capital programme. An estimate based on the lives of the assets has been calculated from the Fixed Asset register to the end of 2017 and relates to specific assets. Thereafter an allowance of £0.2 million per annum has been made for the years to 2032. This will be revised on a rolling basis.

TTS2 - Sea Defences Backlog (16.3 million)

515. The strategic direction TTS are following is based on work undertaken by HR Wallingford over the last 5 years and reported in 'Seawall Review, Jersey - The effects of Climate Change on Jersey's Coastal Defence Structures, Dec 2009'.

516. Global warming is changing the world's climate and will increase the risks of coastal flooding and erosion in Jersey. The main threats are an increase in sea level and more frequent or more intense storms. The seawalls around Jersey will provide a reducing level of defence and/or protection as mean sea levels rise.

517. Since 2007 TTS have been researching and analysing the condition of the Island's sea defences in preparation for further studies into the effects of climate change on Jersey's coastal defence structures. In 2009 a report from HR Wallingford reviewed the suitability of these defences to withstand the anticipated increase in sea water levels and storm return incidence. The report outlined locations and defined projects that should be considered to improve the structural or hydraulic performance during storms.

518. The table below shows the capital programme and cash flow forecast for 10 years, starting in 2015, which follows the current programme of maintenance work.

Project	Programme	Costs £
East of Green St slipway	2018 to 2021	907,953
Bonne Nuit Bay Harbour	2018 to 2021	1,016,353
First Tower to West Park slipway	2020 to 2023	9,304,780
Welcome slipway to Gorey Harbour	2022 to 2024	175,370
Harbour to La Haule slipway St Aubins	2024 to 2026	1,743,570
Archirondel slipway to Headland	2024 to 2027	1,228,095
Le Dicq slipway to steps	2026 to 2028	533,567
Bay of Fountains Le Nez to Le Hocq	2026 to 2028	400,465
Fort d'Auvergne to Havre des Pas	2026 to 2028	743,059
St Catherine's Bay	2026 to 2028	195,603
Mid Bay to Ouaisne slipway	2026 to 2028	60,185
TOTAL		£16,309,000

519. Further research is on-going to understand the existing beach and sea bed levels which will contribute significantly to the identification of the effects of climate change and provide options for long term defence improvements.

TTS3 - Infrastructure Assets (£187.7 million)

520. These projects are principally concerned with Waste Management, Sea Defences and Highway's Infrastructure.

521. Waste assets are fundamental for operating the disposal facilities for the Island's waste. The infrastructure assets include the sewerage network and pumping stations. The funds will be allocated to undertake essential maintenance work on these assets to ensure they continue to be operational and reduce the risk of sewerage leakage.

522. The Island's sea defences protect the vital infrastructure and property assets from the threats of storms and coastal flooding. A maintenance programme, introduced in 2002, has been successful in maintaining existing defences. These works will continue, together with studies into the effects of global warming that focused on the performance of existing defences during severe storms now and in the future. Funding for maintenance and future improvements are prioritised and funded from TTS Infrastructure Capital.

523. The road network continues to show all the signs of deterioration through age, high vehicle numbers and the effects of cold weather. Repairs to the roads have been concentrated on priority routes and reactive maintenance (patching) to maintain public safety. Resurfacing programmes are constantly updated, coordinated with utilities and developments to ensure best performance is achieved. Bridges, street lighting, roadside structures are also inspected, monitored and repaired or replaced as part of the infrastructure capital. The introduction of a Highway Asset Management system will drive a prioritised programme of repairs for all assets commensurate to the value of funding available.

524. This expenditure is allocated on a rolling basis and detailed plans exist to 2017. From 2018 onwards, an amount of £8.8 million has been allocated for general infrastructure projects. In the period 2012-2017, £56.4 million has been allocated to individual projects:

Project Area	Indicative Amount £m
General Infrastructure	£5.9m
Highways	£18.3m
Traffic & Street Lighting	£1.0m
Drainage Infrastructure	£13.4m
Pumping Stations	£1.8m
Liquid Waste	£1.9m
Solid Waste	£3.2m
Drainage Maintenance	£7.0m
Other (including inflation)	£3.9m
TOTAL	£56.4m

TTS4 - Ash Pit La Collette (£20.4 million)

525. TTS handles all of the Island's non inert waste in line with the solid waste strategy (2006). The States Solid Waste Strategy requires TTS to recycle and reuse as much of this waste as is possible with the residual waste being burnt in the new Energy from Waste (EFW) incinerator. The plant has a capacity of 105,000 tonnes per annum and is currently treating approximately 80,000 tonnes. The new EFW burns 24 hours a day, 365 days a year and this process creates a continuous stream of incinerator residues which TTS needs to deal with.

526. The EFW produces two types of ash from the burning process. These are Incinerator Bottom Ash (IBA) and Air Pollution Control Residue (APC). These ashes can be likened to a domestic fire with the IBA being the ash which is found in the grate after the fire has gone out and the APC being the soot from the smoke that goes up the chimney.

527. Incinerator Bottom Ash (IBA) is material discharged from an EFW incinerating municipal solid waste. It can contain varying quantities of glass, ceramics, brick, concrete and metals in addition to clinker and ash, depending on the waste being burnt.

528. The burning process produces gases and soot which rise up with the combustion process. The new EFW adds lime and carbon to the gases which filters out the "pollutants" via a comprehensive filtration system cleaning the flue gases before exiting the chimney. The fine dust left on the gas cleaning system is the APC residue which is collected as a dry powder with the consistency of talcum powder.

529. Of the 80,000 tonnes currently burnt each year, the EFW is predicted to produce 20% of IBA which equates to 16,000 tonnes per annum and 4.5% of APC which equates to 3,600 tonnes.

530. The capital costs for the construction of the ash cells are currently being funded from TTS's capital allocation for the replacement of infrastructure assets. Construction of ash cells is not infrastructure asset replacement and any spend on ash cells reduces the available funding for replacing critical infrastructure. On this basis, ash cells have been separated out from the main Infrastructure Assets for the purpose of this plan.

531. The capital costs for constructing ash cells is currently £1 million per annum. A detailed programme for the construction of ash cells going forward is currently being

developed and is subject to many external influences. Best knowledge at present is that approximately £1 million per annum for the construction of ash cells will be needed for the foreseeable future.

TTS5 - EFW Plant La Collette (£15.8 million)

532. The EFW is of strategic importance to the island. The asset must be maintained to a high level to ensure that it can handle the Islands waste, maintain electrical generation and minimise the use of chemicals and utilities. The main financial benefits stemming from the replacement of these assets include lower operating and maintenance costs and preservation of the current level of service provided to the user. As the plant is a pressure system it must be maintained to an acceptable standard to satisfy the insurance inspector. The plant must continue to be able to meet its environmental emission standards as specified in its Waste Management Licence. The plant is of strategic importance for managing the treatment of the island's waste. A long term breakdown of the plant would be difficult and expensive to deal with so would constitute an unacceptable risk. The plant also has to comply with the Waste Incinerator Directive (WID). Thus it is essential that we maintain the plant's emissions to internationally recognised safe levels.

TTS6 - Sewage Treatment Works Upgrade (£15.6 million)

533. The replacement of the Sewage Treatment Works (STW) is a key part of the overall considerations that will be made as part of the Liquid Waste Strategy. Part of this work will be to understand the required level of treatment and the optimum location for the effluent outfall. In the interim period, modifications are required at the existing STW to enable TTS to meet short term requirements. These include moving to a carbonaceous plant, refurbishing the inlet works and moving the primary and final settlement tanks.

TTS7 and TTS8 – Animal Carcus Incinerator (£2.0 million) and Refurbishment of Abattoir (£0.5 million)

534. These amounts have been scheduled after 2023 and relate to refurbishment projects. No detailed project plans exist at this early stage but these amounts act as an indicator of future expenditure.

TTS9 - Refurbishment of Clinical Waste Incinerator (£15.2 million)

535. The existing Clinical Waste Incinerator (CIW) was commissioned in 1997 with emission control and operational technology to safely deal with the risks associated with Clinical Waste. The Clinical Waste Incinerator is the only one on the Island and provides specialist high temperature incineration for hazardous clinical waste.

536. The plant is a process plant consisting of fridges, material handling systems for the Clinical Waste, feed mechanisms, high temperature combustion system, steam generating plant and flue gas cleaning. The typical asset life for this type of mechanical and electrical equipment is 15 years and a significant refurbishment will be required to continue the safe disposal of clinical waste for the Island.

537. This project will refurbish or replace the key parts that have worn to a point where they render the plant unreliable and likely to cause excessive downtime to repair. This project is scheduled to begin in 2016 but is dependent on the overall liquid waste strategy and this project may be subject to alteration on that basis.

TTS10 to TTS14 – Waste Management Infrastructure Assets (total £4.7 million)

538. An amount was allocated for Waste Management Infrastructure Assets in the 2012 Business Plan as part of a rolling programme of replacement. This allowance represents that proportion of Infrastructure assets. The future funding of these infrastructure assets is contained within TTS3 – General Infrastructure Assets.

TTS15 – New Public Recycling Centre (£2 million)

539. This project is to design and build a new, permanent Re-use and Recycling Centre for the general public. The facility would provide a one-stop reception for domestic customers to drop off the full range of recyclable materials including green waste and other residual waste. The location is yet to be finalised as the current provision at Bellozanne will need to be moved to accommodate the Liquid Waste Strategy. This project is scheduled to begin in 2013.

TTS16 – Bottom Ash Recycling (£1.5 million)

540. This project represents a marked departure from the current policy of entombment. The recycled material has the potential to be used in a number of different ways, including a cement replacement product, a bulking agent in asphalt and a building aggregate. This project is scheduled to begin in 2014 and would fund a conditioning facility that would also allow complete metal separation and regrinding.

TTS17 – Glass Recycling Plan (£1 million)

541. Currently TTS collects a large amount of glass at the landfill at La Collette. This glass is then crushed either used within the landfill or used in the sea defences around La Collette. However, there is a finite lifespan on the La Collette Reclamation site and a new long term sustainable process for dealing with Jersey's glass is required. By investing in a glass recycling plant the benefits to TTS are two fold:
   - *The recycled glass can be used as an aggregate in concrete thereby reducing the costs of road resurfacing.*
   - *It is a cost effective solution to the issue of Jersey's glass waste (the alternative would be the costly exercise of shipping the waste off island).*

TTS18 – APC Residue Solution (£4 million)

542. APC or Air Pollution Control Residue is the soot from smoke which goes up the chimney in the EFW. This residue is classified as a hazardous waste material and is currently stored in extremely high standard containment cells in the La Collette Headland. The solution to this would be to modify the EFW Plant to provide a stabilisation plant to stabilise the material before it is placed into ash cells. The intention of this exercise is to develop a less hazardous material by stabilisation prior to placing in ash cells.
543. This exercise is more expensive then current practices but could provide better environmental protection. The capital cost for the retrofitting of a stabilisation plant are not fixed at this time as the technology is still under investigation the capital costs could range from £1 million to £10 million depending on the technology choice – the estimate for the LTCP has been set at £4 million.

TTS19 – West of Jersey Recycling Centre (£2 million)

544. The key driver to encourage people to recycle is convenience. The easier it is to recycle the more people will recycle. Currently the Bellozanne recycling centre is the only centre on the island which deals with all recyclables. Due to the large population in the west of the Island a recycling centre in this area is key to increasing the levels of recycling undertaken on the island.

TTS20 – In-Vessel Composting Replacements (£2 million)

545. The IVC project is due to be completed this year. The equipment used is key to reducing the odour created by the composting process undertaken at La Collette. The main assets used on site are the misting system, the screener and the turner. Each asset is specialist to this type of operation and has a life span of approximately 10 years and therefore will require replacing in 2022.

TTS21 – Scrap Yard Basic Infrastructure (£1 million)

546. The current scrap yard is leased out by TTS. However, the current area is not meeting environmental regulations and a new alternative needs to be identified and put in place. This project will commence in 2014.

TTS22 – Philip Street Shaft (£3.6 million)

547. The work to improve drainage in the town area was contained within the 2012 Business Plan and this project is within the LTCP for 2012. Additional funding of £2 million has also been provided from the Infrastructure Vote.

TTS23 - Roads Backlog (£38.2 million)

548. The project is to address the current condition of the States of Jersey highway network by increasing the length of annual resurfacing. An additional £3 million per annum over a period of 14 years will reduce the present resurfacing backlog, thereby reversing the current overall deterioration of the road network and reducing the abortive costs of patching.

FUTURE RESURFACING PROJECTS USING EXISTING CONDITION RATINGS AND AN ADDITIONAL £3 MILLION PER YEAR BUDGET. (WITHOUT INFLATION)

	Totals	Reds	Ambers	Blues	Greens
Criticality (100 being the worse condition)		100 to 81	80 to 71	70 to 51	50 to 30
Length of road (m)	76286	11112	12433	16693	36048
Cost (no inflation)	£38,194,440	£6,000,480	£6,713,820	£9,014,220	£16,465,920
Number of years to complete works (assuming budget of £3m/year)	14	2	2.5	3	6.5
Years to completion		2	4.5	7.5	14
Theoretical year of completion (assuming start in 2016)		2018	2023	2026	2032*
Accumulated Cost (no inflation)	£38.2m	£6.0m	£12.7m	£21.7m	£38.2

* Please note that the planned programme will require an additional £3 million in 2033 to ensure that 100% of the islands roads are resurfaced to the desired level.

549. The backlog of road maintenance is evidenced by the results of the 2010 survey of highway condition. The survey revealed that the condition of the SOJ highway network had deteriorated in the period between surveys: 45km of highway are now high and very high priority for maintenance compared to 8km in 2007.

550. This deterioration in condition occurred because, historically, roads have not been resurfaced at an acceptable interval. An additional £3 million per annum will reduce the return interval to approximately 25 years which TTS believe is sustainable using on island resources. The table sets out the total project for future resurfacing to completion at the end of 2033. We have included £38.2 million of the works detailed below, leaving one additional year to be accounted for.

TTS24 - Roads Infrastructure Assets (£3 million)

551. An amount was allocated for Roads Infrastructure Assets in the 2012 Business Plan as part of a rolling programme of replacement. This allowance represents the amount that has been allocated for 2012. The future funding of these infrastructure assets is contained within TTS3 – General Infrastructure Assets.

TTS25 – Pedestrian/Cycle Track Improvements (£9.5 million)

552. In order to promote the current sustainable transport policy, additional funding is required to maintain and increase the infrastructure for non motor vehicles. Various high level schemes have been identified although detailed analysis of each is still required:

- *Extension of the Eastern Cycle Network*
- *Safety of the Western Cycle Network*
- *Enhancing the cycle route in St Peters Valley*
- *Various projects on bus stop safety*

553. In addition, certain sections of road have been identified as having road traffic collision levels that are higher than appropriate especially for vulnerable users such as pedestrians, cyclists and motor cyclists. These projects are due to be completed between 2015-2017 with specific funding and a rolling amount of £0.5 million has been allocated from 2018.

TTS26 - Additional funding for Liquid Waste Strategy (£120 million)

554. At this point, there remain a number of questions relating to the overall development of a Liquid Waste Strategy. Various cost estimates have been made but there has been some difficulty in finalising the Strategy and in understanding how funding might be obtained. To recognise this difficulty, the detailed list of schemes has been supplemented by an additional requirements list of £120 million for Liquid Waste Strategy. The overall strategic direction for this important development has yet to be finalised. At present, TTS have an outline plan to move towards a detailed strategy which will be available for consultation at the end of 2012.

555. This plan recommends further work to complete data gathering to better inform technical assumptions and costs, to develop a business case for funding and implementing the Strategy. The first step is to initiate feasibility work on the short, medium and long term needs as part of the Master Plan for the Bellozanne Waste Management Services Site.

556. There is also a need to identify and appraise options to upgrade/ replace the sewage treatment works, and the outfall arrangements, to provide an efficient and reliable method of disposal, which allows for future changes in flows and loads. Further work will be required to develop the Reference Project based on the level of treatment and the optimum location for the effluent outfall as follows.

557. The current allowance of £120 million recognises the minimum, essential work that will be required in the following areas (this excludes additional projects relating to additional connections to outlying properties and network upgrades for future population growth because these still require significant investigation). Please note that these are indicative estimates only:

Project Area	Indicative Amount £m
Rising Mains	£1.25m
Sewers	£53.20m
Sewage Pumping Stations	£7.25m
Outfall	£15.40m
Sewage Treatment Works	£42.90m
TOTAL	£120.00m

558. These amounts will be confirmed by the feasibility study which will be completed at the end of 2012.

Education, Sport and Culture

	Scheme Description	Total Anticipated Capital to 2032 £000
	Education Building Projects	
ESC1	St Martin School	7,732
ESC2	Les Quennevais School Refurbishment and Extension	7,501
ESC3	Autism Support Unit	1,066
ESC4	Grainville Phase 5	9,729
ESC5	FB Fields Running Track	810
ESC6	Les Quennevais Artificial Pitch	650
ESC7	Le Roquier Artificial Pitch	750
ESC8	St James Centre	2,500
ESC9	Replacement School	15,000
ESC10	School ICT	3,000
ESC11	Le Squez Community Centre	2,000
ESC12	Jersey Heritage Assets	10,000
ESC13	ESC Minor Capital / AUCC	11
	Total Education & Sport	**60,749**

559. Education, Sport and Culture (ESC) has undertaken some large capital projects so that the education estate in general is in reasonable shape. This plan reflects the remainder of the major refurbishments that need to be undertaken, together with a provision for a replacement school (subject to a detailed business case). This plan also tries to capture the requirements for sporting facilities and heritage assets.

ESC1 – St Martins School (£7.7 million)

560. This is a project that is included in the 2012 Business Plan. A new school is considered to be the most cost-effective option to replace the existing school, which falls well below recommended standards, including DfEE guidelines. The school has a net usable floor area of 880 square metres, excluding the temporary classrooms, compared to the standard brief for a single-form entry primary school of 1,600 square metres.

561. The overall aim of the project is to build a new school on an adjoining site. The new accommodation will be suitable to the modern curriculum needs of the 180 or so

children who will continue to attend the school and will incorporate a 30 place Nursery. The existing accommodation will then be vacated and would revert to the Parish of St. Martin for proposed residential development for the local community.

ESC2 - Les Quennevais School Refurbishment & Extension (£7.5 million)

562. The proposed refurbishment will rectify the deficiencies in the current facilities, which are inadequate to meet the curriculum needs of a school the size of Les Quennevais. It will include the replacement of temporary classrooms, refurbishment of existing general classrooms, provision of additional drama space, improvement of music areas, refurbishment of Art, Design and technology facilities, and improvement of the canteen and main hall. The proposed works would bring the school into line with DfEE guidelines in respect of minimum classroom sizes. They would also result in major improvements to the learning environment, as well as significantly extending the life of the school.

ESC3 – Autism Support Unit (£1 million)

563. This project aims to deliver a new Autistic Spectrum Disorder (ASD) Unit, including kitchen/social room, three smaller rooms, art store and toilets totalling 214 m2 as an extension to the existing Arts Building. The work on this will commence in 2014.

ESC4 - Grainville Phase 5 (£9.7 million)

564. This is the final phase of the rebuilding of Grainville School which has been in train since the early 1990's. This phase relates to the Link Building and West Wing.
565. Internal alterations and improvements will be made to the West Wing, Link Building and staff accommodation, with particular reference to the Drama, English and Modern Languages Departments. These improvements will include increases to the sizes of classrooms in the West Wing, which do not currently comply with standard DfEE guidelines in relation to minimum floor areas. Improvements to the Drama and Music facilities will include new practice rooms, meeting rooms and stores.
566. External works will include insulated render, replacement of windows, external doors, and roof profiles to match the previously constructed buildings in Phases 1-4 of the redevelopment project.
567. The external works will significantly extend the life of the school, whilst the internal works will bring a major improvement to the facilities and learning environment across several key areas of the curriculum.

ESC5-7 – Refurbishment of Artificial Pitches and Running Surfaces (FB Fields £0.8 million; Les Quennevais £0.6 million and Le Rocquier £0.7 million)

568. These sport projects represent an enhancement of Les Quennevais and Le Rocquier artificial pitches and the refurbishment of the FB Running Track. There is continued demand for these services and all works will be completed by 2017.

ESC 8 – St James Centre (£2.5 million)

569. This project is currently the subject of a feasibility study being managed by Jersey Property Holdings. It is proposed that the existing Youth Service premises at La Motte Street should be sold for private development, and that part of the proceeds should be allocated for the conversion and/or improvement of the existing buildings in the St James complex (Church, Vicarage, and School) to provide the headquarters for the Jersey Youth Service, i.e. with facilities including a canteen, offices, music studio/rehearsal rooms, and a performance venue.

ESC 9 – Replacement School (£15 million)

570. Work is about to commence on a feasibility study for this project which should enable a business case to be prepared with improved cost estimates, location and potential. Until this work is completed, this cost for 2014 is a high level estimate only and is subject to change.

ESC 10 – School ICT Project (£3 million)

571. Work is about to commence on a feasibility study for this project which should enable a business case to be prepared with improved cost estimates, location and potential. Until this work is completed, this cost of £1 million per annum beginning in 2013 is a high level estimate only and subject to change.

ESC 11 – Le Squez Community Centre (£2 million)

572. The existing youth centre at Le Squez was constructed in the early 1970's and is now reaching the end of its useful life, with maintenance costs becoming an increasing burden. It is proposed that a replacement facility should be constructed as part of the Samarés Redevelopment Project which is being led by the Housing Department, and which involves the redevelopment of much of the States housing at Le Squez. This project will commence in 2017.

ESC 12 - Jersey Heritage Assets (10 million)

573. There is an allowance of £10 million over the 5 year period 2016 to 2020 for the refurbishment and improvement of facilities at Elizabeth Castle. Some of these facilities are currently open to the public, whilst others have not been used since the German Occupation.

574. The programme of restoration, repair and refurbishment will include the following buildings -
    - *Hospital Block*
    - *German Personnel Shelter*
    - *Third Gate*
    - *Canteen*
    - *Officers' Quarters*
    - *Militia Museum*
    - *Ordnance Store*
    - *Barracks*
    - *Captain's House*

ESC 13 – ESC Minor Capital Assets

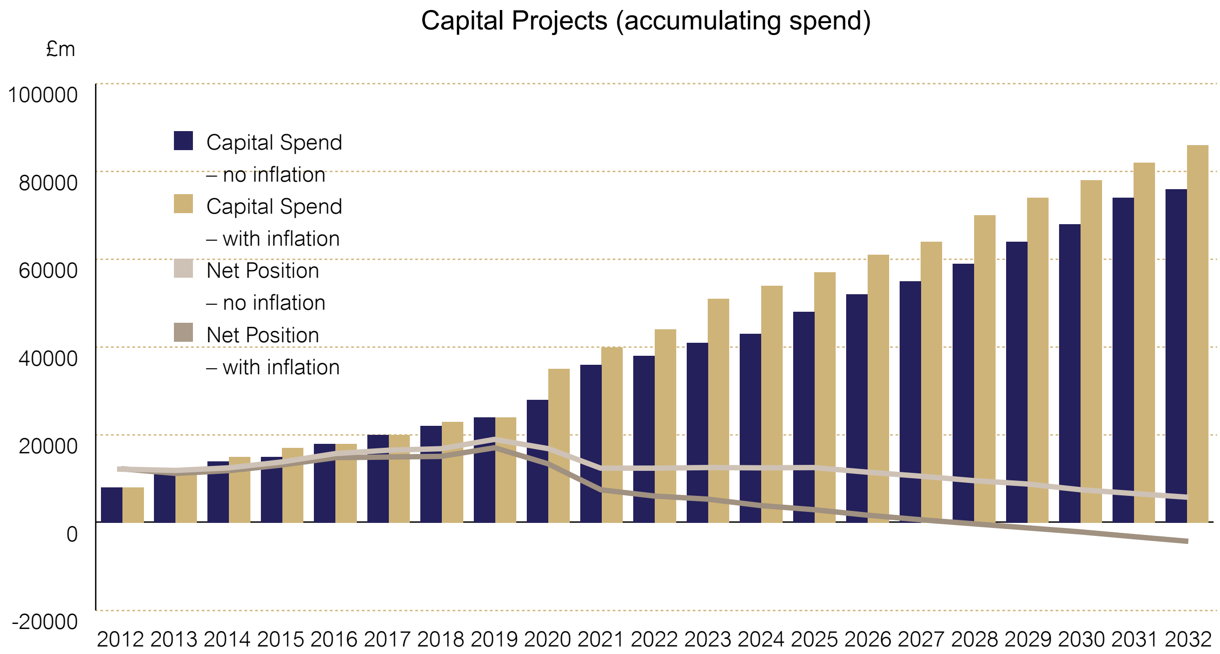
575. This amount of £11,000 is the remainder of replacement assets from the 2012 Business Plan.

