

**STATES OF JERSEY**

**PROGRESS REPORT BY THE MINISTER FOR TREASURY AND RESOURCES  
ON THE RESPONSE TO THE FISCAL POLICY PANEL ANNUAL REPORT**

**APRIL 2013**

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THE RESPONSE TO THE FISCAL POLICY PANEL ANNUAL REPORT 2012.**

In November 2012 The Minister for Treasury and Resources published an updated response to the Fiscal Policy Panel Annual Report 2012. The issues raised in the FPP report are of great significance to the Island, hence the Minister for Treasury and Resources presents this report to set out progress in tackling the issues facing the local economy. This report is in two parts: the first gives an update on prevailing economic conditions and how they are affecting Jersey, and the second sets out progress achieved to date on each of the Panel's seven recommendations.

## The Economic Situation in Early 2013

### Part 1

#### The current position for the UK economy

The UK economy forms a part of the contextual analysis for considering Jersey's economy. Some of the current economic issues identified by the UK's Office for Budget Responsibility (OBR) are set out below.

#### The Fiscal Situation

Government efforts in the UK to trim spending have not helped to reduce the deficit as planned, because economic growth has been so weak. The OBR, the fiscal watchdog set up by the Chancellor in 2010, has recently cut its growth prediction in half, to an expansion in Britain of just 0.6% this year. A flat economy means poor tax receipts and a sizable benefits bill, with a significant and persistent gap between income and spending. The OBR's evaluation of the March budget concludes that the measures will be growth-neutral overall. Britain's deficit has been £120 billion for the last two years, and will remain at that level for another one, according to the OBR. This means that Britain's debt-to-GDP ratio is set to peak at 86% in 2016-17. The Government faces this forthcoming period, of a worsening of the situation, at the same time that its options are limited by the commitment to ring-fence health spending, and by the need to accommodate both parties in the coalition. It is sensible to assume that the path to Government budget management is going to be slow and arduous.

#### Monetary Policy

The Bank of England said in February that inflation will remain above its goal for the next two years and risks to the economic recovery are weighted to the downside. The central bank's Inflation Report said the outlook for consumer-price growth is higher than forecast in November because of the weaker pound and increases in energy bills.

Since the publication of the FPP's annual report in October 2012 economic developments have tended to support their view at the time that "Risks to the downside have increased due to the ongoing sovereign debt crisis in the euro area, and the resulting fiscal consolidation and financial market turmoil". In particular:

- World economic forecasts have been downgraded and concerns remain about the situation in the eurozone and to a lesser degree the fiscal situation in the US.
- As mentioned above, in the UK, the Office for Budget Responsibility (OBR) now forecast that UK economic growth will be 0.6% in 2013 compared to 1.2% in the December 2012 forecast for the Autumn Statement. In 2014 the forecast is now for 1.8% compared to 2.0% in December 2012. The OBR state that "*With the economy entering 2013 with somewhat less momentum than we expected in December, a weaker outlook for consumer spending, business investment and exports has prompted us to revise down our near-term growth forecasts*". The OBR expect that even by 2017 significant spare capacity will remain in the economy and that output will not have returned to potential.

- The sequence of Business Tendency Surveys have continued to show extended weakness in the local economy. In addition, retail sales volumes at the end of 2012 were 1% lower than in the corresponding quarter of 2011.
- Outturns in terms of GVA, employment, average earnings and company profits data have generally been weaker than that expected at the beginning of 2012 during the planning stages of the MTFP.
- There remains considerable uncertainty around the financial services sector with the ongoing UK FATCA negotiations and changing global competitive and regulatory environment. The latest labour market data shows that employment in financial services was down 280 in December 2012 compared with a year ago, 1,000 lower than the peak recorded in 2008.