Harbours

576. The overall capital plan included in the LTCP for Harbours is £76 million. As a trading entity, Harbours does not have the ability to fund its capital allocation through the Consolidated Fund but must rely on its own Trading Fund.

577. The plan that is shown is subject to changes that might arise as part of the incorporation process and the funding that might arise as part of those changes.

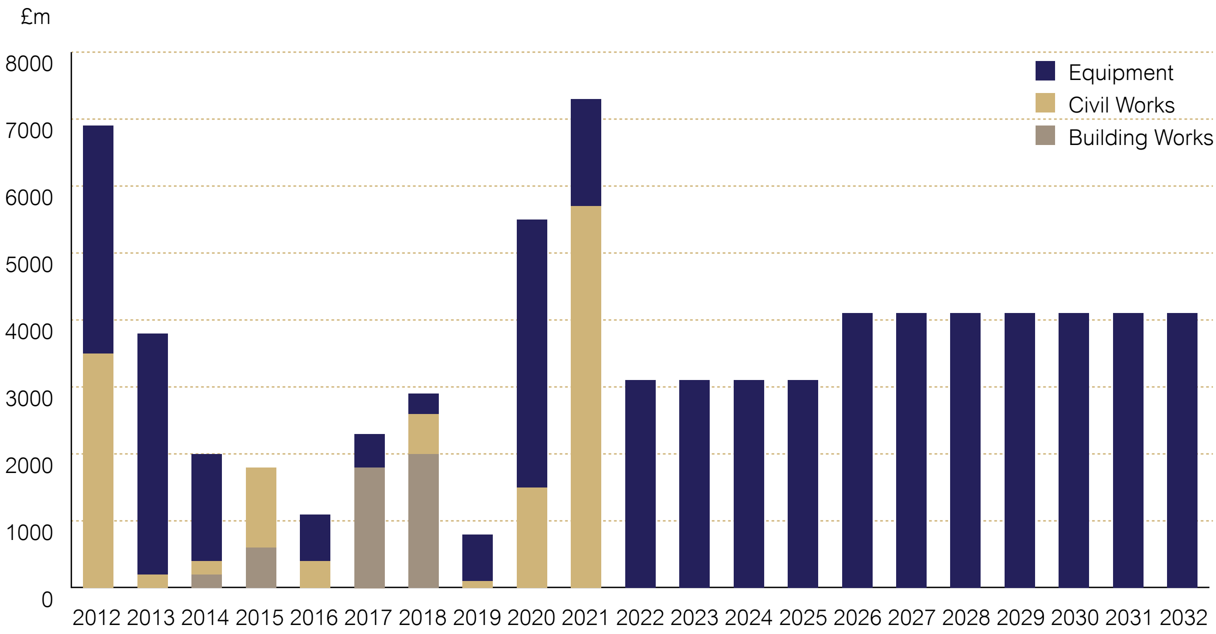
578. In the interim period, this LTCP takes the projects from the Safe Haven model and is divided between Corporate projects, Marine Leisure and the Port of Jersey.



579. Some of the projects within this plan are subject to commercial tender and detailed projects are not separated here, although the plan was constructed from a plan of key projects. The major categories of capital expenditure are:

Key Area	Project Estimate
St Helier Marina	£4.9m
Ports of Jersey	£58.4m
Other projects	£12.6m

JERSEY HARBOUR PLANNED CAPITAL PROGRAMME



Jersey Car Parks

580. The overall capital plan included in the LTCP for Jersey Car Parks is £58 million. As a trading entity, Jersey Car Parks does not have the ability to fund its capital allocation through the Consolidated Fund but must rely on its own Trading Fund. In this current plan, Jersey Car Parks are anticipating an £18 million shortfall in funding if additional measures are not taken to find additional sources of income.

581. The provision of car parking is largely a concern in St Helier and the majority of this programme concentrates on refurbishment of existing car parks, as well as essential concrete repairs. This plan will be subject to change if a strategic review of car parking is undertaken.

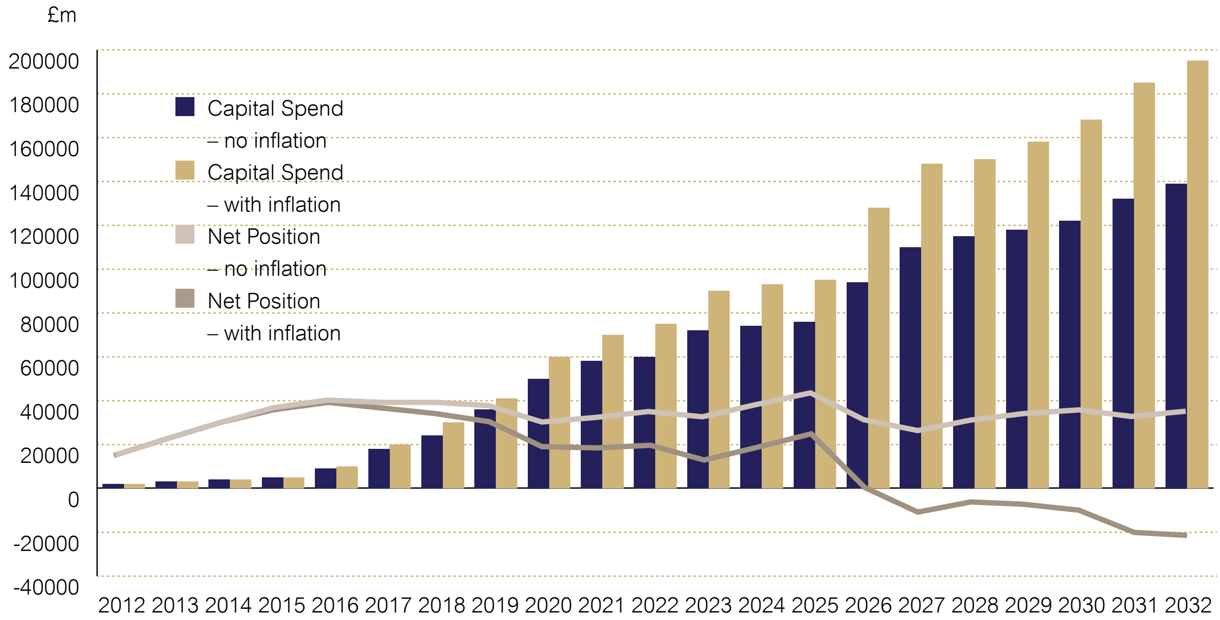
582.

Scheme Description	Notified Projects 2012-2022 £000	Estimated Projects 2023-2032 £000	Total Anticipated 20 Year Capital Requirement £000	Budget 2012 £000	Budget 2013 £000	Budget 2014 £000	Budget 2015 £000	Budget 2016 £000	Budget 2017 £000	Budget 2018 £000	Budget 2019 £000	Budget 2020 £000	Budget 2021 £000
Ann Court Car Park													
Concrete Repairs													
Automated Charging System													
Minden Place Rebuild													
Pier Road Rebuild													
Green Street Rebuild													
Sand Street Rebuild													
Total Car Parks	**28,477**	**29,218**	**57,695**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

583. As the majority of these projects are subject to commercial tender, the detailed budget amounts are not shown but the timing of each project is indicated.

Airport

CAPITAL PROJECTS (ACCUMULATING SPEND)

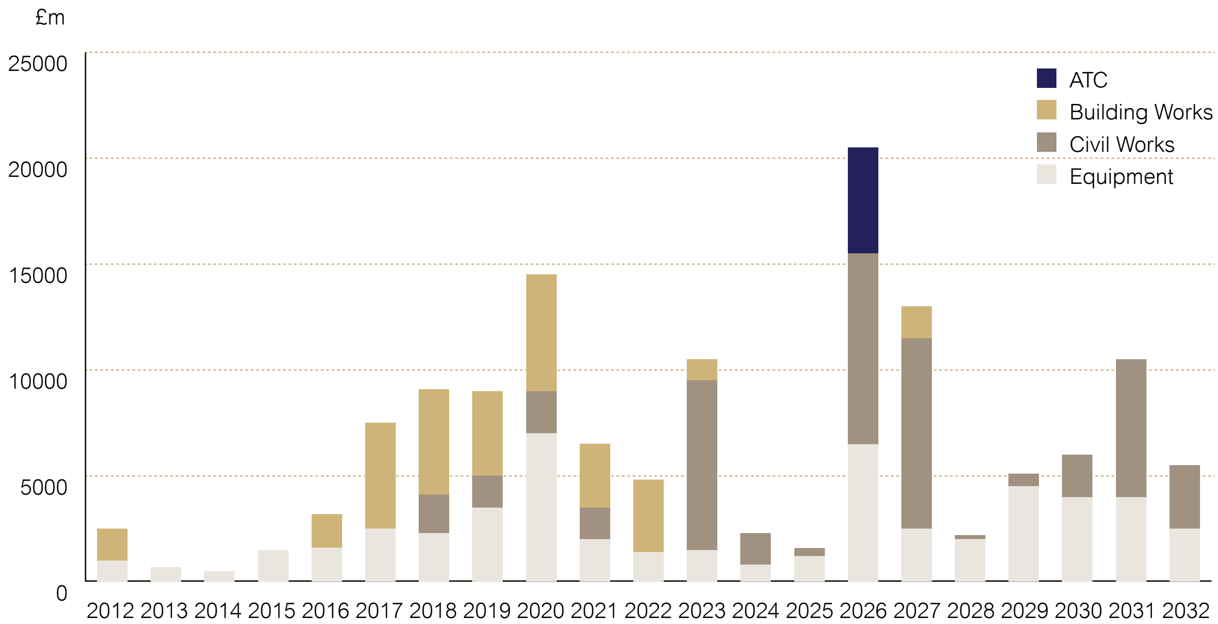


584. The overall amount of capital expenditure included in the LTCP for the Airport is £138 million. The inclusion of these capital projects within the States of Jersey LTCP is subject to the anticipated incorporation process which is planned to occur in 2014. Once this happens, these projects will be removed from the overall plan. There is no funding implication regarding this as these projects are handled entirely within the trading account.

585. Some of the projects within this plan are subject to commercial tender and detailed projects are not separated here, although the plan was constructed from a plan of key projects. The major categories of capital expenditure are:

Key Area	Project Estimate
Plant and Equipment	£40.0m
Structured Equipment	£52.0m
Land and Buildings	£42.0m
IT Projects	£4.0m

BREAKDOWN OF CAPITAL SPEND



Jersey Fleet Management

586. Jersey Fleet Management is responsible for the management and procurement of States vehicles, excluding the Airport. This plan works on the current aged profile of the existing fleet and looks at average replacement lives. It also assumes a certain level of funding from disposal of existing vehicles.

	Notified Projects 2012 - 2022 £000	Estimated Projects 2023-2032 £000	Total 2012-2032 £000	TOTAL CONSOLIDATED FUND 2012-2032 £000	Trading Fund £000	Total Financing £000
Jersey Fleet Management						
Vehicle and Plant Replacement	15,217	10,000	25,217		25,217	25,217
Additional States Departments	12,000	10,000	22,000	5,000	17,000	22,000
TOTAL CAPITAL ESTIMATE	**27,217**	**20,000**	**47,217**	**5,000**	**42,217**	**47,217**

587. The funding required for taking on additional states department from 2012 is now finalised through discussions with departments about their requirements. The figures included are based on a high level estimate of departmental requirements. It is assumed that after the initial 3 year injection of cash, the trading fund will be self financing. Further work will be completed in 2012 to ensure that this is practical. Detailed lists of vehicles and their replacement are managed directly by Jersey Fleet Management.

Home Affairs

	Capital Programme - Home Affairs Scheme Description	Total Anticipated Capital to 2032 £000
	Home Affairs	
HA1	Minor Capital	7,000
HA2	Tetra Radio Replacement	4,500
	Home Affairs - Prison	
HA3	Prison Improvement Works - Phase 6	7,532
HA4	Prison Improvement Works - Phase 7-12	36,174
	Home Affairs - Fire & Rescue	
HA5	2008 Fire Appliance	450
	Home Affairs - Police	
HA6	Police Station Relocation -Tranche 4	4,000
	Total Home Affairs	**59,656**

588. Home Affairs are responsible for Prison, Fire and Rescue, Police and Customs. The capital requirements for Home Affairs are relatively modest by comparison with other departments with £44 million of the £60 million included in this plan related to Prison Improvements.

HA1 – Minor Capital Assets (£7 million)

589. This minor capital amounts is mainly to fund specialist equipment and vehicles that would not be purchased through Jersey Fleet Management. The general capital amount of £4.3 million is an allowance for minor capital in the 2023-2032 period and represents a high level estimate.

HA2 – Tetra Radio Replacement (£4.5 million)

590. The Tetra Radio system is due for replacement within the lifetime of this plan and has been scheduled for 2022.

HA3 and HA4 – Prison Improvement Works Phase 6 (£7.5 million) and 7-12(£36.2 million)

591. The prison was designed in the late 1960s and was opened in 1974. Typically, prisoners are housed in various cell blocks of differing capacities along a central corridor and, due to the diversity of prisoner groups, accommodation cannot be met in alternative ways.

592. Various works have been undertaken since the prison opened and this plan includes provision for Phases 6-12 of the overall Masterplan. Phase 6 is for the construction of a new secure Gate House and Administration/HQ Facility which completes the terrace of three buildings forming the new façade to HMP La Moye.

Phases
Phase 7 – Workshops
Phase 8 – Health and Segregation
Phase 9 – Workshops and Education
Phase 10 –B Wing and Female Workshops
Phase 11 – Refurbishment of H Wing
Phase 12 – Outworkers Block

HA5 – Fire Appliance Replacement (£0.45 million)

593. Replacement of the Jersey Fire and Rescue Service Arial Ladder Platform Vehicle.

HA6 – Police Headquarters (£4 million)

594. Continuation of funding for the Police Headquarters that makes the total funding available £21 million. This includes £2 million for 2012 and two further amounts in 2013 and 2014.

595. All property projects (HA3, Ha4 and HA6) will be managed and delivered by Jersey Property Holdings.

Environment

596. The Department of the Environment are low capital users, with the main elements of this plan centred on the following projects:

	Scheme Description	Total Anticipated Capital to 2032 £000
	Environment - Island Services	
PE1	Automatic Weather Station	200
PE2	Fisheries Vessel	550
PE3	Equipment, Maintenance, Minor	1,087
PE4	Me Radar Refurbishment / Upgrade	2,550
PE5	Countryside Infrastructure	3,800
PE6	AO Plotter (£15k ever 5 years)	45
PE7	Fisheries RIB	16
PE8	Fisheries Inshore Vessel	2,315
PE9	GPS (Every 8 years)	20
PE10	Smaller Equipment Purchases (£15k every 10 years)	30
PE11	Software Replacement - SWIFT	100
PE12	Weather Radar	2,000
	Total Planning and Environment	**12,713**

Chief Minister's & Treasury and Resources

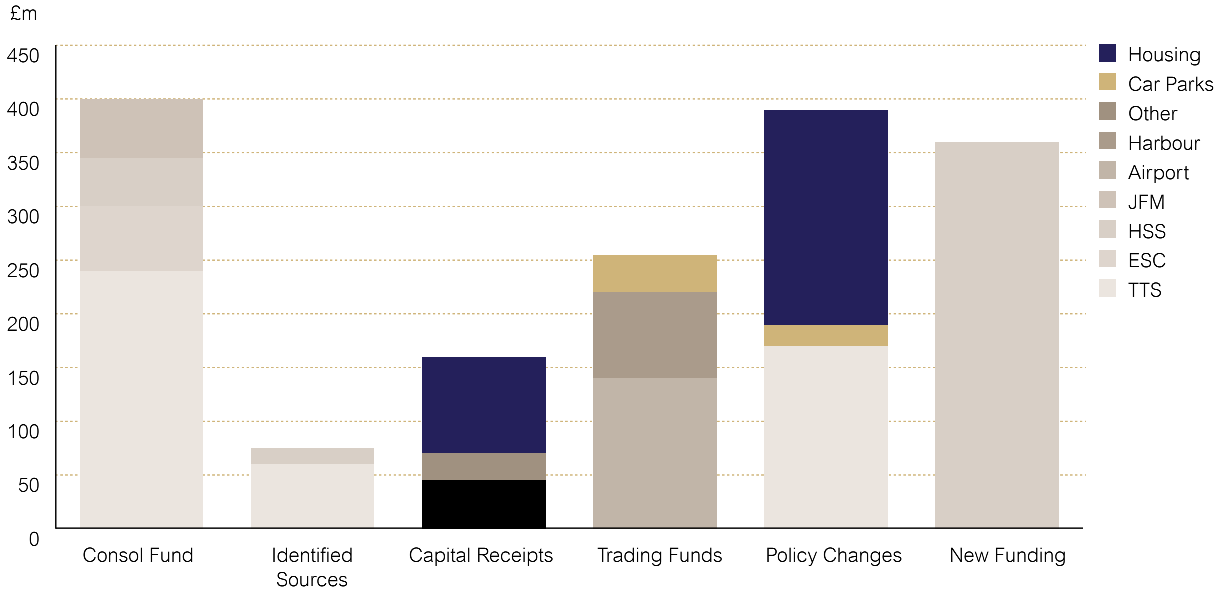
597. These Departments are low capital users, with the main elements of this plan centred on the following projects:

	Scheme Description	Total Anticipated Capital to 2032 £000
TR1	Application remediation Windows 8	500
TR2	HRIS Replacement	740
TR3	Corporate Shared Storage Replacement	1,500
TR4	Web Infrastructure replacement	300
TR5	CLMH D.C. Refurbishment	640
TR6	T&R JDE system	820
TR7	Replacement Assets (Various)	70
TR8	Web Development	370
TR9	Microsoft Upgrade	1,415
TR10	Tax Transformation Project	1,100
	Total Chief Minister's & Treasury Departments	**7,455**

Funding

598. The potential funding options for this expenditure is identified in below.

FUNDING SOURCE BY DEPARTMENT



Consolidated Fund

599. The consolidated fund balance is averaged out at £19 million for the life of this plan, with the total being allocated to capital £402 million. This is analysed by department as follows:

Capital Programme Financing	2012	2013	2014	2015	2016	2017	2018-2022	2023-2032	Total Consolidated Fund 2012-2032
Home Affairs	2,250	1,200	1,200	7,732	200	200	26,300	20,574	59,656
TTS	9,009	11,807	21,940	14,147	8,524	6,019	87,869	135,116	294,431
P&E	-	-	650	200	465	522	5,581	5,295	12,713
ESC	11	8,732	21,026	1,000	9,501	14,479	6,000	-	60,749
Health and Social Services	7,687	11,284	6,826	6,439	6,100	1,500	7,500	10,000	57,336
Property Holdings	-	-	750	-	-	-	-	-	750
Treasury and Resources and Chief Ministers	1,452	1,503	1,610	450	1,240	-	1,200	-	7,455
Jersey Fleet Management	1,000	1,000	1,500	1,500	-	-	-	-	5,000
Potential JPH Disposals (estimate)	(5,500)	(5,932)	(4,480)	(9,140)	(4,230)	(920)			(30,202)
Use of Dividends and Share Repayment	(2,274)	(10,028)	(5,441)	(1,757)					(19,500)
Use of Housing Repayment to CF			(26,472)	(528)					(27,000)
Repayments for Le Squez and Pomme D'Or			(11,250)						(11,250)
Use of Carry Forwards		(7,000)	(3,300)						(10,300)
TOTALS	**13,635**	**12,566**	**4,559**	**20,043**	**21,800**	**21,800**	**134,450**	**170,985**	**399,838**

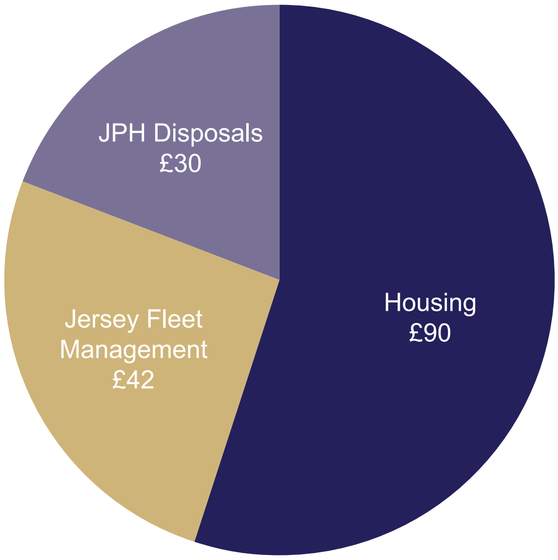
600. Identified sources of funding within this plan relate to either existing budgets that are being reused or alternative uses for new funding sources. This £76 million is from the following sources:

Department	Source	£m
TTS	Existing Budget	£4m
Health and Social Services	Planning Vote	£3m
Health and Social Services	Existing Budget	£2m
Housing (Repayment)	Advance to Housing in 2012	£27m
Housing (Repayment)	Le Squez and Pomme D'Or	£11m
	Use of Dividends	£19m
	Use of Carry Forwards	£10m

Capital Receipts

601. Capital Receipts of £162 million are used as a funding source within the LTCP and are principally derived as follows:

CAPITAL RECEIPTS BY DEPARTMENT £M



602. There is a detailed schedule of JPH disposal properties but this has not been included due to its commercial sensitivity. Both this £30 million and the £90 million for Housing are dependent on market and economic conditions. The £42 million from Jersey Fleet Management relates to the disposal of vehicles to fund acquisitions.

Trading Funds

603. Trading Funds have been described in the detailed project pages and relate to the following entities:

Summary of Traders	Total Anticipated Capital to 2032 £000
Jersey Fleet Management	47,217
Airport	138,490
Harbour	75,869
Car Parks	57,695
TOTAL CAPITAL ESTIMATE	**319,271**

604. This total of £319 million relates to the total amount for Trading Fund plans over the LTCP. Cash Flow calculations, however, show that the Trading Funds for Car Parks will not support this level of expenditure and £18 million is identified as part of the policy changes required to fund this capital programme.

605. With £47 million coming from capital receipts, this leaves the Trading Funds to support £254 million of capital expenditure.

The impact of Harbours and Airport Incorporation

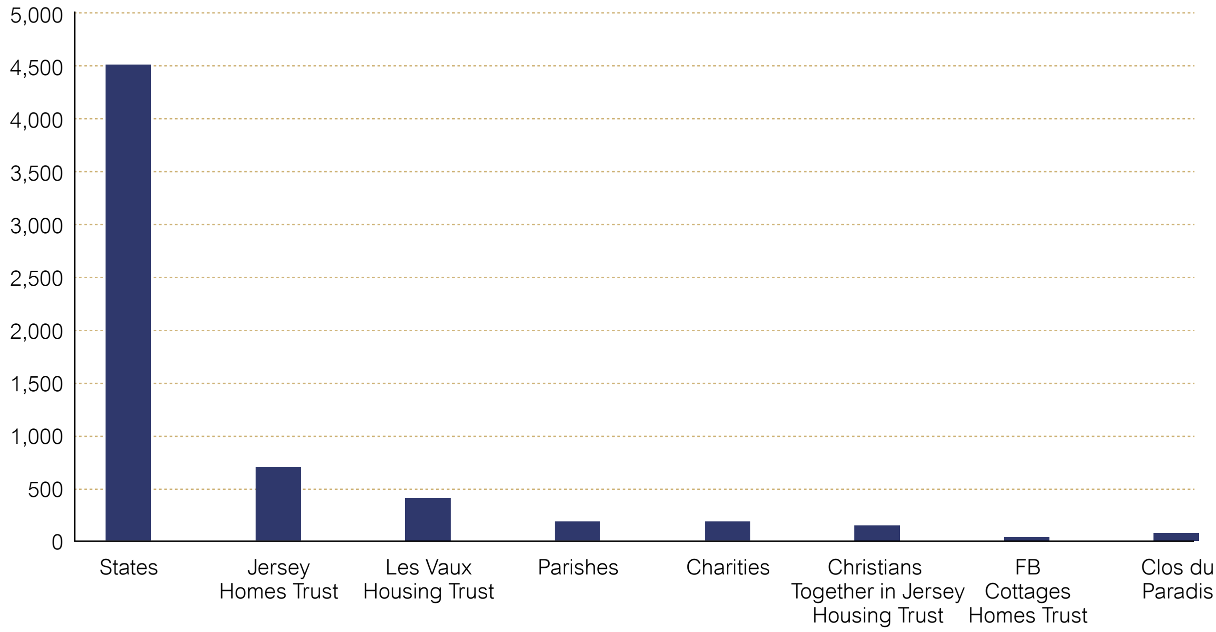
606. The current LTCP shows the overall trading fund position and capital projects, including the Airport and Harbour. These amounts have been derived from the incorporation model and represent the overall level of projects, excluding those commercial projects which would have associated funding arising from their implementation. The current proposition shows a combined capital expenditure with inflation over the period of:

	£'000 Per LTCP	£'000 Inflation	£'000
Airport			
Operational Capex	138	56	194
Harbour			
Operational Capex	76	9	85
Reconciling			0
Ports net inflation capex from 2012	214	65	279

The Impact of Housing Transformation

607. There are a number of options for the provision of social housing in Jersey in the future and the current white paper 'Achieving Decent Homes – An Affordable Housing Framework for the Future' (R.47/2012) outlines those under consideration. This LTCP has been constructed on the basis that the States and the Public of Jersey will opt to incorporate the Housing Department into a separately constituted legal entity in place of the current structure.

JERSEY'S SOCIAL HOUSING SECTOR – PROPORTIONALITY



What will Fair Rent Policy mean in terms of funding (From the White Paper)

608. Implementing Fair Rent Levels and removing the present hidden subsidy for the 4,500 existing States homes would result in an increase in rental income of approximately £11.25 million. The absolute commitment to fully protect those Tenants on Income Support from the effect of the removal of the subsidy means that the Income Support budget will have to increase by an estimated 37.5 million. This means that the net impact on States Tenants of removing the subsidy is limited to up to £3.75 million.

609. It is proposed that the removal of this subsidy be introduced with transitional relief agreements based on the individual Tenants ability to pay, but such that the net impact would equate to a removal of subsidy at a rate of not less than £260 per annum (£5 per week) above inflation and earnings increases and the removal of the entire subsidy within the 10 year period set for achieving Decent Homes Standard compliance. A means-test which identifies the appropriate rate of transition is under development and will be set out in the subsequent Report and Proposition.

610. What is the impact on capital funding (From the White Paper)

611. Historically, the limited capital funding available for investment in States owned social housing, the condition of the homes, the changing funding environment within the States and an inability to access private finance, has effectively constrained the longer term planning of capital investment for housing

612. This has resulted in many refurbishment and redevelopment projects having to be undertaken in phases. In recent years, there has been a heavy reliance both on new housing being developed by the Housing Trusts and on asset sales as a means of refurbishing existing States rental homes. Both mechanisms prevent the portfolio being managed in the most cost effective way for existing Tenants and those in need of housing. This has limited the Housing Department's ability to realign the homes or intensify development in response to changing demographics and population requirements.

613. The new States owned Housing Association will be able to address these shortcomings and transform the current Department into a more agile and flexible organisation. The new Housing Association will be required to commit itself (through covenants) to carry out certain actions in respect of the on-going management and maintenance of the homes. It will continue to make a significant and increasing return to the States annually.

614. Borrowing to create new income generating assets or which improves the yield is a well-accepted financial strategy. Borrowing for the creation of new homes is not new for Jersey and is the mechanism used by Housing Trusts to develop their portfolios. The new Association will be permitted to borrow which will allow it to speed up investment in the portfolio for the benefit of its Tenants and to use existing assets more intensively; generating new homes which better meet the needs of the population. This is consistent with the way in which the States' other Strategic Investments operate.

615. Some limited sales will be necessary in the long term and these will be balanced against prevailing housing needs and the availability of mortgage finance. There will be the opportunity to sell homes to Tenants who aspire to become homeowners, particularly at times when mortgage finance is more readily available.

616. It has been identified that up to £40 million of internal borrowing for capital expenditure may be available from the Treasury's Currency Notes and Coinage Funds under provisions presented to the States (in R132/2011) by the Treasury and Resources Minister. It is proposed that investment in States Housing is a secure and timely use of funds, which offers significant value for money and economic benefits.

Funding from Policy Changes

617. £390 million of funding will require Policy changes. The majority of these relate to the Housing Transformation programme, which is now the subject of a White Paper and the strategy for Liquid Waste being developed by Transport and Technical Services. It will be necessary to further investigate, develop and finalise both the new funding sources and those policy changes in order that the additional funds required are secured.

Funding for Health and Social Services Projects

618. There is a requirement for new funding sources of £362 million for Health and Social Services relating to the options for the General Hospital (£332 million) and Mental Health Services (£30 million). The future provision of medical and social services is currently being reviewed as part of the Health White Paper and this will consider both the future of the hospital and how mental health services are managed in Jersey.

619. The £362 million relates entirely to these initiatives and is subject to change, depending on the outcome of the work that happens in 2012. Treasury and Resources are already engaged in the process of actively seeking alternative ways to manage the funding for this.

Overall Summary and Next Steps

620. This is the first time that the States of Jersey has prepared a consolidated position on capital with longer time horizons. In the past, departments were working on their own plans but there was no sight of how this impacted on collective services, priorities or funding requirements. This initial plan clearly shows that there is work to be done in a number of key areas, not least in securing the right level of funding for major projects and in the development of policies that will fund some capital projects.

APPENDIX FIVE: OFFICE ESTATE RATIONALISATION

Appendix Five – Office Estate Rationalisation

621. **Background and Introduction**

Within successive Annual Business Plans, the States have agreed the clear and compelling need to reduce the amount of property occupied by States Departments not simply to raise funds but, more importantly, to reduce the property portfolio to a size that is both financially sustainable and efficient.

622. The 2012 Annual Business Plan identified the need for a disposal programme to reduce the portfolio to a size which is affordable and efficient, releases capital receipts in addition to releasing sites suitable for housing development.

623. The proposed development of a new Headquarters for the States of Jersey Police is the first major step within a programme designed to transform the States' tired, outmoded and disparate office portfolio into modern, fit for purpose premises which will support a transformation in the way that departments work together to deliver improved public services.

624. The office accommodation strategy needs to form a key part of the wider plan to transform the way in which property is employed by the States. In developing the way forward, Jersey Property Holdings has undertaken considerable and detailed analysis of the office portfolio and consulted with other organisations, both in the public and private sector, who have successfully delivered such initiatives.

625. This work has identified a phased approach to the rationalisation and consolidation of the office estate as the preferred approach. As part of this approach, in the latter part of 2011 and 2012, Jersey Property Holdings has worked to implement the initial phases of an office rationalisation programme, in particular meeting the requirements of the States of Jersey Police and a series of short-term office moves designed to improve accommodation utilisation and provide proof of concept for future work.

626. Whilst there is no doubt about the considerable benefits that can be achieved, realising significant consolidation will require a long term vision and significant effort in developing the organisational structure and support to deliver what will be a comprehensive change management programme.

627. **The current estate**

Analysis of States offices undertaken 2009 demonstrated that buildings have not kept pace with modern standards, in either the public or private sectors and are no longer fit for purpose. Benchmarking shows them to be near the "worst case" end of most accepted reference points1. The buildings are old, expensive to operate and represent a poor use of vital States assets, placing significant financial pressure on the States as result.

628. With 69 separate locations in and around St Helier, the States Office portfolio is fragmented and does not engender collaborative working between different departments.

1. e.g. in relation to the UK government office stock monitored by the Office of Government Commerce in London

629. The above analysis revealed the following key facts about the office portfolio:

a) At c. 700,000 sq. ft. States offices represent 14% of the total portfolio.

b) The States currently occupy 52 offices and own a further 17 occupied by others.

c) The estate is fragmented with an average space per building of 7,000 sq.ft, making efficient use difficult to plan.

d) 70% of the office estate is over 30 years old, offices are poorly configured and waste significant amounts of space, all of which requires maintenance.

e) There is a significant and growing volume of maintenance works which, due to budget pressures, has been deferred from previous years.

f) The buildings are poorly utilised with more desks than full time employees. (12 desks for every 10 FTEs) as opposed to UK recommended standards of fewer desks than FTEs.

g) Many States employees still work in cellular offices, and the average workspace per employee is far too large at 173 sq.ft, compared with the UK norm of 100 sq. ft. or less.

630. The states property portfolio also includes a number of examples of sites whose location and value are not congruent with current use. It is vital that existing sites are used to the benefit of the Island as a whole. Making better use of the estate will enable the release of a number of sites with the potential to be better used for housing or disposed of and the proceeds invested to further develop the estate.

631. What opportunities exist for change?

632. The analysis of our own estate and experience in local and central government within the UK highlights the very real opportunities which exists through making better use of our property.

633. An assessment of case studies across a range of organisations in the UK, shows that the issues facing the States are not unique and have been successfully resolved by organisations in both the public and private sectors. Through drawing on the experience of others we can identify some of the key achievements made:

- *Increased building occupancy, with significant increases achieved in some public sector organisations.*
- *Reduced space requirements through workstation sharing, the adoption of flexible working policies and the elimination of cellular offices.*
- *Consolidation of many office buildings to few, again with many examples of considerable consolidation the UK public sector.*
- *Increased productivity though co-location and fit for purpose accommodation.*
- *Better buildings able to deliver the vision of improved working practices and greater team working.*
- *Increased employee satisfaction through a combination of more flexible office space with better support leading to opportunities for a better work-life balance.*
- *More open plan space enabling co-location of teams and fostering improved working relationships.*
- *Increased flexibility to meet changing business needs and reduced 'churn' costs of moving staff between locations.*
- *Reduced demand for space from managers by introducing space charging mechanisms.*

634. The case studies also show that of equal importance to cost reduction and changing the way people work is the approach taken to achieve their objectives. Consistent features of successful approaches include:

- *Adopting an explicit change management approach, led from the top.*
- *Integrating property, HR and technology solutions from the outset.*
- *Ensuring adequate resources are available to ensure change happens, led by a dedicated Project Director.*

635. Applying this evidence and good practice to our own estate that an effective office rationalisation programme could:

- *reduce the overall area of States offices by up to 220,000 sq ft.*
- *achieve this through a capital programme that generates receipts to offset investment.*
- *deliver savings in annual property operating costs along with avoided capital investment.*
- *deliver additional savings in departmental operating costs. Often such operational benefits are far greater than any property savings.*

636. Evidence from our own analysis and the experience of others shows the case for change to be compelling. With the States of Jersey facing unprecedented demand to reduce costs whilst responding to service delivery pressures it is clear that office rationalisation has an important part to play in the delivery of a modern public sector.

637. The strategy has the ability to facilitate positive change, enhance the delivery of public services and deliver better value for money. However experience has show that a successful outcome is dependent ensuring the organisational skills, experience and resources are in place to deliver a complex multi-faceted organisational change programme.

638. Objectives

639. The overriding objective flowing from this initial work 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 an appropriate modern working environment.*
- *The encouragement of greater collaborative and flexible 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 and thereby generating capital receipts and/or provision of sites for housing development.*

640. The Strategy

641. Although work on a full rationalisation proposal is subject to the development and agreement of an overall strategy, organisation arrangements for delivery and an in-depth feasibility study, early elements of work are in the process of being delivered. Key ongoing projects are the relocation of the Police Headquarters and a series of moves which will result in the more efficient use of existing buildings and the release of surplus sites.

642. It is envisaged that the strategy will include the following main streams of work:

Phase 1

643. Police Relocation and associated projects

644. The ongoing work to relocate of the States of Jersey Police office-based and operational functions to a purpose built building which will significantly reduce the overall area occupied by the service.

645. This phase will also include the release of the Summerland site for social housing and the old school site at Rouge Bouillon for alternative. As part of this, the case for the relocation of the Ambulance station will be developed.

Phase 2

646. Short to medium term opportunities

647. This phase, which is again underway, involves an initial series of short-term moves designed to improve office utilisation, prove key concepts and standards that support improved office use and release surplus sites.

648. Key projects within this phase include the relocation of Jersey Property Holdings to Maritime House, the relocation of part of Economic Development to Cyril Le Marquand House and associated moves designed to free up Picquet House, which has already been approved for disposal.

649. In the medium term, this phase will include the vacation of the South Hill offices and disposal for development by SoJDC.

650. In addition, Jersey Property Holdings will continue to work with Departments to address short to medium term office accommodation issues in a way which supports the overall objectives of the strategy.

Phase 3

651. Consolidate location independent offices

652. This phase encompasses the properties which support office administration functions which could be consolidated into fewer locations. Providing a modern, fit for purpose and efficient office environment would support the key objectives of improved ways of working, reduce utilisation of space and the release of assets.

653. This will require a considerable piece of work to undertake a detailed analysis of the functional and locational requirements of the departments. It is essentially a comprehensive change management process and is therefore predicated on the implementation of organisational support arrangements to develop such a programme.

654. The key elements of this phase will be to establish support arrangements & scope, undertake analysis, develop and agree options, business case and implement the agreed consolidation programme.

655. Whilst not office rationalisation projects, other streams of work are in place which will support the principles behind the strategy, in particular:

    a) Health and Social Services

       The development of proposals for consolidation of Health and Social Services premises to improve site usage and release sites for alternative use. This includes the work recently begun to determine the requirements and location for a new General Hospital, which will also consider operational and administrative office needs.

b) Education, Sport and Culture

In the light of an operational review of the Education, Sport and Culture estate, work to review Highlands/D'Hautree campus will take place in 2012 which will include a review of office uses.

656. Whilst there are linkages between the proposed phases, they are designed to be capable of being progressed independently. Crucially, this has enabled progress to be made in a number of key areas. In 2012, JPH will focus on the implementation of Phases 1, and 2 which includes the following:

a) The development of a new Police Headquarters enabling the existing site to be released for affordable housing.

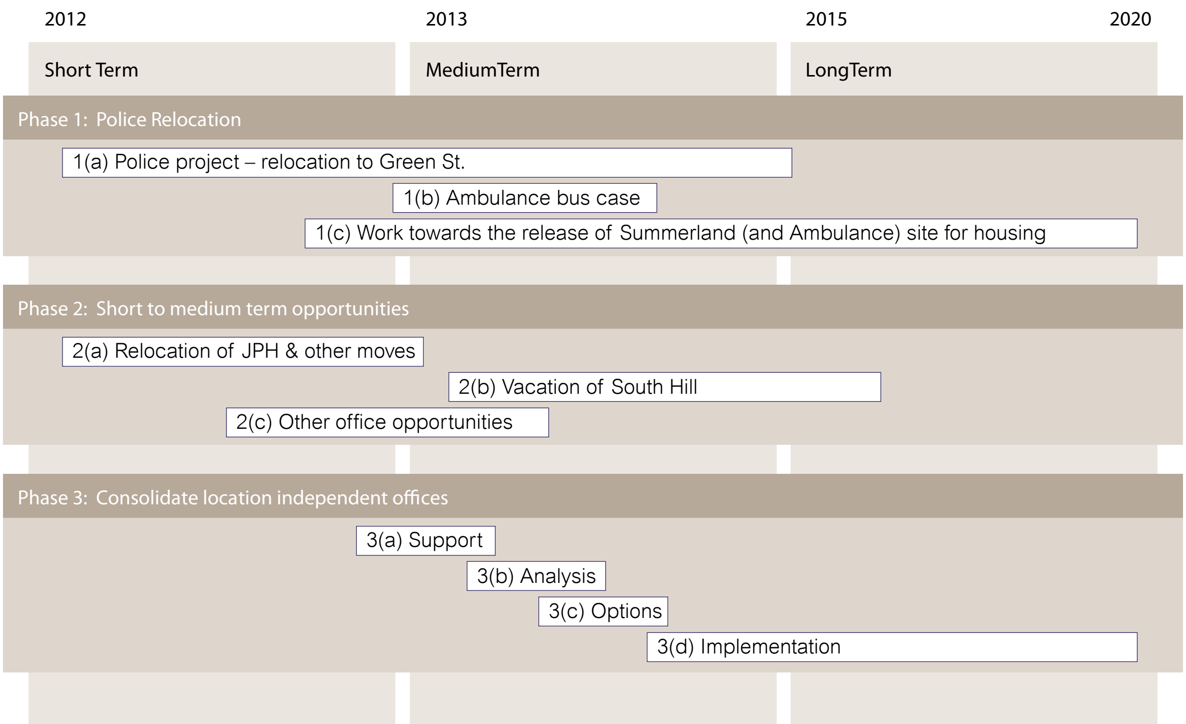
b) Initial work on the future use of the Summerland site.

c) The relocation of part of EDD into Cyril Le Marquand House

d) The co-location of Jersey Property Holdings into Maritime house.

e) The vacation and disposal of Picquet House.

657. A summary of this programme can be found below:



The Medium Term Financial Plan

658. Funding for the projects in the short term has already been identified from within existing resources. Funding of £100,000 is included in the 2013 Capital Programme to create a masterplan and feasibility study for the co-location of the Ambulance Station and Fire Service Headquarters.

659. No specific additional funding has been identified in the capital programme or as part of the 2013 – 2015 medium term financial plan to deliver the office consolidation project. These proposals will be developed into business cases that identify benefits, such as the disposal of assets, which will demonstrate that for each phase the total cost will be at

least offset by capital receipts or revenue savings. Business Cases will be presented to the Minister for consideration on a case by case basis.

Conclusions

660. The States and the Island as a whole face major cost pressures in both the short and medium term. There is demonstrable inefficiency in the office estate: a situation which presents both challenge and opportunity.

661. Work has begun, but it is essential that the States grasps the opportunity to adopt a longer term strategic plan which has the capacity to deliver a sustainable property portfolio.

APPENDIX SIX: HOUSING DEPARTMENT AND THE HOUSING TRANSFORMATION PROJECT

Appendix Six – Housing Department and the Housing Transformation Project

662. "House our Community" is a key strategic priority for the States, as set out in its Strategic Plan 2012, with the aim that all Island residents should be housed adequately.

663. Social rented housing plays a major role in providing good quality, affordable housing to a significant proportion of the population of Jersey and impacts the way the whole housing market operates. The States has the largest residential property portfolio in the Island, has actively pursued initiatives aimed at making homes affordable and built a significant number of homes for first time buyers. In addition a number of Housing Trusts have been supported to develop affordable housing. These initiatives have assisted in ensuring that Jersey has an active and well functioning housing market and that the vast majority of the population are housed in appropriate good quality homes.

664. However, there is not enough social housing for everyone who may need it. The population is ageing and social housing is not currently aligned with all those who may need it. There has been under-investment in the States Social Housing stock and as a result, a quarter of it fails to meet the Decent Homes Standard established by the UK Government.

665. Change is needed and Housing have developed a Housing Transformation Project and issued a White Paper - "Achieving Decent Homes - An Affordable Housing Framework for the Future". This is based on some growth in the social rented sector and the strengthening of the governance and financial sustainability of the sector through appropriate regulation. The conclusion is that the best means of improving the long term housing strategy is through:-

- *The establishment of a new Strategic Housing Unit, incorporating the Affordable Housing Gateway, to co-ordinate activities across Departments and with housing providers.*
- *The establishment of an independent regulator for the affordable housing sector.*
- *Establishing a financially sustainable wholly owned States owned Housing Association to take over the landlord function for the 4,500 States rental homes. The planned date for this is July 2014.*
- *Changing the manner in which rents are accounted for to increase transparency by removing the current hidden subsidy and moving to have Fair Rent levels at 90% of market rents (from a current 70% level). This would be the maximum rent level for all social rented homes let by the Housing Department and Housing Trusts. The additional funding generated will allow increased long term investment in the improvement and maintenance of the housing stock, to ensure the Decent Homes standard is met. The planned date for this increase to be applied is April 2014.*

Financial Implications arising in the MTFP

666. There are a number of financial impacts resulting from the planned Housing Transformation Project (HTP). These are set out in the following table and the key elements are explained in more detail below:-

Income Support & Housing's Annual Return to the States

667. A key requirement of the proposed HTP is that the current level of annual return from the Housing Department to the Consolidated Fund (to part fund Income Support) is maintained in real terms.

668. One impact of the HTP will be to increase the cost of the housing component of Income Support. By increasing rents from 70% to 90% of market rents, additional income will be generated for both the new independent Housing organisation and the Trusts. This has the impact of increasing the costs of Income Support, it being recognised that those on Income Support will not be able to pay the additional rent and will need to be protected. It is also recognised that the increase in social housing rents is likely to lead to some increase in private sector rent levels, which will in turn lead to increased Income Support costs.

669. In order to fund these additional Income Support costs:-

- *The annual return from the Housing Department will increase to include the additional income arising from the proposed increase in rents from 70% to 90% of market rents, for those on Income Support at the time of transition. This commitment will continue when the Housing Department changes to a Housing Association.*
- *Similarly the increase to 90% will generate additional income for the Trusts. To the extent that this increase relates to tenants on Income Support at the time of transition the Housing Trusts will make a return to the States to recompense for their element of the increased cost of Income Support.*
- *An amount (£750k in 2014 & £1 million in 2015) has been included in the Revenue Growth Bids to fund the increase in Income Support arising from private sector rental increases.*

Strategic Housing Unit & Office of the Housing Regulator

670. The changes proposed will lead to the transfer of certain posts and funding from the Housing Department to other States Departments in 2014. These are:-

- *Policy post (1) to the Strategic Housing Unit - £79k*
- *Affordable Gateway staff (2) to the Strategic Housing Unit - £103k*

671. It is intended that the role and costs of the independent Regulator are met from a levy on regulated landlords.

Revenue Financial Implicatons

Medium Term Financial Plan - Expenditure	2013 £'000	2014 £'000	2015 £'000
Potential Expenditure Adjustments from Housing Incorporation			
Removal of Contribution to Net Expenditure from Housing Cash Limit		27,972	29,339
Social Security Department			
- Impact of New rents policy - additional I.S. (States sector)		5,625	7,500
- Impact of New rents policy - additional I.S. (Housing Trust sector)		825	1,100
- Impact of New rents policy - additional I.S. (Private sector)		750	1,000
Offset in Housing Cash Limit in 2013 upto Incorporation 1/1/2014			
Transfer of Policy Post to Chief Minister's Department		79	
Transfer of Gateway Staff to Chief Minister's Department		103	
Establishment of "Office of the Housing Regulator" - funded by fees			
Current Year's Cash Limit (excl Dep'n)	**0**	**35,354**	**38,939**

The Majority of these costs will be offset by a return from the new Housing Association and agreements which will be reached with the Housing trusts where a return broadly equivalent to the increased Income Support cost will be negotiated

Medium Term Financial Plan - States Income	2013 £'000	2014 £'000	2015 £'000
Potential Impact on States Income of Housing incorporation			
- Indicative Return from new Housing Association		33,665	36,292
- Indicative Return to be negotiated from Housing Trusts		825	1,100
- Housing Past Service Pension Liability Debt - repayment		2,250	
	0	**36,740**	**37,392**

Medium Term Financial Plan - Growth	2013 £'000	2014 £'000	2015 £'000
Bid for Growth - Housing our Community			
- Impact of New rents policy - additional I.S. (Private sector)		750	1,000

The principle impact of Housing Incorporation on the revenue budget will be in respect of the replacement of the current rental flow with a return from the Housing Association which will be received in States Income. The direct impact on Social Security will be the increase required in the housing component as rents are increased and these will be compensated by returns from the Housing Association and existing Housing trusts. A growth bid has been identifed to provide for the effect in private sector social housing.
The relationship between housing rent increases, income support and the Housing association return will need to be monitorred as the intention is that this would be neutral.