## **Part 2**

### **Progress Report on the FPP Recommendations**

#### **Recommendation from the FPP (1)**

***The Panel's assessment of the economic outlook for the Jersey economy has been downgraded for 2012 and 2013 and there are indications that significant spare capacity will remain in the economy over this period. This leads the Panel to advise that the States should act now to give discretionary fiscal support to the economy in 2012 and 2013 and if practical to a greater extent than set out in the MTFP.***

#### **Current Progress (1)**

Treasury and Resources, with the support of all service Departments, has carried out a review of the Capital Programme planned for 2013, 2014 and 2015 against the "3 T's" criteria. These criteria were used to assess projects for their suitability in providing a fiscal stimulus to the local economy. It is accepted that the criterion of timelines can only be a reasonable estimation in the later years of 2014 and 2015.

#### **Recommendation from the FPP (2)**

***While the consideration of additional discretionary stimulus should not be limited purely to capital expenditure it is clear that with such significant capital allocations over the life of the MTFP consideration could be given as to whether, in a timely, temporary and targeted manner:***

***Capital Allocation in 2012 and 2013 can be spent in the year of allocation.***

***Capital allocations from 2014 and 2015 can be brought forward to 2012 and 2013.***

***Unspent allocations in 2012 from previous allocations can be spent as quickly as possible in late 2012 and 2013.***

## Current Progress (2)

As background information, set out below is a summary of approved capital allocations for 2013 and proposed allocations for 2014 and 2015.

|   | £'000<br>2013 | £'000<br>2014 | £'000<br>2015 |
|---|---------------|---------------|---------------|
| <b>Chief Minister's</b>                                   |               |               |               |
| 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           |
| <b>Education, Sport and Culture</b>                       |               |               |               |
| 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         |
| <b>Department of the Environment</b>                      |               |               |               |
| 13 Fisheries Vessels                                      | -             | 100           | -             |
| 14 Met Radar Refurbishment/ Upgrade                       | -             | 350           | -             |
| 15 Countryside Infrastructure                             | -             | 200           | 200           |
| Department of the Environment total                       | -             | 650           | 200           |
| <b>Health &amp; Social Services</b>                       |               |               |               |
| 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         |
| <b>Home Affairs</b>                                       |               |               |               |
| 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         |
| <b>Transport and Technical Services</b>                   |               |               |               |
| 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        |
| <b>Treasury &amp; Resources (inc. JPH)</b>                |               |               |               |
| 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         |
| <b>Total Projects - Capital Allocation</b>                | <b>37,326</b> | <b>57,502</b> | <b>31,468</b> |
| <b>Social Housing Programme</b>                           | <b>18,801</b> | <b>31,390</b> | <b>45,873</b> |
| <b>Total Programme</b>                                    | <b>56,127</b> | <b>88,892</b> | <b>77,341</b> |

Please note that these amounts represent the approval of schemes for 2013 and proposed allocations for 2014 and 2015. The actual cash flow will vary from these approved amounts in the year because the capital projects can occur over a longer time period than a single financial year. Cash flow on capital expenditure therefore will be a combination of prior approvals and current approvals (as shown in the table in Section 3 below).

A number of steps have been taken by Treasury and Resources and the Council of Ministers to accelerate speed up the spending of capital allocations so as to provide a stimulus to the local economy and take advantage of the very competitive prices that have been generated in recent tendering exercises.

1. A full review of the Capital Programme for 2013, 2014 and 2015 has been carried out and each of the funded schemes has been tested against the “temporary, timely and targeted” criteria. This report is attached in full as Appendix 3.
2. Joint work has been done with Parishes to bring forward capital schemes that are a priority for the local area.

**(a) Parish of Trinity**

The Minister for Treasury and Resources approved in line with the current Investment Strategy for the Currency Fund, up to a £6 million Infrastructure Investment in the Parish of Trinity to provide financing for phase one of a building project on field No 578 for the purpose of building first time buyer homes.

The development, to be carried out by the Parish of Trinity, increases the supply of social and affordable homes, aiding a reduction in the current affordable homes shortage. This is in line with the “House our Community” priority set out in the 2012 Strategic Plan. The provision of monies to the Parish for this project provides further stimulus to the economy.