Capital Programme 2013 – 2015

672. The Housing Department does not receive an annual capital allocation to undertake refurbishment and new build projects, but must rely upon sales of existing housing stock under P6/2007. Recent initiatives under Fiscal Stimulus and P40/2012 have brought forward funding, allowing a number of schemes to commence that otherwise would have been delayed until sufficient house sales had been made. A key element of the Housing White paper proposing the HTP is a new funding strategy to address this issue.

673. House sales will continue to be a key source of income. However the new independent Housing organisation will also be able to borrow and finance this borrowing from its rental income which will be enhanced by the increase in rent levels proposed. This allows both refurbishment and new build projects to be better planned and delivered.

674. The proposed Housing capital programme for the period 2013-2015 is as follows:-

New Build Projects:-	2013 £000	2014 £000	2015 £000
Lesquende - Phase 2			
Ann Court			
Le Squez - Phase 4			
Le Squez – Phase 5-7			
Victoria Cottage Homes - Phase 1			
La Collette - Block B			
La Collette – Blocks C & D			
Former JCG Site			
Former Le Coin Site			
La Motte Street Site (Sound Workshop)			
Summerland Site			
Total	12,871	23,436	39,666
Major Refurbishment Projects:-			
Journeaux Street intensification			
Hampshire Gardens			
De Quetteville Court High Rise			
Total	5,930	7,954	6,207
Grand Total	18,801	31,390	45,873

N.B. The estimated costs of individual schemes are not shown for commercial reasons, as it is considered prudent not to release these publically.

APPENDIX SEVEN: PROPOSALS FOR PORTS INTEGRATION AND INCORPORATION

Appendix Seven: Proposals for Ports Integration & Incorporation

675. In September 2011 the Minister for Economic Development advised the States that a Business Case was to be prepared for incorporation of the Harbours and Airport Trading operations. The process of integrating the two businesses will be complete in 2012 and a Report & Proposition seeking a States decision to approve the incorporation of Jersey Airport and Jersey Harbours as a single limited company wholly owned by the States is to be lodged and debated before the end of 2012. The target date for the incorporation to take place is 1st January 2014.

676. The benefits offered by the proposed incorporation are the opportunity not only to grow the businesses and increase efficiencies which will remove a potentially major financial burden for the States, but also generate a positive return to stakeholders, in the form of taxation and possibly dividends paid to the States as well as enhanced services to users of the Ports. Whilst there is a cost of incorporation, both a one off element and through ongoing expenditure, the Ports believe the overwhelming balance of evidence from the Jersey Telecoms and Jersey Post experience illustrates that the commercial disciplines required by incorporation will repay this investment many times over.

677. A financial model has been developed by the Ports which indicates that they will be self-sustaining contributors to the States for the long-term. The model will be subject to further external verification and review if States approval to the Report and Proposition is given.

Financial implications of proposed incorporation, in the MTFP

678. ### Current position

As Trading Operations of the States, both the Harbours and the Airport are required to be self financing in terms of both their revenue and capital expenditure. In addition the Harbours have historically made a financial return to the States. The MTFP is based on this current basis. Therefore if Incorporation is approved and proceeds as planned, changes will be required to the MTFP. These will be identified and approved as part of the Incorporation approval process.

679. The MTFP assumes that Harbours and Airport will remain self financing both in terms of revenue and capital expenditure for the period 2013 – 2015 and that the Harbours will make an annual return to the States of £100k per annum.

Potential Financial implications of Incorporation

680. The primary goal in incorporating Jersey Harbours and Jersey Airport is to enable them to continue to provide essential, lifeline public services to the Island, but to do so in a commercial and sustainable manner that will improve services for customers and generate a positive return to the States.

681. The process of Incorporation will require a number of important decisions to be made, relating to the initial transfer of the Ports into a single limited company and also its ongoing operation. Key amongst these will be:-

682. Ports Estate – there is a clear need to preserve the integrity of the port and airport operational estates to ensure the ports can adequately address future demands, changing needs and regulatory requirements. A balance will need to be achieved to

ensure that the Ports have sufficient flexibility to optimise the use of their asset base to support ongoing financial viability, continued investment in operational infrastructure and the provision of continuing service obligations. Assets to be transferred will be subject to negotiation and agreement with the Minister for Treasury & Resources.

683. Community Services/Service obligations – there are a number of activities currently undertaken by the Ports which they consider to be "non commercial" and undertaken on behalf of the States. These include the Coastguard, maintenance of the Island's historic harbours and opening the airport especially for emergency flights. Within the incorporated structure, an appropriate legal and contractual framework will need to be developed between the incorporated body and the States to protect such services and ensure their viability. Services provided by the States at the Airport - Customs, Immigration & Police will similarly need to be agreed.

684. Use of States Services – Harbours and Airport both currently use a range of States services and systems including payroll, JD Edwards accounting systems, HR, Law Officers etc. These are generally provided at no, or minimal cost by the States. There are also specific significant service level agreements in place e.g. between the Harbour & Transport & Technical Services, for the provision of engineering and maintenance services (£2.4 million pa), which involved the earlier transfer of staff. This is linked to an agreed contract period. Negotiations will need to be held and agreement reached as to how all of these services will be delivered post incorporation and at what cost, if still States provided. A balance will need to be struck between the need to allow the incorporated Ports the freedom to operate commercially, the added complexity that incorporation may bring to existing systems along with any additional cost or loss of operational efficiency that may result if States services are not used. In the vast majority of instances this is not believed to be significant, although the agreement with TT&S because of the value and staff numbers involved is significant.

685. Staff Resources – staff will be transferred to the incorporated entity. At December 2011 the Harbours & Airport had 250 employees. Upon incorporation the Ports would repay the "pre-1987" PECRS debt, currently estimated at £18 million.

686. Return to the States – The Ports will be required to provide a return to the States commensurate with the fair value of the assets made available to the company, adjusted to reflect community and heritage obligations undertaken by the company. The incorporated business would be treated as any other utility in Jersey and hence provide income through taxation, dividends and licences.

687. **Harbour & Airports Capital Programme 2013 -2015**

688. The details of the capital programme are set out elsewhere in this report. Currently and post incorporation the Ports will be responsible for fully funding the programme, with no allocation from the Capital Fund.

APPENDIX EIGHT:
MTFP ASSUMPTIONS

Appendix Eight – MTFP Assumptions

Inflation Assumptions 2012 - 2015	Current Base Budgets			Forecast	
	2012	2013	2014	2015	
	%	%	%	%	
Price Inflation - Dept Expenditure	2.50	2.50	2.50	2.50	2.5% provision. Estimated based on 2012 Income and Expenditure ratios
Price Inflation - Dept Income	2.50	2.50	2.50	2.50	2.5% provision. Estimated based on 2012 Income and Expenditure ratios
Prices - Housing Rents (October)	3.44	3.61	3.60	3.95	In line with Housing component of Income Support
Base Pay Provision	2.00	2.00			2% provision 2012/13
Corporate Terms and Conditions Savings	2.00	2.00			Equivalent to 2% saving in 2012 and 2013
June 2012 Offer					
- Non Consolidated	1.00	1.00			
- Consolidated		1.00	4.00		Latest provision. Subject to ongoing negotiations
MTFP Proposal for 2015				2.50	
Income Support Model Adjustment	*	*	*	*	New model
Supplementation Formula Calculation	*	*	*	*	Proposed extention to certainty formula for 3 year period of MTFP
Health Growth @ 2%	2.00	2.00	2.00	2.00	
Overseas Aid Growth	5.00	5.00	5.00	5.00	

Note: From the original provision of 2.5% for 2012 and 2013 in the 2012 Business Plan some funding was provided for Nurses Terms and Conditions and other pay related growth, leaving a 2% provision which is offset against the required CSR Terms and Conditions savings.

APPENDIX NINE: STATES INVESTMENT STRATEGY

Appendix Nine:
Investment Strategies - Introduction

Introduction

689. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.

690. The States agreed the Establishment of a States of Jersey - Common Investment Fund in P35/2010, approved by the States on 11th May 2010. Under this arrangement the majority of States Funds will be pooled for investment purposes.

691. Each States Fund will maintain its own Investment Strategy which it may achieve by investing in the States of Jersey – Common Investment Fund Investment Pools.

692. This report outlines the Investment Strategies for each of The States of Jersey – Common Investment Fund's Investment Pools. It also outlines the individual Investment Strategies for each Specific States Fund.

693. The strategies reflect the Minister's long term investment aims for each fund. The current position of each fund reflects current market conditions. The Minister's intention is that each fund will move towards its strategic aim as investment opportunities and market conditions allow.

Overarching Strategies

694. The Minister for Treasury and Resources has adopted an ethical investment Strategy that will be applied to all States' Investments; this is included in Appendix 1.

695. Governance arrangements are being reviewed during 2011 however the current arrangements are detailed in Appendix 2.

States Major Funds

696. The States Major Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 3 to 8.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Inv. Fund
States of Jersey Major Funds					
Strategic Reserve Fund	50	10	40	-	Yes
Stabilisation Fund			80	20	Yes
Social Security (Reserve) Fund	80	10	10		Yes - Part
Health Insurance Fund	40		45	15	Yes (1)
Consolidated Fund				100	Yes (1)
Currency Notes and Coins Fund	20	60	10	10	Yes (1)

(1) monies required for working balances will be held outside of the States of Jersey – Common Investment Fund

Pension Funds

697. The two major Pension Funds, Public Employees Contributory Retirement Scheme (PECRS) and Teachers' Superannuation Fund (JTSF) Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendix 9.

698. The Minister for Treasury and Resources approves these strategy based on recommendations from the Management Board (JTSF) or Committee of Management (PECRS). The Management Board/Committee of Management are responsible for these Funds and they take independent professional investment advice and guidance from appropriately qualified and experienced persons on the Investment Strategies for the Funds to follow. When approving the Investment Strategies, the Minister takes appropriate investment advice from the States Investment Adviser.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
Pension Funds					
PECRS	45	10	7.5	37.5 (1)	no
JTSF (2)	80		10	10	no

(1) this Figure includes capital value of future payments for certain liabilities.

(2) asset allocation is based on assets in the current Fund and excludes the value of future contributions to be made in respect of liabilities for increases to pensions in payment.

Special Funds

699. The Special Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 10 to 12.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Inv. Fund
Special Funds					
Tourism Development Fund	-	-	-	100	Yes(1)
Channel Islands Lottery (Jersey) Fund	-	-	-	100	Yes(1)
Dwelling-Houses Loan Fund	-	-	75	25	Yes(2)

(1) monies required for working balances will be held outside of the States of Jersey – Common Investment Fund

(2) the loan book will be held outside of the States of Jersey – Common Investment Fund

Trust And Bequest Funds

700. The Trust and Bequest Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 13 to 21.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Inv. Fund
Trust & Bequest Funds					
Estate of A A Rayner Fund	65	10	25	-	Yes
The Rivington Travelling Scholarship	50	10	40	-	Yes
Estate of H E Le Seelleur	65	-	30	5	Yes(3)
Estate of E J Bailhache	65	-	30	5	Yes (1)
Le Don de Faye Trust Fund	50	10	40	-	Yes (2)
Greville Bathe Fund	65	10	25	-	Yes
Estate of A H Ferguson Bequest	50	10	40	-	Yes
Ecology Fund	50	10	40	-	Yes(3)
The Lord Portsea Gift Fund	50	10	40	-	Yes(3)

(1) all Jersey Properties will be held outside of the States of Jersey – Common Investment Fund

(2) the holding in Jersey Water will be held outside of the States of Jersey – Common Investment Fund

(3) monies are currently not invested through the States of Jersey – Common Investment Fund, however there are plans going forward.

Other Funds

701. The Other Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendix 22.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Inv. Fund
Other Funds	-	-	-	-	-
Confiscation Funds	-	-	-	100	No
Jersey Post Office Pension Fund	-	-	93	7	No

States Of Jersey – Common Investment Fund

702. The States of Jersey – Common Investment Fund currently operates eight Investment Pools (see Appendix 23 for full details of each Investment Strategy for each pool). States Funds can participate in any of the pools in accordance with their Investment Strategies. The Investment Pools currently available are as follows:-

- *UK Equities Pool*
- *2 Global Equities Pools*
- *Global Passive Equity*
- *Short Term Corporate Bonds Pool*
- *Long Term Corporate Bonds Pool*
- *Short Term Government Bonds Pool*
- *Long Term Government Bonds Pool (currently closed)*
- *UK Index Linked Gilts Pool*
- *Long Term Cash and Cash Equivalents Pool*

703. It is anticipated that new pools will be created for Alternative Investment Asset classes. The main types of Alternative Investments are Commodities, Hedge Funds, Private Equity, Real Estate, Derivatives and Infrastructure investments. See Section 9 for further details about these types of Alternative Investments.

704. Over the forthcoming year, it is planned for further Special and Trust and Bequest Funds to join and partake in the Fund. As a result all Investment Strategies will continue to be reviewed and revised to reflect investment in the Fund. Once this process is complete the Minister will present revised investment Strategies for all Funds.

Types of Alternative Investments

705. Alternative Investments are an alternative asset class compared to "traditional" types of Investments which States' Funds can invest in. Examples of Traditional Investments are equities, bonds and cash and cash equivalents.

706. Factors to consider when investing in new alternative asset classes are Investment risk versus return; additional diversification of the Funds Investment to manage risk profile

and liquidity of the new asset class and the Fund's overall liquidity.

707. There are numerous types of alternative investments – however the main types, which some of the States Funds could possibly invest in, in line with their investment strategies, are as follows:

- *Commodities*
- *Hedge Funds*
- *Private Equity*
- *Real Estate*
- *Managed Funds*
- *Derivatives*
- *Infrastructure Investments*

708. Definitions for each of the main types of alternative assets are as follows:-

709. Commodities – these are any inputs in the production of other goods or services (e.g. oil, gold, steel, intangible rights). It is believed that they can act as a hedge again unexpected inflation in the economy over a longer time period (5 years). Commodities generally achieve higher expected returns than bonds.

710. Hedge Funds – these privately managed funds are allowed by regulators to invest in more investment types (stocks, bonds, commodities, currencies) through more tools than ordinary funds. Hedge funds incorporate investment strategies aimed at securing positive returns on investments regardless of the overall market performance. They can combine both long and short positions, use gearing, enter into high-concentration positions, invest in illiquid assets and trade derivatives.

711. There are opportunities to invest in Fund of Funds – this is where a Fund's primary activity is investing in other hedge funds. This can be a way of reducing the specific risk associated with investing with a single manager and achieve greater diversification.

712. An allocation of hedge funds can be made through investing in one or a combination of the following:-

- *A multi-strategy fund of hedge funds.*
- *A single strategy fund of hedge funds*
- *A single manager fund.*

713. Private Equity – this involves providing capital to unquoted companies in return for a share of the company's profits. There are numerous sub-classifications of private equity, but they can be broadly classified as early stage venture capital; expansion/ development capital and management buy-outs/buy-ins. Capital can either be provided directly or by investing in a private equity fund or Fund of Funds.

714. Typically institutional investors will utilise the fund of funds approach which tends to be a long-term investment with a substantial "lock-in" period.

715. Real Estate – Examples of Real Estate Investments (property) are land, office buildings, retail shopping centers, multifamily housing and industrial warehouse properties. The most common type is income-producing real estate. Large income-producing real estate properties are commonly purchased by high net-worth individuals and institutions, such as life insurance companies, real estate investment trusts (REITs) and pension funds.

716. There are two main types of Real Estate Investment Trusts (REITs):-
   - *Equity REITs - these invest mainly in actual real estate properties, such as office buildings, apartment complexes, warehouses and shopping centres. Equity REITs are usually not highly leveraged.*
   - *Mortgage REITs - these invest mainly in mortgages and construction loans for commercial properties and tend to use leverage to a greater degree than equity REITs.*

717. One of the main differences between investing in a piece of real estate as compared to stocks or bonds is that real estate is an investment in the "bricks and mortar" of a building and the land it is built upon, therefore it is highly tangible. Real estate is an asset class that offers protection against inflation, as well as potential tax benefits. However, lack of both liquidity and diversification are drawbacks to investing directly in real estate.

718. Managed Funds – these are like mutual funds (pooled funds) but are allowed long or short positions in commodity and currency futures contracts, and options in such contacts. There are four main types of managed funds – Unit trusts, Group Investment Funds, Superannuation Funds and Insurance Bonds.

719. Derivatives – these are traded contracts (e.g. future contracts, convertible bonds or stocks) securities or financial instruments whose values derive from values of transitional investments (e.g. stocks or assets such as gold).

720. Infrastructure investments – This type of investment involves taking an ownership interest in an infrastructure business (commonly defined as providing an essential service to the community.) Most infrastructure assets are either bought from a government, a private equity firm, or are part of a listed company that is sold off. This is a long term investment option providing higher returns than the Long Term Cash Pool while generating positive externalities for the Island.

721. Infrastructure investments can be split into two main categories, Economic or Social, examples as follows:-

Economic			Social
Transport Toll roads Bridges Ferries/Ports Public transport Airports	Utilities & Energy Oil & gas pipelines Electricity generation and transmission Water distribution and treatment	Communications Cable networks Communication towers Select satellite systems	Schools Hospitals Housing Courts

Appendices Contents Page

Overarching Investment Policies

AP1: Ethical Investment Strategy

722. The Minister for Treasury and Resources is mindful of ethical issues and recognises the importance of acting in an ethically responsible manner when managing investments on behalf of the States of Jersey. In January 2011 the States Investment Adviser carried out a review into Ethical Investments for the States Funds.

723. ### Fund Managers' Investment Decisions

724. When making investment decisions fund managers, for which the Minister is responsible, are required to give consideration to ethical risks in their assessment of a company's value, having regard to the information that is readily available at the time of the decision. The Minister intends for this to encourage investment in companies with good governance and responsible management.

725. ### Corporate Governance

726. All Fund managers are required to follow the Institutional Shareholders' Committee's Statement of Principles (ISCSP) in respect of the corporate governance of companies in which shares are owned. In particular, fund managers are required to:-

- *discharge the States voting rights and*
- *when appropriate, engage with company management whilst having reasonable regard, where relevant to the ethically positive and negative contributions as set out below.*

727. In seeking to identify companies that make a positive ethical contribution, the Minister pays particular attention to their record in the following areas:-

- *Conservation of energy or natural resources;*
- *Environmental improvements and pollution control;*
- *Providing high quality products and services that are of long term use;*
- *Strong community involvement;*
- *Good employee practices and equal opportunities record;*
- *Training and education;*
- *Good relations with customers and suppliers; and*
- *Openness about company activities.*

728. In seeking to identify companies that may have an ethically negative impact the Minister pays particular attention to activities that are counter to the States laws and policies such as:-

- *Environmental damage and pollution;*
- *Unnecessary exploitation of animals;*
- *Trade with or operations in oppressive regimes;*
- *Exploitation of third world countries;*
- *Sale and distribution of weapons to terrorists or oppressive regimes; and*
- *Offensive or misleading advertising.*

AP2: Governance Arrangements (relates to all except Pension Funds)

729. The Minister and the Treasurer may invest money and do so through the Treasury Advisory Panel (formerly the Treasury Investments Sub-Committee). The Minister determines the Treasury Advisory Panel's membership, which includes the Assistant Treasury and Resources Minister. The Treasury Advisory Panel makes recommendations to the Minister.
   - *Terms of reference for the Treasury Advisory Panel are as follows:-*
   - *Investment Strategy development and review of movements within the acceptable bands;*
   - *Appointment and removal of managers advisers;*
   - *Establish benchmarks;*
   - *Monitor performance against benchmarks;*
   - *Regularly meets with investment managers for performance updates and*
   - *Foreign exchange management.*

730. The Minister and the Treasury Advisory Panel are able to appoint appropriately experienced and qualified advisers and managers to assist in developing and administering the approved strategies.
731. The States Independent Investment Adviser is consulted on major events and decisions taken documented in the minutes of the Treasury Advisory Panel. The Treasurer is responsible for implementing decisions.
732. ### Investment Advice
733. In setting and reviewing his investment strategies the Minister consults with independent professional investment advisers and guidance from appropriately qualified and experienced persons.
734. ### Appointment of Fund managers
735. Where appropriate independent Investment Managers are appointed to manage the various assets of the Funds. These Managers are appointed by the Minister/ Treasurer on the recommendation of the Treasury Advisory Panel following a rigorous selection process and after receiving and fully considering independent advice. Their terms and conditions of appointment are set by the Treasurer and endorsed by the Minister for Treasury and Resources.
736. ### Performance monitoring
737. The appointment of advisers and managers and their performance is regularly assessed by the Treasury Advisory Panel.
738. The States Investment Adviser provides appropriate advice to the Minister, the Treasury Advisory Panel and Treasurer through written reports and attendance at meetings as well as through the provision of ad hoc reports when circumstances dictate.
739. The 2008 States Financial Report and Accounts have been presented by the Minister to the States which includes details of the various States Funds.
740. ### Performance management
741. As a part of the operational management of these Funds; individual performance targets are set for investment managers in line with the Funds specific strategies. The performance targets are set using key indices like FTSE.

742. Actual performance is regularly monitored against target by the Treasury Advisory Panel. Investment managers are subject to challenge by the Treasury Advisory Panel; who require explanations of any shortfalls against target together with Investment managers' plans to return to target.

743. Where the Treasury Advisory Panel believes a manager is performing consistently below expectation, it recommends to the Minister that a replacement manager is sought.

744. **Reporting**

745. The Minister will report on the performance of the States main Funds in the Annual Accounts and once during the year as at the six months to June.

746. **Independent Custodians**

747. In order to safeguard States interests and assets and to mitigate risks independent custodians are appointed to provide safe keeping for all assets, except direct property and policies of assurance, directly invested by the investment managers.

States Of Jersey Major Funds

AP3: Strategic Reserve Fund Investment Strategy

748. ### Purpose of the Fund

749. On 5 December 2006, the States approved P133/2006 and thereby confirmed the policy for the Strategic Reserve as:

750. "the Strategic Reserve is a permanent reserve, where the capital value is to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster."

751. The States approved P84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding up to £100 million for a Bank Depositors Compensation Scheme.

752. The clarification of the purpose of the Fund by the States enables greater emphasis to be given to increasing the longer term value of the Fund rather than the need to generate annual income. This has enabled an increase in the proportion of the Fund being allocated to return seeking assets from previous levels, but considerable emphasis still needs to be given to capital preservation and liquidity.

753. ### Strategy

754. In order to meet the purpose of this fund the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investment class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	50	45 – 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

755. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

756. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the fund.

757. ### Investment Structure

758. The Fund can carry out its investments through the available Common Investment Pools.

759. Until the Alternative Investment class investment pools are operational monies will be invested in the bonds equivalent investment pools.

760. **Investment in Jersey**

761. Investment is not generally made in Jersey, or in Jersey quoted companies. This is to ensure that as far as possible, the assets are diversified away from the effects of the Jersey economy.

762. **Controlling Interest**

763. The States of Jersey will not acquire share holdings greater than 3% of the issued share capital in UK companies.

Ap4: Stabilisation Fund Investment Strategy

764. **Purpose of the Fund**

765. The purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.

766. At least until the Stabilisation Fund has been built up to a much higher level it needs to be:

- *highly liquid;*
- *held in assets which will not lose value if a quick sale is required and*
- *available at times of an economic downturn.*

767. **Strategy**

768. In order to meet the purpose of this Fund, the long term aim of the Fund is to invest within the parameters indicated below:-

	Strategic Aim %	Range %
Cash and cash equivalents	20	18 - 22
Government bonds (indexed or conventional)	50	45 – 55
Corporate bonds (indexed or conventional)	30	27 - 33

769. It is intended to use the remainder of the Funds balance during 2012, therefore the strategy for the fund is to hold monies in cash and cash equivalents.

770. The cash holdings in this Fund are subject to the same restrictions placed on the cash in the Consolidated Fund (please see section 3).

771. **Investment Structure– States of Jersey - Common Investment Fund**

772. The Fund can carry out its investments through the available Common Investment Pools.

Ap5: Social Security (Reserve) Fund Investment Strategy

773. **Purpose of the fund**

774. The Social Security (Reserve) Fund (the "Reserve Fund") is both the mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time and effectively act as a buffer to contribute towards the rising burden of pension costs as the Island faces up to the pressures arising from an ageing population. The Minister for Treasury and Resources is responsible for the investment of the Fund's assets. The Minister for Social Security has responsibility for the development of a strategy to deal with meeting future pension provisions for eligible islanders.

775. The number of persons in receipt of a State pension as a percentage of the working population is expected to increase over time. The purpose of this Fund is to build up a reserve for the future provision of pension benefits for those currently in employment, so as to reduce the impact of pensions on future generations, as well as to smooth contributions for social security benefits over time.

776. Long term growth is one of the main aims for the Social Security (Reserve) Fund and therefore any income generated is reinvested back into the Fund. It is expected that there will be no requirement to draw on the assets of the Fund in the near term and during this period there will continue to be net cash inflows to the Fund.

777. **Strategy**

778. In order to ensure that the Fund can work towards its objective of longer term growth its strategy is to place a high proportion of its assets in return seeking investments.

779. The longer term strategic aim for the fund is to invest within the parameters indicated below:-

Asset Class	Strategic Aim %	Range %
Stock market assets		
Equities	80	72 – 88
Bonds	10	9-11
Cash	-	0-3
Non Stock market assets		
Alternative Investments Class	10	n/a

780. As the Reserve Fund is subject to three yearly actuarial reviews the outcomes may result in a need to redefine the Fund's investment strategy. All strategy revisions will be brought to the attention of the States.

781. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

782. **Investment Structure**

783. As a pension fund, the Social Security (Reserve) Fund can enter the insurance products restricted to the pension funds market which are designed to follow general market movements. This enables the Fund to participate in large pools of indexed assets available in the UK, at very low management costs and provides the flexibility to easily change asset allocation by increases or decreases to the indexed holdings in each market.

784. These indexed funds are provided by an insurance company using a policy of assurance, but operate in a broadly similar way to a series of unit trusts.

785. The Fund can invest around half of its equity assets through the Common Investment Global Equity Pools, therefore carrying out investment under active management.

786. Until the Alternative Investments class pools are operational, monies will be invested in short term government bonds.

787. **Investment in Jersey**

788. Investments are not made in Jersey except where a Jersey company is part of an established index. This is to ensure that as far as possible, the assets are diversified away from the effects of Jersey's economy.

AP6: Health Insurance Fund Investment Strategy

789. **Purpose of the fund**

790. The Health Insurance Fund is established under the Health Insurance (Jersey) Law 1967. The Fund receives allocations from Social Security Contributions, as specified under Article 30 of the Social Security (Jersey) Law 1974 for the use of paying all claims for money benefit (GP subsidy) and pharmaceutical benefit. The Minister for Social Security has responsibility for the control and management of the Fund.

791. The Minister for Treasury and Resources is responsible for the investment of the Fund's assets. The Minister for Treasury and Resources may, after consultation with the Minister for Social Security appoint one or more investment managers for the Fund.

792. **Strategy**

793. In order to meet the fund's purpose the strategy set is a mix between capital growth and income distribution. The Minister has set a strategic aim of investing 40% in return seeking assets (equities) to produce long term returns, with the remainder, 60% in risk reducing assets to provide some stability and in the case of corporate bonds, income returns.

794. The longer term strategic aim for the fund is to invest within the parameters indicated below:-

Asset Class	Strategic Aim %	Range %
Equities	40	37 - 43
Bonds	45	40 – 50
Cash	15	13 - 17

795. The ranges indicate tolerable variations according to investment conditions at any time.

796. **Investment Structure**

797. The Fund can carry out its investments through the available Common Investment Pools.

AP7: Consolidated Fund Investment Strategy

798. **Purpose of the Fund**

799. The Consolidated Fund is established under the Public Finances (Jersey) Law 2005 and effectively represents the States current account were it a household. Income from taxation, duties, chargeable services, fees and fines are paid in and expenditure approved by the States Assembly, on employees' salaries, equipment, supplies, services and capital projects etc are paid out from the consolidated fund.

800. Any balance on the fund is invested on a short term basis, until it is required to meet on-going approved expenditure.

801. **Strategy**

802. In order to meet the Fund's purpose the strategy set is risk adverse with capital preservation, liquidity and flexibility being the over-riding factors governing its requirements.

803. Investment should be made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes.

804. **Investment Structure**

805. The Fund can carry out its longer term investments through the available Common Investment Pools.

806. The remainder of the Fund's assets, required for daily cash-flow transactions, will be held with a single investment manager who specialises in investing in cash and near cash equivalent investments. The investment manager should operate within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

807. No more than 25% of the portfolio can exceed one year to maturity.

808. In order to mitigate risks further the investment manager responsible for the Consolidated Fund portfolio is limited to holding no more than 10% of the States portfolio with any one financial institution. Deposits can only be made with institutions which fall into the following categories:-

Deposit term	Rating
Short-term deposit (up to 12 months)	Standard & Poors A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poors AA and Moody's Aa3

809. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

810. No derivatives, overseas currency and off balance sheet vehicles are permitted.

AP8: Currency Notes And Coins Funds Investment Strategies

811. **Purpose of the Fund**

812. The States Currency and Coinage Funds are provided for under the Public Finances (Jersey) Law 2005 and the Currency Notes (Jersey) Law 1959. The principal purpose of these Funds is to hold assets that match the value of Jersey currency in circulation, such that the holder of Jersey currency could on request be repaid.

813. **Strategy**

814. In order to meet the purpose of the Funds the strategy is based mainly on the requirement to invest in low risk cash based assets to protect and maintain the capital value of the investments and to ensure that currency and coinage in circulation is matched and that investments could be liquidated fairly quickly should a need arise.

815. In order to maximise the potential return to the Funds a relatively small element of the Fund should be held in Equities and Short Term Government Bonds.

816. Operational cash represents the maximum expected short term fluctuation in the currency in circulation which may be called upon by the banks and therefore is not deemed to be available for Investment purposes.

817. The long term strategic aims of the Funds, for the investable balance (i.e. non operating stock of cash) are to invest in the parameters indicated below. In addition a further £2 million is to be held in cash as a buffer to provide against volatility of currency in circulation :-

Asset Class	Strategic Aim %	Range %
Equities	20	18 - 22
Bonds	10	9 - 11
Cash	10	9 - 11
Non Stock Market Assets		
Alternative Investments Class	60	n/a

818. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

819. The fund will invest in Jersey Infrastructure Investments as a part of its Alternative asset class using various instruments to carry out the investment. It is further anticipated that these investments provide returns in excess of cash, be a viable investment option and offer investment diversification.

820. **Investment Structure**

821. The Currency Notes and Coinage Funds can carry out their investments through the available Common Investment Pools.

AP9: Pension Funds and Their Investment Strategies

822. **Background**

823. The Minister for Treasury and Resources approves strategy based on recommendations from the relevant Board or Committee of Management responsible for the individual pension fund. In approving the relevant Investment Strategy the Minister takes appropriate investment advice from the States Investment Adviser.

824. **Governance arrangements**

825. **Investment Advice**

826. The Management Committee/Board responsible for these Funds takes independent professional investment advice and guidance from appropriately qualified and experienced persons on the strategy to be followed.

827. **Appointment of Fund managers**

828. Independent Investment Managers are appointed to manage the various assets of the pension funds. These Managers are appointed by the Committee/Board following a selection process and after receiving independent advice and guidance. The appointment of managers needs ratification from the Minister for Treasury and Resources.

829. **Performance monitoring**

830. As with those funds which fall under the Minister's direct responsibility, the appointment of advisers and managers and their performance for pension funds is regularly assessed by individual Investment Sub-Committees, set up by the Pension funds Management Committee/Board.

831. **Independent Custodians**

832. In order to safeguard the pension funds interests and assets and to mitigate risks independent custodians are appointed to provide safe keeping for all those assets which are directly invested by the investment managers.

833. **Public Employees Contributory Retirement Scheme (PECRS)**

834. **Purpose of the Fund**

835. The Public Employees Contributory Retirement Scheme (PECRS) is the States pension scheme set up to meet retirement benefits of all contributing public sector employees (excluding teachers) over 20 years of age.

836. Investment issues are considered by the Scheme's Investment Sub-Committee under advice from an Independent Investment Adviser and recommendations made to the Committee of Management for endorsement and/or referral to the Minister for Treasury and Resources as appropriate.

837. **Strategy**

838. The aim of the investment strategy is to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.

839. The current strategy followed is:-

Asset Class	Strategic Aim %	Range %
Growth Investments		
Equities	45	35 – 55
Alternatives	10	5 - 15
Bond Like Investments		
Property	7.5	2.5 – 12.5
Bonds	20	10 – 30
Cash and Cash Equivalents	-	0 – 10

840. Any requirement for rebalancing between the asset classes is reviewed on a quarterly basis with advice from the Scheme's Investment Adviser.

841. The States has recognised responsibility for the pre 1987 Debt for PECRS which it has agreed to repay over an 82 year period. This represents approximately 17.5% of PECRS total assets (referred to as "Debt" in the table above) and these payments can be regarded like a salary related index linked gilt issued by the States.

842. Jersey Teachers' Superannuation Fund (JTSF)

843. Purpose of the Fund

844. Membership of the Jersey Teachers' Superannuation Fund (JTSF) is compulsory for all teachers in full time employment and optional for those who work part-time.

845. The fund receives pension contributions from working teaching staff and also from the Education, Sport and Culture Department.

846. Strategy

847. The strategy for the Fund is based on the Board's aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.

848. The long term strategy is to hold one fifth of the assets in risk reducing categories (e.g. bonds and property) and four fifths in return seeking assets (e.g. equities). Tactical moves diverging away from this strategic distribution may occur according to prevailing market conditions and prospective returns from each asset class.

849. The table below illustrates the long term asset allocation strategy:-

	Strategic Aim %	Range %
Equities	80	76 - 84
Property	10	0 - 10
Bonds/Cash	10	6 - 14

850. The above strategy is applied to the assets which are currently invested in the JTSF and does not take account of the future contributions which will be received to cover increases to pensions in payments which have been recently added to the scheme liabilities. The current Investment Strategy therefore contains a higher level of return seeking assets than may otherwise be the case.

851. Any rebalancing between the asset classes is carried out on a quarterly basis on advice from the Scheme's Investment Adviser.

852. **Investment Structure**

853. The Management Board appoints individual investment managers, and has currently appointed one specialist equity manager and one passive manager.

Special Funds

854. **Purpose of the Funds**

855. The States has a number of Special funds set up for specific purposes. Funds falling into this category include the Tourism Development Fund, Channel Islands Lottery (Jersey) Fund and the Dwelling-Houses Loan Fund.

AP10: Tourism Development Fund (TDF) Investment Strategy

856. **Introduction**

857. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

858. Under and Public Finances (Transitional Provisions) (no.1) Jersey Regulations 2005 (Regulation 9) the Tourism Development Fund (TDF) is given Special Fund status.

859. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

860. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

861. This document provides details on:
   - *Investment Strategy for the Fund*
   - *States of Jersey - Common Investment Fund*

862. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

863. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

864. **Tourism Development Fund**

865. Purpose of the Fund

866. The Tourism Development Fund (TDF) was established by proposition P170/2001, lodged by the former Tourism Committee (now the Minister for Economic Development) entitled - Investing in Tourism's future au Greffe. This was approved by the States of Jersey on 18th December 2001.

867. The purpose of the proposition was for the Tourism Development Fund to replace the old Tourism Investment Fund (TIF) and for the States to agree a principal £10 million to be deposited into the Fund over a 5 year period. In 2003 £1.2 million was transferred into the Fund and in 2006 a further £1 million, however since then no further monies have been deposited into the Fund. The aim and objectives of the Fund are as follows:-

868. Aim - "to stimulate investment in tourism infrastructure in order to improve Jersey's competitiveness and sustain a flourishing tourism industry as a second pillar of the economy."

869. Funds objectives: "1) improve quality of visitor experience 2) enhance distinctiveness and environmental quality 3) improve cost efficiency and focused use of resources and

4) secure implementation of the tourism strategy. "

870. The Economic Development Department is responsible for the administration of the Fund. The Department is also responsible for the assessment of all initial project proposals before they are submitted to the Tourism Development Fund Panel (Advisory Panel).

871. The Advisory Panel comprises of nine members from the private sector and senior officers from the Economic Development Department. The Advisory Panel usually meets four times a year.

872. Grants are awarded by the Tourism Development Fund Panel; where an application exceeds £0.5 million, this is referred to the Minister for Treasury and Resources for prior approval.

873. **Investment Strategy**

874. In order to meet the Fund's purpose the investment strategy set is to maintain the monetary value of the Fund, excluding investment income, to provide a high level of security and a good level of liquidity to finance projects as required.

875. It is recommended that the annual cash requirement for Tourism projects is forecast and that any surplus cash balances not required in the current year be invested into short-dated gilts to maximise the investment returns for the Fund.

876. The longer term strategy for the Fund is to hold assets in cash and cash equivalents. Therefore the Minister has set a strategic aim of investing all monies in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Government Bonds	-	0 - 70
Cash	100	0 - 100

877. The intention is that this Fund; apart from any monies required as a working balance; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

878. The cash holdings invested in the Consolidated Fund are subject to the following restrictions:-

879. **Investment Manager Allocation Limits**

880. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

881. No more than 25% of the portfolio can exceed one year to maturity.

882. Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

883. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

884. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

885. No off-balance sheet vehicles are permitted.

886. **Investment Structure**

887. The Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until it invests in the States of Jersey – Common Investment Fund.

AP11: Channel Islands Lottery (Jersey) Fund Investment Strategy

888. **Introduction**

889. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

890. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

891. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

892. This document provides details on:
    - *Investment Strategy for the Fund*
    - *States of Jersey - Common Investment Fund*

893. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

894. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

895. **Channel Islands Lottery (Jersey) Fund**

896. **Purpose of the Fund**

897. The Channel Islands Lottery is one of the longest running small lotteries in the world. It began in Jersey in the mid 1960s and raised millions of pounds for the development of Fort Regent. In 1975, Jersey and Guernsey Channel Islands joined together to form the Channel Islands Lottery and have been successful in raising money for sport leisure and recreation in the Islands and supporting the Association of Jersey Charities; which is made up of approximately 245 charities (February 2010).

898. Under the Gambling (Jersey) Law 1964 (article 3), the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975 were made, setting out the Funds constitution, operations and administration provisions.

899. The promotion of the lottery is carried out by the Minister for Economic Development jointly with the Guernsey Committee ("States of Guernsey Gambling Control Committee").

900. In Jersey the Public Lotteries Board has been set up for the purpose of advising and assisting the Minister for Economic Development in all matters concerning the promotion and conduct in Jersey of the Channel Islands Lottery. The Board holds office for five years and consist of a chairman and not less than six other persons who have integrity and are ordinary residents in Jersey.

901. The Fund is administered by the Treasurer of the States of Jersey.

902. The Minister for Economic Development has powers to set aside reserves to exercise his or her functions under the regulations. In 2009, proposition P.155/2009 was approved by the States to retain 10% of the 2009/10 profits in order to boost the Fund's reserves as a contingency measure, prior to distributing the Lottery's profit.

903. Under P.123/2011 in the 2012 Business Plan it summarises that once the Channel Islands Lottery activities are expanded, it is the intention that in addition to supporting the Association of Jersey Charities the Fund will also provide support to the Jersey Heritage Trust from 2013.

904. Currently there is some debate around the future of the Lottery if Islanders start playing the UK Lottery in Jersey. This situation remains under review pending resolution of legal difficulties.

905. Investment Strategy

906. During the year monthly trading cash receipts from sales of tickets after deduction of prize monies continue to grow. Historically, by December the Fund holds substantial cash balances due to compounding monthly ticket net inflows and large ticket sales from the Christmas Charity Draw.

907. Each year in March/April a substantial payment is made to the Association of Jersey Charities, which coincides with the presentation of the previous years' annual accounts to the States.

908. In order to meet the Fund's purpose the investment strategy's emphasis is on security, maintenance of capital value, flexibility and a very high level of liquidity rather than on investment growth.

909. The long term investment strategy is to hold all assets in cash and short term instruments, such as Certificates of Deposits. As many of the significant cash flows occur annually, some of the cash may be invested on a longer term basis (i.e. greater than 3 months).

910. The intention is that this Fund; apart from any cash balances required as working balances; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

911. The cash holdings invested in the Consolidated Fund are subject to the following restrictions:-

912. **Investment Manager Allocation Limits**

913. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

914. No more than 25% of the portfolio can exceed one year to maturity.

915. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

916.

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

917. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

918. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

919. No off-balance sheet vehicles are permitted.

920. **Investment Structure**

921. The Fund can carry out its longer term investments through the available Common Investment Pools.

922. Each year in March/April monies will need to be available to meet the annual large payment made to the Association of Jersey Charities.

AP12: Dwelling-Houses Loan Fund Investment Strategy

923. **Introduction**

924. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

925. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

926. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

927. This document provides details on:
   - *Investment strategy for the Fund*
   - *States of Jersey - Common Investment Fund*

928. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that cash will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

929. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

930. **Dwelling-Houses Loan Fund**

931. **Purpose of the Fund**

932. The Building Loans (Jersey) Law 1950 ("the Law"), article 2 established the "Dwelling-Houses Loan Fund" for the following purpose:-

933. "to establish a building loans scheme to enable residentially qualified first-time buyers, who have never owned residential freehold property in Jersey, to purchase their first home. They must be able to demonstrate they have a deposit and can meet the loan repayments."

934. The Fund was created at a time when Building Societies did not exist in the Island and Banks had not yet become extensively involved in lending monies for house purchases.

935. Under the Law and Building Loans (Miscellaneous Provisions) (Jersey) Regulations 1961, loans are granted by the Minister for Housing (former Housing Committee). The current maximum loan available is £120,000 and the maximum life of a loan cannot exceed 40 years from the date of the contract.

936. Loans issued are currently charged an interest rate of 7.5% under the Building Loans (Prescribed Rate of Interest) (Jersey) Order 2003. The Fund's interest rate is determined by the Minister for Housing after consultation with the Minister for Treasury and Resources.

937. In recent years, the Funds cash balance has increased as fewer loans are being issued

and current loan balances are being repaid, as part of normal business or repaid early as borrowers transfer their loans to commercial lenders.

938. Under Article 2 of the Law, the States have powers to pay into and take monies out of the Fund. In 2006 the States agreed to transfer £32 million out of the Fund to the Stabilisation Fund (P.40/2006) and during 2009 a further £18 million was transferred out of the Fund to the Stabilisation Fund (P.55/2009).

939. Investment Strategy

940. In order to meet the Fund's purpose the investment strategy set is to maintain security and a high level of liquidity so as to provide lending when required; ensuring that the asset value of the Fund is only subject to small fluctuations.

941. The strategy is designed to maintain the asset value of the Fund in monetary, rather than real terms and any income received will help to offset the effects of inflation on monetary values.

942. The long term investment strategy for the Fund is to hold assets (excluding the loan book) in cash and cash equivalents and short dated government bonds.

943. The short term cash holding at any one time should be sufficient to cover potential loans to be issued in the forthcoming year. Therefore the Minister has set a strategic aim of investing all monies in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Government Bonds	75	72 - 83
Cash	25	22 - 28

944. The intention is that this Fund; apart from loan book; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

945. The cash holdings invested in this Fund are subject to the following restrictions:-

946. Investment Manager Allocation Limits

947. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

948. No more than 25% of the portfolio can exceed one year to maturity.

949. Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

950. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

951. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

952. No off-balance sheet vehicles are permitted.

953. Investment Structure

954. The Fund can carry out its longer term investments through the available Common Investment Pools.

Trust & Bequest Funds

955. **Purpose of the Funds**

956. These are Funds which have been left to the States as a legacy or bequest to be used for the purpose specified by the benefactor.

957. **Strategy**

958. Many of these Funds have been left with the intention that they will be spent and therefore unallocated funds need to be held in liquid assets. This means that the strategy for these types of Funds is to hold these assets in cash balances.

959. Larger States Funds which are more significant in value have their own tailored Investment Strategies. The intention is that many of these larger funds will be able to participate in the Common Investment Fund in order to carry out their strategic aims.

960. Below are published investment strategies for the first group of larger funds. It is the intention of the Minister for Treasury and Resources to continue to develop and implement individual strategies for many of larger funds over the forthcoming year.

AP13: Estate Of A A Rayner Fund Investment Strategy

961. ## Introduction

962. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

963. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

964. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

965. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

966. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

967. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

968. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

969. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

970. ## The A A Rayner Fund

971. ### Purpose of the Fund

972. The late Mrs Ann Alice Blason (nee Colclough) (wife of Charles Henry Blason and the widow of John Edward Rayner the late Lord Mayor of Liverpool) bequeathed assets, to the States of Jersey for specific purposes, as detailed within her will dated 30th October 1945.

973. The acceptance of the bequest by the States and resolution on how the Fund was to be administered was expressed in R&O 2536 which was adopted by the States on 16th November 1949.

974. In 2001 the States approved amendments to the objects of the Fund (P38/2001 dated 27th March 2001 raised by Finance and Economics Committee (now the Minister for Treasury and Resources)), as the view was that the initial objectives of the Fund had

been over taken with time and events. The revised objectives are as follows:-

975. "1) the provision of pecuniary relief to needy persons residing in Jersey and 2) such other objectives or purposes of a charitable or philanthropic nature as the States may hereafter in their absolute discretion determine."

976. P38/2001 also made amendments to the administration of the Fund, thus rescinding R&O 2536 and a later act dated 11th September 1979. Under P38/2001, the Fund's income is now administered by a Delegation which consists of 4 Jurat's of the Royal Court of Jersey.

977. The Minister for Treasury and Resources (formerly the Finance and Economics Committee) is responsible for any changes to the investment of the Fund after consultation with the Delegation.

978. Day to day administration and accounting is the responsibility of the Treasury and Resources Department.

979. The will bequeaths the income of the Fund to be used for its objectives and further gives the States discretion to distribute capital to an amount not exceeding one half of the total capital of the Fund. In practice all bequeaths historically have only been made out the income of the Fund.

980. ## Investment Strategy

981. P38/2001 gives the Minister for Treasury and Resources (formerly the Finance and Economics Committee) responsibility for any changes to the investments of the Fund after consultation with the Delegation. It further provides the opportunity to invest in immovable property situated in or outside the Island which will be held by the States of Jersey for and on behalf of the Fund.

982. In order to meet the Fund's purpose the strategy set is to work towards its objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period coupled with generating sufficient levels of income for distribution.

983. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

984. Therefore the Minister has set a strategic aim of investing 75% in return seeking assets (equities and alternative investments class) and 25% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	65	58 - 72
Bonds	25	22 - 28
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

985. The Fund participates in the Common Investment Fund, as explained in Section 3 of this appendix.

986. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

987. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

988. The cash holdings in this Fund are subject to the following restrictions:-

989. Investment Manager Allocation Limits

990. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

991. No more than 25% of the portfolio can exceed one year to maturity.

992. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

993. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

994. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

995. No off-balance sheet vehicles are permitted.

996. **Investment Structure**

997. The Fund can carry out its longer term investments through the available Common Investment Pools.

998. Until the Alternative Investments class pools are operational monies will be invested in the bond investment pools.

AP14: The Rivington Travelling Scholarship Investment Strategy

999. ## Introduction

1000. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1001. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1002. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1003. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1004. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1005. The strategy reflect the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances.

1006. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1007. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1008. ## The Rivington Travelling Scholarship Fund

1009. ### Purpose of the Fund

1010. The late Mr William Charles Richmond-Pickering ("testator") bequeathed the remainder of his estate, to establish "The Rivington Travelling Scholarship" for the following purposes, as detailed within his will dated 17th April 1980:-

1011. "to enable a person, male or female, of any age, to visit such museums or art galleries out of the Island as would further his or her appreciation of arts, crafts and/or history. The only other criteria of the award to be the sincerity of the applicant's intention and lack of funds."

1012. The will provided that in the event that the States did not accept the legacy on the terms set out by the testator that the residue of his estate would be given to Société Jersiaise.

1013. The acceptance of the bequest by the States was expressed in proposition P.117/2004 made by the Education, Sport and Culture Committee (now the Minister for Education, Sport and Culture), which was adopted on 20th July 2004.

1014. The administration of the Fund is carried out by a delegation of three persons; one person nominated by the Minister for Education Sports and Culture; one person representing the Jersey Arts Trust and one person representing Jersey Heritage Trust. executive and secretarial support is provided by officers of the Department for Education, Sport and Culture.

1015. The will makes no differentiation as to whether distributions should be made out of the capital or income of the Fund. However, the delegation, at their inaugural meeting decided to only allow grants to be made out of the annual income of the Fund in order to preserve the capital of the Fund.

1016. Investment Strategy

1017. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1018. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.

1019. It is assumed that providing the required distribution income is generated that the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

1020. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1021. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	50	45 – 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

1022. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix.

1023. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1024. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1025. The cash holdings in this Fund are subject to the following restrictions:-

1026. Investment Manager Allocation Limits

1027. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1028. No more than 25% of the portfolio can exceed one year to maturity.

1029. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1030. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1031. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1032. No off-balance sheet vehicles are permitted.

1033. Investment Structure

1034. The Fund can carry out its longer term investments through the available Common Investment Pools.

1035. Until the Alternative Investments Class pools are operational monies will be invested in the bond investment pools.

AP15: Estate Of H E Le Seelleur Investment Strategy

1036. **Introduction**

1037. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1038. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1039. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1040. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1041. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1042. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

1043. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1044. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1045. **Estate Of H E Le Seelleur**

1046. **Purpose of the Fund**

1047. Harold Ernest Le Seelleur died on 22 October 1996, bequeathing assets to the States of Jersey for itself and its successors in perpetuity, for the following purpose as detailed under his will dated 28 December 1988 (The will was registered in Royal Court on 27 November 96):-

1048. "for the benefit of aged, infirm and needy residents of the Island."

1049. The acceptance of the bequest by the States was expressed in the terms of proposition P.71/97 of the Health & Social Services Committee, adopted by the States on 2 June 1997. Under the proposition it was decided that the administration of the Fund should be carried out by the Minister for Health and Social Services (formerly known as The Health and Social Services Committee).

1050. The assets originally settled into the Fund comprised of Jersey based property. Life long enjoyment was provided for two properties; number 1 and 4 The Denes, Greve D'Azette, St Clements.

1051. The Testator, expressly wished that the Executor, Mrs Pugsley, be consulted with a particular view towards the use of the properties for the benefit of aged, infirm and needy residents of the Island.

1052. The will makes no differentiation between whether bequests should be made out of capital or income of the fund. Therefore this gives the administrators of the Fund the power to distribute all available assets to needy causes as they arise. (excluding properties held for life interest).

1053. **Investment Strategy**

1054. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3).

1055. For the non property assets, in order to meet the Fund's purpose, the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund, over a rolling five year period coupled with providing reasonable levels of income for distribution.

1056. The Fund has been left with the intent that life-interest properties are to be held within the Fund until the life interests cease. It has been assumed that for all other property assets that they will be maintained at least in the short-term. These assets are professionally valued every three years and as part of this process advice should be sought on current market rental returns in order to take a view as to whether to retain the Jersey properties (except life interest properties) in the longer-term investment strategy for the Fund.

1057. Therefore the Minister has set a strategic aim, excluding Jersey Property, of investing 65% in return seeking assets (equities) designed to produce long term returns and 35% in risk reducing assets designed to provide stability and income, as detailed below:-

	Strategic Aim %	Range %
Equities	65	58 - 72
Bonds	30	27 - 33
Cash	5	4 - 6

1058. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. All Jersey Property will remain outside of the Common Investment Fund. Initially all other assets will be held in the form of cash balances and short term instruments, such as Certificates of Deposits.

1059. The ranges indicate tolerable variations according to investment conditions at any time.

1060. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

1061. The cash holdings in this Fund are subject to the following restrictions:-

1062. **Investment Manager Allocation Limits**

1063. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1064. No more than 25% of the portfolio can exceed one year to maturity.

1065. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1066. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1067. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1068. No off-balance sheet vehicles are permitted.

1069. **Investment Structure**

1070. The Fund's assets excluding Jersey Properties are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments. This is a temporary measure until longer term investments are carried out through the States of Jersey –Common Investment Fund.

1071. All of the Jersey Properties will remain outside of the Common Investment Fund.

AP16: Estate Of E J Bailhache Investment Strategy

1072. **Introduction**

1073. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1074. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1075. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1076. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1077. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1078. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

1079. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1080. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1081. **Estate Of E J Bailhache Fund**

1082. **Purpose of the Fund**

1083. The late Mrs Eunice Jane Bailhache (née Hubert), who died on 15th June 1979, bequeathed assets for the following purposes, as detailed in her will dated 20th September 1974:-

1084. "Public of the Island of Jersey for the benefit of the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey for the general welfare of persons elderly, and/or blind or sick at the General Hospital."

1085. The States Law Officers' department in their letter dated 24th October 1994 provided a definition of welfare as "health, happiness and general wellbeing."

1086. The acceptance of the bequest by the States was delayed for quite a few years as the will was contested. Eventually in March 1984, a settlement was agreed on the basis that 60% of the estate should be retained by the public of the Island. This was passed in Court on 25th January 1985.

1087. The States accepted the bequest, made up mostly of properties, under proposition (P.13/85) made by the Public Health Committee on 12th March 1985. The proposition resolved that the administration of the Fund should be carried out by the Minister for Health and Social Services (formerly known as The Public Health Committee).

1088. Since the States' acceptance of the Fund, the Fund still continues to hold mainly properties, which are all based in Jersey and are rented out. Over recent years some of the original bequeathed properties have been sold as there was no further use for them and the sale proceeds were reinvested into new properties.

1089. The will makes no differentiation between whether distributions should be made out of capital or income of the Fund. Therefore this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

1090. **Investment Strategy**

1091. The will provides no guidance as to how the investments of the Fund should be carried out, therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1092. For the non property assets, in order to meet the Fund's purpose, the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund, over a rolling five year period coupled with providing reasonable levels of income for distribution.

1093. For the property assets held, it has been assumed that these will be maintained at least in the short-term. These assets are professionally valued every three years and as part of this process advice should be sought on current market rental returns in order to take a view as to whether to retain the Jersey properties in the longer-term investment strategy for the Fund.

1094. Therefore the Minister has set a strategic aim, excluding Jersey Property, of investing 65% in return seeking assets (equities) designed to produce long term returns and 35% in risk reducing assets designed to provide stability and income, as detailed below:-

	Strategic Aim %	Range %
Equities	65	58 - 72
Bonds	30	27 - 33
Cash	5	4 - 6

1095. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. Jersey Property will remain outside of the Common Investment Fund.

1096. The ranges indicate tolerable variations according to investment conditions at any time.

1097. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

1098. The cash holdings in this Fund are subject to the following restrictions:-

1099. Investment Manager Allocation Limits

1100. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1101. No more than 25% of the portfolio can exceed one year to maturity.

1102. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1103. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1104. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1105. No off-balance sheet vehicles are permitted.

1106. **Investment Structure**

1107. The Fund can carry out investment through the States of Jersey – Common Investment Fund.

1108. All of the Jersey Properties which will remain outside of the Common Investment Fund.

AP17: Le Don De Faye Trust Fund Investment Strategy

1109. **Introduction**

1110. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1111. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1112. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1113. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1114. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1115. The strategy reflects the Minister's long term investment aim for this Fund with the intention to moves towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances and unquoted investments.

1116. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1117. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1118. **Le Don De Faye Trust Fund**

1119. **Purpose of the Fund**

1120. Jurat Percy Chambers Cabot died on 24th April 1959 and bequeathed his assets to the Treasurer of the States of Jersey ("Trustee"), to set up a Trust Fund called "Le Don de Faye" after the death of the annuitant, his unmarried sister, Alice Jane Chambers ('Lilian') Cabot. The Trust Fund was created in memory of his late wife Vera Mary de Faye and of her late father Thomas Louis de Faye, Major, Royal Militia of Island of Jersey.

1121. The will dated 7th June 1958, states that the assets are to be held in trust, for the following purpose (the will was probated on 29th April 1959):-

1122. "to distribute the annual income of the Fund (not necessarily in equal sums) for the sole discretion of the Rectors and their Churchwardens of the twelve parishes, for them to have sole discretion to distribute to needy parishioners of all social standing in each parish."

1123. Under the terms of the will, the income of the Fund is to be apportioned and distributed in the name of the bequest "Le Don de Faye", 2/13th to the Rector and Churchwardens of St Clements in the first week of December and 1/13th to each of the Rectors and Churchwardens of the other 11 parishes in the third week of December.

1124. The Treasurer as trustee for the fund is required to carry out the following duties:-

- *To hold the capital of the Trust Fund together with the accumulated income as shall have accrued, together with any other liquid assets of the personal estate in the Trust.*
- *To invest the residue and proceeds of the Trust Fund as directed by the Committee of the States responsible for the controlling and supervising the finances of the States of Jersey (formerly known as the Finance and Economics Committee now the Minister for Treasury and Resources)*

1125. The will clearly states that the bequests should only be made out of the income of the Fund and therefore the capital of the Trust Fund should be preserved and not distributed.

1126. Investment Strategy

1127. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1128. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding, the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.

1129. It is assumed that providing the required distribution income is generated, the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

1130. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1131. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative Investments class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	50	45 – 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

1132. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will continue to be held in their current holding percentages of unquoted equities, cash balances and short term instruments, such as Certificates of Deposits.

1133. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1134. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1135. The cash holdings in this Fund are subject to the following restrictions:-

1136. Investment Manager Allocation Limits

1137. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1138. No more than 25% of the portfolio can exceed one year to maturity.

1139. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1140. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1141. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1142. No off-balance sheet vehicles are permitted.

1143. **Investment Structure**

1144. The Fund can carry out investment through the States of Jersey –Common Investment Fund.

1145. Until the Alternative Investment class pools are operational monies will be invested in the bond investment pools.

1146. The Fund's holding in Jersey Water will be retained and be held outside of the Common Investment Fund.

AP18: Greville Bathe Fund Investment Strategy

1147. **Introduction**

1148. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.

1149. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1150. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1151. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1152. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1153. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances.

1154. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1155. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1156. **The Greville Bathe Fund**

1157. **Purpose of the Fund**

1158. The late Mr Greville Inverness Bathe bequeathed assets, to the Treasurer of the States of Jersey, for himself and his successors to be held in Trust for and on behalf of the States for the following purposes, as detailed within his will dated 9th October 1961:- (This will was deposited and proved in the Registry in Florida on 17th December 1964.)

1159. "half the income of the fund should be available for relief & pensions to needy persons of either sex whose legal domicile is in the Island of Jersey, who have rendered service to the Island of Jersey either in an honorary or remunerated administrative or clerical capacity, or whose ancestors were employed or engaged in such service to the Island, but excluding persons who have benefited under the Alice Rayner Fund (Fund A)" "The other half of the fund is to distribute income for grants to sick or aged persons of either sex & of any age or denomination, resident in the Island of Jersey (Fund B)."

1160. Note the terminology of Fund A and B was introduced in a Royal Court Judgement made in 1973 (JJ 2513)

1161. The will expressed that the administrators of the Fund should be four persons resident and domiciled in the Island of Jersey who are not members of the States Assembly and would prefer those appointed by the States of Jersey be Jurats' of the Royal Court, as they are non-political and have been elected by an Electoral College established under the law.

1162. The acceptance of the bequest by the States and the former Finance and Economics Committee (now the Minister for Treasury and Resources) together with clarification of how the Fund was to be administered was adopted by the States on 29th April 1964 (84/6(1))

1163. On 23 January 1974 the Royal Court made a judgement around the administration of the Fund (Page 2534), stating that the administrators need to maintain at the end of December each year a balance of not less than three times the current years payments in Fund A and that any remaining balances could be transferred into Fund B. In recent years the use of Fund A and Fund B terminology has been withdrawn as there were few requests for donations out of Fund A and a decision taken that all future claimants be diverted to the Ann Alice Rayner Fund.

1164. Day to day administration and accounting is the responsibility of the Treasury and Resources Department.

1165. Investment Strategy

1166. The Public Finances (Jersey) Law 2005 (Article 6) requires that the investment of monies be applied in accordance with provisions set out in any special fund or trust. Under the provisions of the will, the Treasurer of the States (Trustee) is given powers to manage and maintain the investments of the Fund (including the replacement of investments held to liquid assets) and to invest the capital as thought fit and proper. Securities should be held within banks of good standing.

1167. In order to meet the Fund's purpose the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period coupled with providing sufficient high levels of income for distribution.

1168. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1169. Therefore the Minister has set a strategic aim of investing 75% in return seeking assets (equities and alternative Investments class) and 25% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	65	58 – 72
Bonds	25	22 - 28
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

1170. The Fund participates in the Common Investment Fund, as explained in Section 3 of this appendix.

1171. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1172. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1173. The cash holdings in this Fund are subject to the following restrictions:-

1174. Investment Manager Allocation Limits

1175. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1176. No more than 25% of the portfolio can exceed one year to maturity.

1177. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1178. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1179. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1180. No off-balance sheet vehicles are permitted.

1181. Investment Structure

1182. The Fund can carry out investment through the States of Jersey –Common Investment Fund.

1183. Until the Alternative Investment Class pools are operational monies will be invested in the bond investment pools.

AP19: Estate Of A H Ferguson Bequest Investment Strategy

1184. **Introduction**

1185. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1186. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1187. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1188. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1189. This document provides details on:
    - *Investment Strategy for the Fund*
    - *States of Jersey - Common Investment Fund*

1190. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

1191. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1192. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1193. **A H Ferguson Bequest Fund**

1194. **Purpose of the Fund**

1195. The late Mr Alexander Hugh Ferguson, who died on 20th September 1982, bequeathed the remainder of his assets, for the following purposes, as detailed within his will dated 13th November 1980:-

1196. "I give all my estate wheresoever and whatsoever (save and except Real Estate situate in the said Island of Jersey) unto the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey and I desire them to apply the same for the benefit of the Intensive Care Unit at the Jersey General Hospital."

1197. This means that the administration of the Fund is the responsibility of the Minister for Health and Social Services (formerly The Public Health Committee).

1198. The will makes no differentiation as to whether distributions should be made out of the capital or income of the fund. Therefore this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

1199. **Investment Strategy**

1200. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1201. In order to meet the Fund's purpose an Investment Strategy has been set to enable income distributions of £9,000 per annum, working towards its objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period.

1202. It is assumed that providing the required distribution income is generated that the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

1203. The strategy assumes that the distributions will be paid from the investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1204. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim%	Range%
Stock market assets		
Equities	50	45 – 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

1205. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. Initially assets will continue to be held in their current holding percentages of equity, bond and cash balances.

1206. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1207. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1208. The cash holdings in this Fund are subject to the following restrictions:-

1209. **Investment Manager Allocation Limits**

1210. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1211. No more than 25% of the portfolio can exceed one year to maturity.

1212. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1213. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1214. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1215. No off-balance sheet vehicles are permitted.

1216. **Investment Structure**

1217. The Fund can carry out investment through the States of Jersey – Common Investment Fund

1218. Until the Alternative Investments Class pools are operational monies will be invested in the bond investment pools.

AP20: Ecology Fund Investment Strategy

1219. ## Introduction

1220. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1221. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1222. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1223. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1224. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1225. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

1226. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1227. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1228. ## Ecology Fund

1229. ## Purpose of the Fund

1230. The Ecology Fund was established on 26 March 1991 by the States of Jersey (P.32/1991) with a sum of money received as an insurance settlement from the Amoco Cadiz oil tanker disaster of 1978, with the following purpose, as detailed in the proposition:-

1231. "the interest from the investment of which would be available for use by the trustees to grant aid, wholly or partially, for any activity designed to promote or protect the environment or ecology of Jersey".

1232. The Fund rules and administrative structure were laid out in P.32/1991 by the former Finance and Economics Committee (now the Minister for Treasury and Resources).

1233. On 29 September 2005, the States approved amendments to the Fund rules, under P.192/2005; impacting the future management of the Ecology Fund, presentation of annual reports to the States and the process for the appointment of Trustees.

1234. The Fund is managed by Trustees, under P.192/2005, the Chairman of the Trustees should be a member of the States and on the recommendation of the Planning and

Environment Committee there should be five trustees appointed by the States on the nomination of former the Environment and Public Services Committee.

1235. The Treasurer of the States is responsible for investing the Capital of the Fund. Administration and accounting is the responsibility of the Planning and Environment Department.

1236. **Investment Strategy**

1237. Whilst P.32/1991 gives the Treasurer of the States the responsibility for investing the capital of the Fund, the two propositions provide no guidance as to how the investments of the Fund should be carried out. Therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 applies, where it requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1238. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding, the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.

1239. It is assumed that providing the required distribution income is generated, the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

1240. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1241. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim%	Range%
Stock market assets		
Equities	50	45 - 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

1242. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix.

1243. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1244. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1245. The cash holdings in this Fund are subject to the following restrictions:-

1246. Investment Manager Allocation Limits

1247. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

1248. No more than 25% of the portfolio can exceed one year to maturity.

1249. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1250. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1251. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1252. No off-balance sheet vehicles are permitted.

1253. Investment Structure

1254. The Fund can carry out its longer term investments through the available Common Investment Pools.

1255. Until the Alternative Investments class pools are operational monies will be invested in the bond investment pools.

AP21: The Lord Portsea Gift Fund Investment Strategy

1256. **Introduction**

1257. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.

1258. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.

1259. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.

1260. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1261. This document provides details on:

- *Investment Strategy for the Fund*
- *States of Jersey - Common Investment Fund*

1262. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.

1263. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.

1264. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

1265. ## The Lord Portsea Gift Fund

1266. ### Purpose of the Fund

1267. On 15th December 1957 a sum of £17,000 was bequeathed by the late Miss Albina Bertram Falle to the Royal Court and the States of Jersey in accordance with the wishes of her brother, the late Lord Portsea of Portsmouth, for the following purpose:-

1268. "I give and bequeath to the Royal Court and the States of Jersey the sum of £17,000 to be known as the Lord Portsea Gift Fund, to help all young Jersey and Guernsey boys (of Jersey and Guernsey Parentage) entering the Royal Navy, Army, Air Force and Civil Services who are in need of Financial help."

1269. The States accepted the bequest, under a proposition made by the former Education Committee (now the Minister for Education, Sports and Culture) on 23 January 1968.

1270. The Fund rules and administrative structure were laid out in Lord Portsea Gift Fund (Jersey) Act 1971 which was later amended under the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment) Act 1981 and the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment No.2) Act 1997.

1271. The purpose of the fund was extended under the 1981 and 1997 amendments to include females as well as males; to increase the upper age limit for grants to 30 years old and to widen the range of occupations applicable.

1272. The Fund is administered by a Delegation of eight persons – four Jurats of the Royal Court appointed from time to time by the Superior Number of the Royal Court and four members of the former Education Committee (now the Minister for Education, Sports and Culture). The President of the former Education Committee for the time being acts as chairman of the Delegation and shall have a casting vote.

1273. The delegation has powers to approve grants, these meetings generally occur twice a year in March and September. Grants can only be funded from the current year income and accumulated income.

1274. In the 1971 Act, the former Finance and Economics Committee (now the Minister for Treasury and Resources) has the powers to make changes to the investments of the Fund as from time to time considered necessary or expedient.

1275. ### Investment Strategy

1276. Whilst the 1971 Act gives the Minister for Treasury and Resources the responsibility for investing the capital of the Fund, the Act provide no guidance as to how the investments of the Fund should be carried out. Therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 applies, where it requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

1277. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding, the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.

1278. It is assumed that providing the required distribution income is generated, the delegation will accept some price volatility in their assets in the pursuit of longer term investment returns.

1279. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

1280. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

	Strategic Aim %	Range %
Stock market assets		
Equities	50	45 – 55
Bonds	40	36 - 44
Cash	-	0 - 3
Non Stock market assets		
Alternative Investments Class	10	n/a

The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix.

1281. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

1282. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

1283. The cash holdings in this Fund are subject to the following restrictions:-

1284. **Investment Manager Allocation Limits**

1285. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

Asset Class	Maximum Maturity	Maximum Allocation %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	2

1286. No more than 25% of the portfolio can exceed one year to maturity.

1287. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1288. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

1289. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1290. No off-balance sheet vehicles are permitted.

1291. **Investment Structure**

1292. The Fund can carry out its longer term investments through the available Common Investment Pools.

1293. Until the Alternative Investments class pools are operational monies will be invested in the bond investment pools.

AP22: Other Funds and Their Investment Strategies

1294. **Background**

1295. The Treasury and Resources Department manages the investments of over 250 States "other" funds. These can be split into four main categories:-

- *Trust and bequest funds;*
- *Confiscation funds;*
- *Special funds; and*
- *Jersey Post Office Pension Fund.*

1296. Trust and Special Funds have been dealt with above appendices.

1297. **Confiscation funds**

1298. **Purpose of the Funds**

1299. The Criminal Offences Confiscation Fund and the Drugs Trafficking Confiscation Fund fall into this category.

1300. **Strategy**

1301. These Funds invest in cash balances as the legislation governing them states that funds whilst not applied for any of the purposes required by the governing legislation will be placed "in a current or deposit account".

1302. Legal advice is being sought to ascertain whether it is possible to use other investment vehicles in order to maximise returns to these funds. Once received, the strategy relating to these funds may be amended.

1303. **Jersey Post Office Pension Fund**

1304. Purpose of the Fund

1305. When Jersey Post International Limited was incorporated under the provisions of the Postal Services (Transfer) (Jersey) Regulations 2006 the liability for the provision of pensions from the Jersey Post Office Pension Scheme, a closed scheme, transferred to the States.

1306. In order to meet this liability the States also transferred the Jersey Post Office Pension Fund consisting of assets that exactly matched the future pension liabilities of the scheme (fully funded).

1307. **Strategy**

1308. As the scheme is closed to new entrants and its liabilities (future pension payments) are linked to the cost of living, the investment strategy seeks to invest in assets that closely match these liabilities. As such the fund is predominantly invested in index linked gilts as these are likely to provide the best match against the scheme's future liabilities.

	Asset Allocation %
Index linked Gilts	93
Cash or near cash equivalents	7

AP23: States Of Jersey – Common Investment Fund Strategies

1309. **Introduction**

1310. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.

1311. The strategies set by the Minister pay particular regard to the need for diversification in both the management of the money available; and the level of funds to be invested.

1312. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

1313. This document provides details on the Investment strategies for the States of Jersey – Common Investment Fund and its various investment pools.

1314. The Common Investment Fund is an administrative arrangement open to only to States of Jersey Funds. It provides Funds with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale. Each Fund will hold units in the Common Investment Fund's asset pools in line with their individual investment strategies.

1315. The strategy reflects the Minister's long term investment aims for the States of Jersey - Common Investment Fund.

1316. The report includes information on matters relating to the States of Jersey investment strategies. This information is for this specific purpose only and should not be used for any other purpose.

1317. **Investment Strategy**

1318. **States of Jersey – Common Investment Fund**

1319. **Purpose of the Fund**

1320. The States of Jersey – Common Investment Fund was established by proposition P35/2010, lodged by the Minister for Treasury and Resources. The proposition was entitled "Draft Public Finances (Transitional Provisions) (No.2) (Amendment) (Jersey) Regulations 2010." The purpose of the proposition was to amend several existing regulations and to create a new regulation under the Public Finances (Transitional Provisions) (No.2) (Jersey) Regulations 2005 to enable the pooling of States Funds assets for Investment Purposes. This was approved by the States of Jersey on 12th May 2010.

1321. The purpose of the States of Jersey – Common Investment Fund is to create an administrative arrangement which is open only to States of Jersey Funds ("participants") to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

1322. The Funds objectives are:-

- *To offer investment pools to participants to enable them to effectively carry out their Investment Strategies.*
- *For all participants to continue to control their own asset allocations under the current*

governance arrangements.

- *Ensure the Fund operates effectively so as not to disadvantage any of its participants in relation to issuing of units and the monthly market valuation for those units. (Monthly unit valuation includes the allocation of monthly pool income and costs)*
- *To gain efficiencies in relation to the number of Investment Managers appointed by the Fund; by benefiting from reduced number of Investment Manager appointments and reduced management of day to day relationships therefore resulting in lower administration overheads.*
- *To endeavour where feasible to increase the net return for all participants through economies of scale.*
- *For the States of Jersey Treasury Advisory Panel and the States of Jersey Common Investment Fund Manager to ensure the Fund's performance is regularly reviewed and that it complies with its internal scheme rules; at all times ensuring adequate controls in place to manage its exposure of associated Investment and Operational risks.*

1323. The following Investment Pools will be available to all participants of the States of Jersey - Common Investment Fund:-

- *Equity Pools*
- *UK Equities Pool*
- *Global Equities Pools*
- *Passive Global Equities Pool*
- *Fixed Income Pools*
- *UK Corporate Bonds Pools*
- *Global Bond Absolute Return Pools*
- *UK Government Bonds Pools*
- *Cash Pools*
- *Long Term Cash and Cash Equivalents Pool*
- *Alternative Investment Pools**
- *UK Property Pools*
- *Absolute Return/ Hedge Fund of Funds Pool*
- *Infrastructure Investment Pools*
- **Alternative Pools are in the process of being established*

1324. Each Participant will hold units in the Common Investment Fund's individual asset pools in line with their individual investment strategies.

1325. Larger Special Funds and Separately Constituted Funds will have the opportunity to invest in the Fund as permitted by their legislation/ Trust deeds.

1326. The Treasury and Resources Department is responsible for the administration of the Fund.

1327. The pools will offer accumulation units only to participants and trading in units is only permitted monthly.

1328. The following section outlines investment approach of each respective CIF pool. Each pool is managed by an investment manager operating under a specific mandate stipulating investment objectives, limitations and conditions designed to manage both the scope of investment and risk/return characteristics of the pool. These underlying investment conditions are constantly monitored and may be subject to change as market conditions shift. Key investment restrictions are maintained in the scheme rules.

1329. Changes to the underlying mandate of any pool will be assessed against the investment approach detailed below. Any mandate changes deemed significant enough to modify the investment approach of the pool will require the States of Jersey Investment Strategies to be resubmitted to the States.

Investment Strategies For Each Investment Pool

1330. Equity Pools: UK Equities Pool

1331. The focus of the UK equities pool is to invest in UK equities which are constituents of the FTSE All Share Index. Although the focus of the pool is to generate returns through investment in UK equity some sectors of the FTSE All-Share index can be concentrated in a small number of stocks. Accordingly to allow the pool to build an appropriately balanced portfolio the strategy provides the flexibility to invest a small proportion of the pool in non-UK equities or cash when deemed desirable by the investment manager.

1332. The pool seeks to generate returns which are in excess of those generated by the UK Market benchmark.

1333. The UK equity pool seeks to earn long term returns by allocating its assets to a well diversified mix of UK equities. At the same time, the equity portfolio assumes a larger amount of risk. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Therefore the equity portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

1334. The pool is not permitted to trade in derivatives such as options or futures (no shorting)

1335. Equity Pools: Global Equities Pools

1336. The focus of the global equities pools is to invest in global equities which are constituents of the MSCI All Country World Index. The pool is permitted some flexibility to invest a small portion of its overall portfolio in equity from countries outside the MSCI All Country World Index or in cash when deemed desirable by the investment manager.

1337. The pool seeks to generate returns which are in excess of those generated by the global market benchmark.

1338. The global equity pool seeks to earn long term capital returns by allocating its assets to a well diversified mix of Global equities. At the same time, all equity portfolios assume a larger amount of risk. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Therefore the equity portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

1339. The pool is permitted to purchase foreign exchange type derivatives such as forwards, but only for the purpose of hedging or in respect of the settlement of equity transactions/ dividend receipts which are in currencies other than Sterling (no shorting).

1340. Equity Pools: Global Passive Equity Pool

1341. The global passive equity pool seeks to mimic the returns of the FTSE World Index. The pool will seek to be 100% invested in equity, holding cash only on a transitional basis between equity purchases and withdrawals from the pool.

1342. As a passive pool it will not actively seek outperformance but will instead replicate the FTSE World Index at a lower cost than the actively managed pools.

1343. The global passive equity pool seeks to earn long term capital returns by allocating its assets to replicate the makeup of the FTSE World Index. All equity portfolios assume a larger amount of risk, during shorter periods of time it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Therefore the equity portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

1344. The pool is permitted to purchase foreign exchange type derivatives such as forwards, but only for the purpose of hedging or in respect of the settlement of equity transactions/ dividend receipts which are in currencies other than sterling (no shorting).

1345. Fixed Income Pools: Corporate Bond Pools

1346. The corporate bond pools will invest in sterling denominated corporate debt. This includes debt issued by overseas subsidiaries where the holding company is a UK company, sterling denominated debt guaranteed by overseas quoted companies or supranationals. The pools are permitted some flexibility to invest a small portion of their overall portfolios in cash when deemed desirable by the investment managers.

1347. The pools seek to generate returns which are in excess of those generated by the UK corporate bond benchmark.

1348. The pools seek yields that are more durable and usually higher than those available from the cash pool. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than in generally available in the cash pools. The corporate bond pools complement the global bond absolute return pools offering; the former offering a more constrained sterling centric approach to investment in corporate debt and the latter following a less constrained multi-currency strategy.

1349. At the date of issue of this strategy document the structure of the corporate bond pools are split between a long term pool and a short term pool. It is intended to combine these pools into a single pool to improve the pool managers' ability to actively manage duration. This will not impact the overall strategy of the corporate bond pools and will not necessitate reissue of this strategy document.

1350. The combined pool will allow limited use of derivative instruments to modify duration set without incurring the underlying trading costs of purchasing and selling corporate bonds. The use of these instruments enables the investment manager to implement their strategic views on overall duration in a more cost efficient and timely manner.

1351. Fixed Income Pools: Global Bond Absolute Return Pools

1352. The global bond absolute return pools are unconstrained debt focused pools following a global mandate building a portfolio selecting the market/type of bond on a relative value basis. The pools are permitted some flexibility to invest a small portion of their overall portfolio in cash when deemed desirable by the investment managers.

1353. The pools will pursue absolute return strategies and seek to consistently achieve positive returns regardless of market conditions.

1354. The pools aim to exhibit low correlation with fixed income benchmarks and so complement investment in the corporate bond pool to reducing the overall volatility of fixed income returns. Through active management the pool seeks to earn a higher level of income over time than in generally available in the cash pools.

1355. The pools are permitted to purchase forward foreign exchange contracts for the purpose of hedging or in respect of the settlement of transactions/interest receipts which are in currencies other than sterling. The pools are also permitted to utilise derivatives in the form of options and futures or order to take both long and short positions.

1356. **Fixed Income Pools: Government Bonds Pools**

1357. The UK government bonds pools are split between a short term government bond pool, a long term government bond pool and an index linked government bond pool, each will invest in debt issued by the UK government.

1358. The pools are not actively managed but passively follow a benchmark. As passive pools they will not actively seek outperformance but will instead replicate their respective index at a lower cost than the actively managed pools.

1359. The pools will seek to be 100% invested in sterling denominated debt of the UK government, holding cash only on a transitional basis between gilt purchases and withdrawals from the pool.

1360. The pools are not permitted to trade in derivatives such as options or futures (no shorting).

1361. **Car Pools: Long Term Cash and Cash Equivalents Pool**

1362. The long term cash and cash equivalents pool will invest in cash and cash equivalent type instruments including cash deposits, commercial paper, Treasury bills, certificates of deposit and floating rate notes. The long term cash pool is expected to produce higher returns than the operational short-term cash as it is able to purchase instruments with a longer maturity, though the rate of return for this pool is expected to vary with available interest rates.

1363. The pool seeks to generate returns which are in excess of short term LIBOR.

1364. Deposits held by the manager of the long term cash and cash equivalent pool can only be made with institutions which fall into the following categories:-

Deposit term	Minimum Industry Rating
Short-term deposit (up to 12 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 12 months)	Standard & Poor's AA and Moody's Aa3

1365. Unless otherwise instructed by the Treasurer, assets should be sold when they are downgraded to A3 or lower.

1366. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

1367. No off-balance sheet vehicles, foreign exchange exposure, convertible bonds or investments which suffer withholding tax are permitted.

1368. **Alternative Investment Pools: Property Pools**

1369. The property pools are to invest in existing pooled funds investing both directly and indirectly in UK property; this will allow diversification across several properties without acquiring a directly held portfolio. The property portfolio will focus on commercial property investing principally but not exclusively in the retail, office and industrial/ warehouse sectors. The pools are permitted some flexibility to invest a small portion of their overall portfolio in cash when deemed desirable by the investment managers.

1370. The pools seek to generate returns which are in excess of appropriate UK property benchmarks.

1371. The property pools seek to earn long term capital returns by allocating assets either directly or indirectly where the managers believe that over the medium term occupational demand for accommodation will be strong or supply restricted, thus providing the foundation for good rental growth and consequently enhanced capital values. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Combined with reduced liquidity due limits placed on redemptions the portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon.

1372. The pool is not permitted to trade in derivatives such as options or futures.

1373. Alternative Investment Pools: Absolute Return/Hedge Fund of Funds Pool

1374. The absolute return/ hedge fund of funds pool is expected to be brought into operation in 2012/2013. The pools investment approach will be published once further investigation into the underlying strategy has been concluded.

1375. Alternative Investment Pools: Infrastructure Investment Pools

1376. The infrastructure pools are expected to be brought into operation in 2013. The pools investment approach will be published once further investigation into the underlying strategy has been concluded.

APPENDIX TEN: PROPOSED REDEMPTION OF ALL JT GROUP LIMITED 9% CUMULATIVE PREFERENCE SHARES

Appendix Ten

Proposed redemption of all of JT Group limited's 9% cumulative preference shares and the proposed use of these additional funds

Summary of the Proposals which are all mutually inclusive of each other:-

1377. As part of the MTFP, the States are recommended under Article 32 (5(a)) of the Telecommunications (Jersey) Law 2002, to consider and approve the redemption (disposal) of all of the States' 9% Preference Shares held in JT Group Limited (£20 million), a Strategic Investment of the States of Jersey. This transaction is not the transfer of shares to a 3rd Party but instead represents the repayment in full by JT group Limited for all the 9% Preference Shares held by the States. This will not dilute the States' 100% ownership of JT Group Limited.

To allocate these monies as follows:-

1378. £10 million of these monies to be spent on specific capital projects, which form part of the Capital Programme 2013-2015 (see details below). The plan indicates spending requirements of £8.5 million in 2013 and £1.5 million in 2014.
1379. To consider and approve :-
1380. the establishment of a new Separately Constituted Special Fund to be known as "The Innovation Fund," under Article 3 of the Public Finances (Jersey) Law 2005.
1381. Further, to approve the allocation of £5 million in 2012 to this fund. This will be managed by the Economic Development Department and an independent board. This is currently not included within the main section of the MTFP report.

SUMMARY OF THE IMPACTS ON THE MTFP

	£'000 2013	£'000 2014	£'000 2015
Included in the MTFP			
Repayment of JT (part)	(8,500)	(4,743)	(1,757)
Allocate funds to:- Capital Expenditure	8,500	4,743	1,757
Total Included in MTFP	-	-	-
Excluded from the MTFP			
Repayment of JT (part)	(5,000)	-	-
Allocate funds to:- The Establishment of the Innovation Fund	5,000	-	-
Total Excluded from the MTFP	-	-	-

Background to this Proposition

1382. This proposition is based around the redemption of the 9% Cumulative Preference Shares held in JT. The following proposed methods for allocating these cash-flows are solely dependent on the States firstly approving the redemption of these shares.

Information in relation to the States' Shareholding in JT

1383. The States wholly owns (100%) of all the Shares issued by JT Group Limited ("JT"). These are reported as Strategic Investments and include:-

1384. 20,000,000 9% Cumulative Preference Shares

1385. 20,000,000 Ordinary £1 shares.

1386. The Currency Fund owns 2.5% Preference Shares in JT, as part of an Infrastructure Investment for Gigabit Jersey (approved in December 2011).

1387. The 9% Preference shares currently earn £1.8m dividend (gross) per annum and the income is reported as Dividend Income in the Strategic Investments. For 2012 £1.8 million is forecast and then zero for future years (2013-2015). This decline in future dividend returns is shown in the Summary of Dividend Forecasts from Strategic Investments in the main report together with a detailed explanation of the movements.

1388. In the 2011 States Accounts, the £20 million preference shares were valued at £29.5 million, using the adoption of the Financial Instruments Accounting Standards. The overall value of the States' investment in JT is £210.3 million.

Proposed Disposal of the 9% Cumulative Preference Shares

1389. The main reasons for the proposed redemption of these shares are as follows:-

1390. This will help JT to adopt a revised capital structure for the Company and aid the revision of their dividend policy, allowing JT to develop its business in line with the industry's peer groups with the intention of maintaining and delivering long term growth in shareholder value for the States.

1391. This transaction will not dilute our 100% ownership of JT, as no shareholding will be transferred to another organisation outside of the States.

1392. Under the Public Finances (Jersey) Law 2005, Article 68 – the Minister will act as a responsible shareholder, protecting the States financial interest in the company, by encouraging its growth and development, in line with Industry peers. Therefore long term we will protect and expect to see our dividend returns grow from JT.

1393. By encouraging growth, it maintains financial stability for the Company, the Jersey Economy and its employers.

1394. It further protects and enhances the capital value of our strategic Investment. This transaction is not anticipated to reduce the overall value of our Investment in JT.

1395. It is recommended, after discussions with the Law Officers that under Article 32 (5(a)) of the Telecommunications (Jersey) Law 2002, that the proposed redemption of the 9% Cumulative Preference shares may be interpreted as a Disposal of our shareholding. Therefore as a separate proposition within the MTFP, the States are asked to consider this proposal for the redemption of these shares separately.

1396. This transaction does not represent the transfer of preference shares to a 3rd Party but instead is the repayment in full by JT for all the 9% Cumulative Preference Shares held by the States.

Proposed allocation of £15 million to Capital Expenditure Projects

1397. It is proposed to allocate £15 million in total to the following Capital Expenditure Projects, as set out in the Capital Expenditure section of the main report.

Capital Projects included within the Combined Capital Programme			
Health & Social Services			
Replacement General Hospital - feasibility	350	-	-
Mental Health Facility at Overdale – feasibility	350	-	-
Relocation of Ambulance and Fire Station - feasibility	100	-	-
Adult Care Homes	4,000	-	-
Children's Homes	2,000	-	-
Replacement General Hospital – planning (part of the spend)(1)	-	1,500	-
Replacement Assets - unfunded			
Health and Social Services	942	606	-
Home Affairs	200	-	-
Transport and Technical Services			
Ash Cells & La Collette Headland (part of the spend)	558	1,051	1,076
EFW La Collette Replacement Assets		1,586	681
Total Included in MTFP	8,500	4,743	1,757

(1) Note: if this proposition is not approved, then this expenditure will be funded instead from borrowing. Further details for each project can be found within the Capital Programme 2013-2015 section of the MTFP.

Proposed Establishment of a New Innovation Fund and the allocation of £5 million to this new Fund.

1398. The key objective of this Economic Growth and Diversification Strategy is to deliver growth, improved competitiveness, diversify the local economy and create employment. The Strategy advises that this will be achieved by the States working in partnership with business and the population to prioritise efforts and resources against the following four main strategic aims:-

1399. Encourage innovation and improve Jersey's international competitiveness;

1400. Grow and diversify the financial services sector, capacity and profitability;

1401. Create new businesses and employment in high value sectors and

1402. Raise the productivity of the whole economy and reduce the reliance on inward migration.

1403. In order to achieve the first strategic aim, it is recommended for the States to consider and approve the establishment of a new Separately Constituted Special Fund, under Article 3 of the Public Finances (Jersey) Law 2005, to be known as the "Innovation Fund".

1404. The States has a role to play, in partnership with business, in encouraging innovation that will improve the Island's competitive advantage in an increasingly competitive international market place. Innovation encompasses a wide range of activities from research and development, to organisational change, training, testing, marketing and design. It contains products, services and other solutions that can be new to the business or the international market. Businesses commonly under invest in innovation and, as a consequence fail to realise their potential. Government policy and financial intervention can remove barriers, bottlenecks or obstacles that impede the innovation process.

1405. Many of the key aspects of innovation policy in Jersey - such as enterprise, skills, ICT infrastructure, Intellectual Property Rights (IPR), competition policy and inward investment - are covered elsewhere in EDD strategy and form part of the ongoing work of the Economic Development Department (EDD). However, the States will need to do more to increase innovation in Jersey's economy, improve competitiveness and stimulate a return to growth. To achieve this strategic aim, a new Innovation Fund is proposed.

1406. The aim of the Fund is to support innovation and will be available to support a wide range of activity from direct business support to strategic infrastructure investments, in the private, public and third sectors. The one consistent factor of policies that merit support will be that they improve the rate of innovation in Jersey and lead to significant employment creation.

Governance Arrangements for the proposed new fund

1407. The Fund will be managed by EDD with an independent Board including EDD, Treasury and Resources, and Chief Ministers' Department representatives and non-Executive Directors drawn from the private sector. The Board will have responsibility for evaluating all applications for support and, following thorough analysis, making recommendations to the Economic Development Minister. The Fund will make Investments (examples are: Loans, Grants, Infrastructure Investments, other Capital Financing mechanisms) in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.

Operational Rules for the proposed new fund

1408. Investments will only be made in projects that clearly demonstrate a significant leverage in terms of improving Island competitiveness, infrastructure improvements, developing innovation and diversification towards high value activity that creates good jobs for local people. Projects will also have to demonstrate how the investment will deliver wider economic benefits to the Island.

1409. The Fund will be used to support projects across all sectors, from enabling investment in ICT infrastructure, to additional support to attract innovative businesses to the Island.

1410. The Innovation Fund will increase the availability of risk capital for high value growth companies, and is central to the Islands strategy for economic growth and diversification. The Fund will support private, public and third sector projects that can clearly demonstrate the following:-

Creation of employment for Jersey residents.

1411. Return on investment in terms of economic benefit for every £1 spent from the Fund.

1412. A quantifiable impact on competitiveness and innovation in sectors which Jersey can demonstrate a comparative advantage (measured by increased market share).

1413. Encouraging high value added, high quality, high productivity economic activity.

1414. A strong case for States support through alignment with States Strategic Plan priorities, in particular in areas where market failure is presenting a barrier to innovation.

1415. The Fund will be used to support projects across all sectors through:

1416. Additional support to attract new innovative businesses to the Island.

1417. Direct support to innovative businesses that may be unable to find finance.

1418. Finance for research and development opportunities.

1419. Enabling investment in ICT infrastructure.

1420. Seed funding for new products/services/processes.

1421. Funding for businesses to establish better links with university research

1422. Eligibility will not be sector-specific but all applications for support must demonstrate, as a minimum:-

1423. The impact directly/indirectly in terms of expected profits/ revenues/ employment in future years.

1424. What efforts have been made to access private sector funding.

1425. Why private sector funding is not available.

1426. How the project will bring wider benefits to the Jersey economy and

1427. What funding is necessary and how the Island will benefit.

1428. Applications will be assessed on a consistent and objective basis and only projects that meet the required criteria and score highly will be progressed. In particular:

1429. Dedicated Officer support will check and make sure compliance in terms of information/ key criteria (those that do not will not go forward to the Officer Board).

1430. The Officer Board will consider applications and decide whether they merit more detailed consideration.

1431. Projects that merit further consideration would be assessed on their net economic impact by the Economics Unit and in terms of financial code, etc by Treasury and Resources (and other officers where appropriate).

1432. Given the competitiveness of the inward investment market it is particularly important that the proposed Jersey Innovation Fund has access to significant resources, of a scale capable of standing comparison with competitor offerings.

1433. Evidence from the UK, Singapore, Malta, Northern Ireland and elsewhere clearly demonstrates that this type of Fund can make a real difference by supporting the wide range of policies intended and enhance the rate of innovation. The Funds being managed in the aforementioned jurisdictions vary in size and eligibility. Details of these Innovation Investment Funds and their benefit are detailed in the next section of this report, entitled “Details of Other Countries’ Innovation Investment Funds

1434. Whilst the scale of the problems in Jersey do not match those in the UK Europe or elsewhere it is essential that sufficient resources are allocated to the Innovation Fund to deliver results and attract matching investment. In this respect it is proposed that the new Fund be created with an initial investment of £5 million from Treasury.

1435. The performance of the Innovation Fund will be monitored by the Treasury and Investments in the Fund will be subject to annual audit, the results of which will be presented to the States.

1436. The proposed new Fund is intended to put Jersey at a competitive advantage, through investment in innovation, to attract further private sector investment that creates high value businesses resulting in significant new job opportunities in a more diverse economy.

Details of Other Countries' Innovation Investment Funds

1437. Singapore - S$320 million (£158 million) Technology & Innovation Fund - SPRING Singapore has recently announced a S$320 million funding for SMEs under the Technology Innovation Program (TIP). The funding aims to help as many as 3,500 SMEs to benefit from technology innovation as a competitive strategy over the next five years. The new injection follows the S$220 million funding which has benefited more than 2,500 companies when it was launched in 2006. Analysis from GuideMeSingapore.com shows that this move dovetails with International Enterprise Singapore's announcement in late June 2011 to nurture high-potential businesses into globally-competitive companies.

1438. The fund aims to support four key strategies:-

1439. Catalyzing existing technology projects,

1440. Nurturing technology start-ups,

1441. Developing technology expertise and

1442. Developing technology infrastructure.

1443. For contributing to a more diverse technology project landscape, SMEs that are using technology to develop or improve products and manufacturing processes can consult SPRING Singapore to have up to 50 – 70% of their development costs funded. They can also apply for a S$5,000 funding under the Innovation Voucher Scheme which can be used for technology consultation or services at 19 Knowledge Institutions.

1444. Furthermore, high-potential electronics, chemicals, infocomms and biomedical science start-ups with strong Intellectual Property (IP) and scalable business models can compete for funding worth S$250,000 for a proof-of-concept project and up to S$500,000 for a proof-of-value technology project.

1445. Furthermore, high-potential electronics, chemicals, infocomms and biomedical science start-ups with strong Intellectual Property (IP) and scalable business models can compete for funding worth S$250,000 for a proof-of-concept project and up to S$500,000 for a proof-of-value technology project. This funding, which come under the Technology Enterprise Commercialization Scheme (TECS), aimed to help tech start-ups with the best commercial potential to achieve the early-stage funding necessary to develop brilliant ideas into products.

1446. To benefit companies must be either Singapore-registered or Singapore incorporated firms.

1447. Malta - With a focus on R&D and Innovation and co-financed through the European Regional Development Fund (ERDF) schemes almost 100 enterprises were granted around €8.5 million. This assistance, which also includes tax credits for the costs of work on R&D, assistance to loan qualified experts or to carry out feasibility studies, as well as the significant fiscal benefit through which income from royalties on patents may qualify for tax exemption.

1448. Malta Enterprise is also working on capacity building both in terms of education by assisting further studies in related fields through its Get Qualified scheme, as well as in terms of infrastructure. The BioMalta Campus, which is currently under construction with a €30 million investment co-funded through the ERDF and which will provide facilities for researchers in the life sciences and related industries, is one such prime example Northern Ireland - Invest Northern Ireland has at its disposal an array of different funding options. Perhaps the most telling measure in the N Ireland Government's 'Programme for Government' is the £50 million Loan Growth Fund which aims to generate £150 million of sales growth per year in small and medium sized businesses, safeguarding and creating over 2,000 jobs over a 10 year period. Invest NI intends to finance its £25 million share principally through the European Regional Development Fund and has an agreement in principle with NILGOSC – which administers the Local Government Pension Scheme for Northern Ireland – to provide an additional £25 million in match funding. Managed by an independent fund manager and expected to make loans of between £50,000 and £500,000 available to small businesses in manufacturing and tradable services. In addition, Invest NI has already begun promoting jobs through the £19 million Jobs Fund launched earlier this year. Added to its existing Co-Investment and Development Funds the Loan Fund will form part of a £100 million fund of funds at Invest NI's disposal.

1449. United Kingdom - In the UK, the £2.4 billion Regional Growth Fund (RGF) is a successful example of the proposed Innovation Fund. The RGF, operating across England from 2011 to 2015, supports projects and programs that in turn lever private sector investment, to create economic growth and sustainable employment in local communities.

1450. The first two rounds of RGF have been very successful - conditional allocations were made to 176 bidders which will leverage over £7.5 billion of private sector investment and deliver around 330,000 jobs.

Proposed Allocation of £5 million to the new Innovation Fund

1451. It is proposed to allocate £5 million to this fund in 2013, using some of the proceeds from the redemption of the JT Cumulative Preference Shares.

1452. This expenditure is currently not included within the MTFP main section of this report.

APPENDIX ELEVEN: LONG TERM TAX POLICY FOR JERSEY

Appendix Eleven - Long Term Tax Policy for Jersey

Introduction

1453. The Tax Policy Unit has been asked to consider Jersey's long-term tax policy. In this case, "long-term" is taken to mean longer than five years. Advice from the Fiscal Policy Panel is that fiscal policy needs to be focussed on the medium term. The same should apply to tax policy, which forms part of the overall fiscal policy.

1454. It is difficult to be certain about Jersey's long term economic needs and hence tax policy, particularly in such an unstable economic environment. Further, tax policy should be designed to support rather than drive economic and political policy. This paper is therefore based on the current economic and political desires, further details of which are set out in the background section.

1455. It is not the place of a long-term tax policy in itself to be highly prescriptive about the types and proportions of taxes applied. Even in less economically uncertain times, it would be impossible to be able to determine precisely what taxes Jersey should apply in a decade's time. As such, it would be unhelpful to stipulate, for example, the percentage of States revenues which should come from different types of taxes. The policy should set out the principles and objectives on which future tax reform, if any, should be based to achieve the economic and political aims. The policy must also be flexible enough to deal with unexpected future changes.

1456. This paper looks at the recommended principles and objectives of Jersey's long term tax policy, as shaped by economic and political policy objectives. It also goes further to recommend the way forward based on those principles and objectives.

Background

1457. Jersey is a small island economy on the periphery of a large economic power, the European Union. Traditional industries have been agriculture and tourism, and since the mid-1960s, the provision of financial services. As both agriculture and tourism are relatively low value added, successive States have decided that the Island's economic well-being is best served by focussing resources on the financial services industry, on the basis that this is one of the few industries which is high value added with a low requirement for geographical resources. As such, it is suited to a small island with a small population.

1458. In the immediate future it seems unlikely that the balance of industries in the Island will shift dramatically away from finance as it currently exists. This is of course barring any external events which caused the industry to leave, but in such case the Island's economic base would be so fundamentally altered as to render current policy obsolete.

1459. Although Jersey's tax system was, until the zero/ten reform, stable and unchanged over a long period of time, this is unusual. Economic theory on tax has evolved over time – for example the gradual, but inexorable, move away from taxes on income only, to taxes on income and capital including inheritance and capital gains taxes (direct taxes). More recently, globally, states are moving away from a reliance on taxes on income and capital towards taxes on consumption (value added taxes such as GST) and immovable resources (such as taxes on land), known as indirect taxes. Tax bases are broadening rather than narrowing and having a mix of direct and indirect taxes is now considered to make revenues more stable.

1460. Indirect taxes are generally considered to be more efficient for a number of reasons:

- *Difficulty of avoidance. Indirect taxes are more difficult to avoid than taxes on income because they are charged at the point of transaction. There is no onus on the taxpayer to record and report the taxable event.*
- *Ease of collection. Revenue is assessed on and collected by a small number of businesses and not from the population as a whole. There is no onus on the taxpayer to record and report the taxable event.*
- *Broad tax base. Indirect taxes are paid by the whole population, unlike other taxes. As such, rates can be lower because they are more broadly applied. However, where territories exempt a wide range of goods or services, then the tax base shrinks and the rate applied may have to increase in order to raise sufficient revenues.*
- *Less distortionary. Indirect taxes are considered to be less distorting than direct taxes in that they have less of an impact on taxpayer behaviour.*

1461. However, indirect taxes may be considered by some to be less equitable than direct taxes, as those on lower incomes may spend more of their annual income on taxed items and may pay a similar or slightly greater proportion of that income in tax than those on higher incomes. Indirect taxes tend not to contain the progressive element that is contained in most income tax structures. This was a factor Jersey was aware of when introducing GST and as a result the States took steps to minimise the impact on those on lower incomes through increases in Income Support and the introduction of the GST Food Bonus for those on lower incomes but not in receipt of Income Support.

1462. Recent reforms in Jersey have changed the mix of taxes away from reliance on direct taxes following the introduction of GST. Given the generally accepted view that a broad based tax regime which includes a mix of direct and indirect taxes is more efficient, stable and sustainable, GST, income tax and social security are likely to remain key to Jersey's revenues into the future. It should be noted that not all taxes in every category are necessarily required or desirable for every jurisdiction and economic model.

What is tax for?

1463. At its most basic, the purpose of tax is to raise sufficient revenues to meet government spending commitments. (A discussion of the relative merits of meeting spending commitments through tax, borrowing or disposal of capital assets is outside the scope of this paper, as is any discussion of how government should spend its revenues.) Governments of developed countries provide policing, a legal system, health, education, basic infrastructure such as roads and sewerage systems, social housing, a social welfare system etc. Different governments will have different priorities but some or all of the above will typically be provided.

1464. Taxes can also be used for other purposes:

- *Fostering a sense of communal identity. There is an argument that making a financial contribution to the society in which one lives helps individuals to feel more connected to that community, and to hold their government to account.*
- *Redistributing wealth. Taxation is a basic method of taking money from the wealthy and distributing it to the less-well off, whether directly through payments of pensions, child allowances, income support etc, or indirectly through the provision of public services which the wealthier tend to make less use of, such as public health services.*
- *Influencing taxpayer behaviour. Taxes can be used to encourage certain actions or discourage undesirable actions. Examples are duties on health-damaging products such as alcohol or tobacco products or environmental taxes. However, tax is a blunt*

instrument and its effects are unpredictable. Higher taxes which make, for example, imported goods more expensive than their domestically-produced counterparts can make the imports appear of a higher cachet and therefore more desirable.

- *Discouraging avoidance of other taxes. Some taxes are introduced not so much to raise revenue as to discourage avoidance of others. For example, Capital Gains Tax was introduced in the UK to discourage taxpayers from avoiding income tax by converting taxable income into untaxed capital, although in itself raises comparatively little revenue.*
- *Supporting government fiscal policy. Tax policy does have a role, in conjunction with other fiscal policies, in helping getting the balance right for the economic conditions, support counter cyclical policy and possibly to strengthen automatic fiscal stabilisers.*
- *Supporting government social policy. Tax policy can have a role in supporting social policy such as through the provision of tax reliefs and incentives. As with influencing tax behaviour, this can be a blunt instrument unless properly and effectively targeted.*

Jersey's long term economic and political policies

1465. As a small island economy, Jersey's tax policy should support the economic and political aims of the States.

1466. There is no single comprehensive statement which sets out the long term economic and political aims and so these have had to be drawn from a number of sources. Reference has been made to the following in determining the current long term economic and political aims:

- *Recommendations of the Fiscal Policy Panel on Jersey's fiscal policy.*
- *The States approved Strategic Plan 2012 entitled 'Inspiring Confidence in Jersey's Future'.*
- *The draft States Economic Growth and Diversification Strategy.*
- *The States decisions in recent months and years on tax reform including:*
  - *Introduction and defence of the zero/ten tax regime for companies.*
  - *Introduction and retention of a low and broad GST regime, with limited exemptions but with direct measures to protect those on the lowest incomes.*
  - *Introduction of '20 means 20' ensuring those on the highest incomes pay tax at the highest rate*
  - *Retention of the 20% personal tax rate.*
  - *Introduction of a new tax regime to encourage inward migration of wealthy individuals and their businesses.*
  - *Introduction of enhanced child care relief to support working families.*
  - *A desire, as indicated in States debates, to modernise and simplify the personal tax regime, for example through independent taxation and other measures described in recent Budget Statements.*
- *The outcomes of the Fiscal Strategy and Business Tax reviews undertaken in 2010.*
- *Jersey's commitment to comply with international standards on tax matters.*
- *Current financial forecasts.*

Jersey's tax policy must support these aims.

1467. The policy objectives indicated by each of these sources are summarised below.

1468. The key message from the Fiscal Policy Panel relating to tax policy, based on the current state of the Island's finances and the economic climate, is that any change which permanently reduces taxation or increases spending should be accompanied by a compensating measure.

1469. The most urgent priority of the Strategic Plan is getting people into work. This will require economic growth to assist job creation and continued inward investment. It is important that the tax regime encourages economic growth and inward investment and also does not create disincentives for people to take up work when it is available, for example through high marginal rates and in particular where income tax interacts with income support.

1470. The recently published draft States Economic Growth and Diversification Strategy contains the following strategic aims:

- *Encourage innovation and improve Jersey's international competitiveness.*
- *Grow and diversify the financial services sector, capacity and profitability.*
- *Create new businesses and employment in high value sectors.*
- *Raise the productivity of the whole economy.*

1471. The States decided some time ago to focus on the provision of financial services as the Island's main economic activity. Tax reform since then has supported that, through the existence of "corporation tax" companies in the 1970s, the development of the exempt company in the 1980s, International Business Company in the 1990s and currently the zero/ten (0/10) company tax regime.

1472. Until the introduction of 0/10 Jersey was in the fortunate position that a high proportion of its tax revenues came directly from taxes paid by companies. The decision to comply with the European Union's Code of Conduct on Business Taxation, abolish the exempt company and International Business Company regimes and introduce 0/10 has meant that position has had to change. Individual Islanders have been required to contribute more of Jersey's tax revenues, though the introduction of "20 means 20" and GST. ITIS was also introduced which, among other things, allowed tax to be collected from individuals who came to live and work in Jersey for short periods of time and so ensure that more taxpayers paid the tax that was due.

1473. The alternative to introducing 0/10 was either to maintain the former 'non-compliant' regime and face the international consequences or to introduce a single, positive rate of tax for all companies in Jersey. Advice obtained at the time, and subsequently in the 2009 Business Tax Review, concluded that moving to a single, positive rate of tax would have a devastating effect on Jersey's ability to offer a tax neutral vehicle to clients of the finance industry, with a knock-on effect on the industry itself. Maintaining a 'non-compliant' regime would likely have resulted in unilateral action from other jurisdictions which could also have damaged the finance industry. It was estimated that introducing a positive rate of income tax for corporate "clients" of finance industry would result in the loss of up to 12,000 jobs. The financial burden on residents, whether individual or corporate, would have been significantly greater in that circumstance.

1474. This reform has inevitably changed the proportion of revenues raised from the taxation of individuals and the taxation of corporates. As highlighted above, there is a significant risk to the ongoing success of the finance industry, as well as other sectors, and hence a risk to economic activity and employment if there is a shift back in favour of taxation of corporates. Further information on this will be given in the forthcoming report on the taxation of non financial service companies.

1475. The more recent Fiscal Strategy and Business Tax review clearly demonstrated continued strong support to protect the financial industry.

1476. This support for the continued existence of the finance industry in Jersey has appeared to pay dividends. While the finance industry has been adversely affected by the ongoing global economic crisis, its existence still provides the greatest contribution, either directly or indirectly, to Jersey's economy.

1477. However, the risks of being highly reliant on one industry have also been felt. There may be benefit in diversifying the economy but there is also a need to balance diversification with the ability to raise revenues. A strong finance industry which contributes significantly to tax revenues will allow the Island to invest more in diversification.

1478. Current financial forecasts indicate that expenditure can be met from existing revenue sources but without substantial surpluses. This suggests that there is no need to raise any taxes but also there is little, if any, scope to reduce existing taxes. Further, based on the advice from the Fiscal Policy Panel, future surpluses should be used to rebuild the Stabilisation Fund.

What should Jersey's tax policy deliver

1479. Jersey's tax policy must support the economic and political policy objectives noted in the previous section.

1480. In order to do this Jersey's tax regime should have the following features:

- *Stability. Jersey has a reputation for stability in its tax regime, which is a key feature of its global offering. Investors, whether financial services related or not, considering the use of Jersey need to know how they will be taxed for the foreseeable future.*
- *Certainty. This is linked to the point on stability. Changes should be made infrequently, after careful consideration and consultation.*
- *Revenues. Jersey must raise sufficient revenues to meet its spending requirements.*
- *Flexibility. Where a need is identified, whether to attract new business or to defend existing business, Jersey must be able to move quickly.*
- *Competitiveness. In all things, Jersey must ensure that it does not damage the Island's ability to effectively compete for business. In this, the Island must keep aware of events in its key competitors and in the broader world which may affect it.*
- *Efficiency. Any tax changes should distort taxpayer behaviour as little as possible, unless that is one of the reasons for introducing the tax in the first place.*
- *Cost effective. The Fiscal Strategy Review, and resulting decisions by the States to increase GST and social security and retain a maximum income tax rate, suggest that in addition to the factors noted above, taxes should be cost effective for both the States and for taxpayers.*
- *Fairness and equity. These are extremely difficult to define and mean different things to different people. Recent decisions on introducing '20 means 20', the desire to modernise and simplify the tax regime and the introduction of GST 'protection measures' indicate that fairness and equity includes ensuring that the wealthiest pay a greater proportion of their income in tax while those on the lowest incomes are protected. It has also been recognised in recent decisions that the introduction of a competitive tax regime to encourage wealthy individuals and their businesses to Jersey is beneficial to the economy. In the absence of the direct and indirect revenues raised and economic activity derived from this inward migration the burden on taxpayers would be greater.*

Key tax policy principles

1481. With the above in mind, the following principles are recommended:

- *Taxation must be necessary, justifiable and sustainable.*
- *Taxes should be low, broad and simple.*
- *Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.*
- *Taxes must be internationally competitive.*
- *Taxation should support economic development and, where possible, social policy.*

Taxation must be necessary, justifiable and sustainable.

1482. Taxes should not be raised for the sake of raising taxes, but with an identifiable spending need in mind. For example if a potential new source of revenues is identified, it should not automatically be adopted without considering whether the States has a specific requirement for more revenues, or if existing taxes should be reduced in response.

1483. It should be clear why any new tax is being introduced, and if any one sector or type of taxpayer is more affected, the reasons behind that should be made clear. Where the tax system discriminates between taxpayers, the rationale behind that should be clear.

1484. Taxes should also be sustainable in the long term. As such, it should be clear that revenues can be projected forward with a reasonable degree of certainty. Taxes should also not affect taxpayer behaviour such that the revenue stream dries up, unless that is the intention of introducing that tax to change behaviour, for example where a decision is made to intentionally increase the cost of unhealthy items like alcohol or tobacco.

Taxes should be low, broad and simple.

1485. Much of the output of Jersey's main industries (finance, tourism and agriculture) is exported. As a result, most businesses in the Island depend directly or indirectly on their ability to sell into the global market place. Jersey faces a high degree of competition in all of these sectors, and must remain competitive in order to continue to attract business. Low rates of tax are a feature of this.

1486. Simplicity is also a key selling point for international business, though this is more important for finance than for other sectors. Where a low or zero rate of tax can be obtained in a competitor jurisdiction with relative ease, international business will not be prepared to achieve the same result in Jersey through a number of complicated steps. Complexity adds cost and risk to a transaction, and business may not be prepared to accept either.

1487. Taxes should also be broad; an economy which relies too heavily on one particular sector or type of taxpayer or tax base for revenues will be at risk if that sector, taxpayer group or tax base falters. A broader based tax system, where as many sectors and individuals as possible contribute over a wider taxable base, is a more stable one.

1488. A broader tax base also supports the principle that tax rates should be low, as the greater the number contributing to revenues, the lower the rate of tax that each will be required to pay.

1489. Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.

1490. The people who live in Jersey should contribute to the cost of the services they receive to the best of their ability. There have been many debates by the States in recent months, including those relating to the rate of income tax, the tax regime for wealthy individuals and the GST regime. The outcome of those debates suggests that the States broadly supports the current structure.

1491. This principle can be viewed from another equally relevant angle i.e. that all taxpayers should pay the tax which is rightly and properly due. To do this both the tax law and the application of that law must be robust.

Taxes must be internationally competitive.

1492. Jersey's tax system must enable it to compete with its key competitors to attract and retain business. This must apply not only to the types of business which currently use Jersey, but also to new business which the Island would wish to attract.

1493. It is important to monitor developments in competitor onshore and offshore jurisdictions and to ensure that there is good communication between government and industry on the best way to ensure Jersey's continued competitiveness.

1494. Compliance with international standards may be needed to ensure that international competitiveness is maintained as to do so can reduce the risk of action being taken against Jersey to deter investment. This is not the only reason for complying with international standards but is an important one.

1495. Taxation should support economic development and, where possible, social policy.

1496. While the tax regime cannot create economic growth in itself, it can work to support economic growth and it is important that it does not hinder it.

1497. Tax policy can support economic growth by reducing distortions in taxpayer behaviour, thereby improving economic efficiency. It can act to encourage economic activity to flourish thereby encouraging growth in employment.

1498. Taxes should not serve to deter investment, employment or diversification or act as a barrier to economic development. For example, the tax treatment of new businesses and start ups should not impose an unnecessary cost which again could act to stifle business growth. In this respect, taxes on income, rather than flat fees or charges, may be less economically damaging.

1499. Tax reforms can also remove incentives to act in a way which is not intended or desired. For example, the interaction of the income support system and the personal tax system should not act to deter people from taking up employment.

1500. Similarly the tax system cannot, and arguably should not, define social policy but where there is a clearly defined objective, and where it can be objectively demonstrated that the tax regime can affect taxpayer behaviour, then it may be appropriate to set taxes accordingly. One example of this may be environmental taxes, where taxes are set to encourage or deter a specific type of environmentally damaging behaviour, and the revenue collected is used to further encourage taxpayers to make "good" choices. Another may be the linking of increases in impôts to the States strategy on deterring alcohol abuse.

The way forward

1501. A direct comparison of Jersey to other jurisdictions such as the UK or other large jurisdictions is not necessarily appropriate in all cases. Being a small island, Jersey does not have the ability to develop a highly diversified economy which includes sectors with substantial geographical resource requirements such as manufacturing. As such Jersey needs a tax policy suited to the economic activity which it can support. Not all taxes will therefore be suitable for or relevant to Jersey and while global trends should be considered, the relevance and suitability of each should be determined by reference to Jersey's economy.

1502. This section takes the tax policy principles, together with the economic and political policy objectives to develop tax policy objectives and a recommended way forward.

1503. Based on the principles set out above, and taking into account the economic and political objectives, the recommended key tax policy objectives are:

- *Supporting economic growth, and hence employment growth, through providing a simple, stable and certain tax regime.*
- *Further supporting growth in employment by ensuring there are no barriers to people taking up employment.*
- *Maintaining international competitiveness through providing a low, broad and simple tax regime which complies with international standards.*
- *Ensuring taxpayers pay the taxes properly and rightly due to ensure that the current tax regime is sustainable and meets the Island's fiscal requirements. This may require simplification of the personal tax regime, enhancing the robustness of the tax legislation and improving enforcement.*

1504. This is not intended to be an exhaustive list of the objectives but those of primary importance.

1505. To meet these objectives the recommended focus of tax policy development in the medium to longer term, in the absence of any substantial factors which change the current policy objectives, is as follows:

- *No fundamental reform of key aspects of the tax regime. In the absence of any unexpected event, whether external or internal, there should be no fundamental changes to the key aspects of Jersey's tax regime being 0/10, a low, broad and simple GST regime and a stable personal tax rate. Fiscal certainty and stability are critical to encouraging economic growth.*
- *Continuing protection of 0/10 for the foreseeable future. This will include not only ensuring that it remains compliant with international standards but also ensuring that tax revenues are safeguarded so that the provision of a tax neutral environment, which is so important to the success of the finance industry, can be sustained.*
- *Ensuring the tax law applies as it is intended. To ensure that all taxpayers pay the amount of tax rightly and properly due, the tax law has to be robust and be drafted to achieve the policy intention.*
- *Consideration of the relationship between tax and social security contributions and benefits to ensure there are no barriers to people returning to work.*
- *Simplifying the personal tax system. Individuals need to understand their tax affairs in order to understand what they are being asked to pay. As Jersey considers the introduction of self assessment for personal tax, it will be necessary to simplify the current complicated regime. This will also help to safeguard tax revenues which in turn*

will assist in achieving a number of the economic and political objectives.

- *Ongoing monitoring of international developments. Jersey does not exist in a vacuum and does not have complete control over the direction its economy takes. International pressures, both governmental and regulatory, will continue to affect the Island and it will be important that these are prepared for, identified and responded to appropriately.*
- *Removal of barriers to competitiveness. Where these are identified, they should be removed. This will continue to be monitored and opportunities to improve competitiveness will be assessed on a regular basis. Flexibility is key. Where opportunities and threats exist, the Island must be alert to identify them and to act quickly in response.*
- *Consideration of the potential to widen the tax base. This would not be undertaken to raise a specific amount of additional revenues but to determine whether there is scope to make Jersey's tax regime more efficient and effective. There may also be opportunities to enhance competitiveness and ensure that everyone makes an appropriate contribution. This will initially focus on the way in which Jersey taxes property as taxes on property are coming under increasing focus globally and is an area which has not been fully explored.*
- *Changes to future tax revenues and States expenditure. The implications of the aging population on Jersey's future revenue and expenditure requirements are an important factor on which a substantial amount of work has already been done. The Tax Policy Unit, as part of Treasury, is linked in to this process and will, if necessary, consider the extent to which tax reform can or should be used to address the funding needs.*