The interest rate offered to the Parish is favourable and below the rate that they could agree with a Bank. However, at the same time, the interest rate exceeds the current long term cash returns received by the Currency Fund. This investment will produce a guaranteed rate of return for the Currency Fund and will provide a good mix of investments for the fund within the agreed risk profile.

**(b) St Saviour’s – Langtry Gardens**

The Minister, in accordance with the Standing Order 168(2)(b), agreed the acquisition of the 80 social rented homes, comprising 32 social rented bungalows and 48 social rented apartments and associated land and common parts for a total sum of £8,000,000.

It should be noted, on practical completion, the 32 bungalows are to be resold to the Parish of St Saviour for a total sum of £370,000 plus any accrued fees incurred by the Public associated with the supervision of development.

3. A review has been undertaken by Treasury with the support of service Departments to bring forward as much capital expenditure in 2013 as is possible. The Table below sets out the planned spend in 2013 for each of the major capital spending Departments being Housing, Jersey Property Holdings and Transport and Technical Services, on a quarter by quarter basis.

The expected level of spending by these major Departments is £62 million. In addition, capital allocations amounting to £29 million have been provided for by Jersey Airport and Harbours. Some of this will be spent in 2013, but we are advised by this separate Trading Organisation that their spend profits will peak in later years. Furthermore, Departments with smaller allocations amounting in total to £16 million will also be progressing their schemes and adding to the spending during 2013.

Please note that the expected level of spend in 2013 differs from the approved capital budgets for the year because the approved budget includes schemes that will take more than one year to complete.

| February 2013 Update   |  | £'000  |
|--|--|--------|
| <i>Confirmed 2013 Expenditure (including prior approvals)</i>          |  |        |
| Housing  |  | 20,720 |
| TTS  |  | 23,575 |
| JPH  |  | 17,856 |
|  |  | 62,151 |
| <i>Departmental 2013 Maximum Available (including prior approvals)</i> |  |        |
| JFM  |  | 1,475  |
| JCP  |  | 871    |
| CMD  |  | 5,230  |
| ESC  |  | 2,018  |
| DoE  |  | 620    |
| Health   |  | 2,114  |
| Home Affairs   |  | 3,396  |
| Non Mins   |  | 161    |
| Departmental Total   |  | 15,885 |
| Airports   |  | 16,463 |
| Harbours   |  | 12,479 |
| Ports Total  |  | 28,942 |

A further breakdown of the spending by the major departments involved in delivering capital projects, Housing, TTS and Property Holdings is set out below.

This is the first time that we have published a quarter by quarter analysis of spend. We have taken this step in order to encourage the Departments to spend the capital allocations that have been provided.

## Housing

| Department                                  | Head of Expenditure                         | Total Project Forecast Expenditure for | 2013             |                  |                  |                  |
|---|---|--|------------------|------------------|------------------|------------------|
|   |   |  | Q1               | Q2               | Q3               | Q4               |
| Housing                                     | <b>Remaining Spend on Existing Projects</b> |  |                  |                  |                  |                  |
|   | Le Geyt Phase 7                             | 70,000                                 | 70,000           |                  |                  |                  |
|   | Le Squez Phase 2a & 2b                      | 530,000                                | 50,000           | 480,000          |                  |                  |
|   | Clos Gosset                                 | 530,000                                | 530,000          |                  |                  |                  |
|   | Pomme D'Or Farm                             | 1,340,000                              | 900,000          | 440,000          |                  |                  |
|   | Jardin Des Carreaux                         | 190,000                                | 190,000          |                  |                  |                  |
|   | <b>Sub-total for Existing Projects</b>      | <b>2,660,000</b>                       | <b>1,740,000</b> | <b>920,000</b>   | -                | -                |
|   | <b>Remaining Spend on P40 Projects</b>      |  |                  |                  |                  |                  |
|   | La Collette Phase 1                         | 3,600,000                              | 800,000          | 1,000,000        | 1,000,000        | 800,000          |
|   | Le Squez Phase 2c                           | 2,380,000                              | 350,000          | 500,000          | 450,000          | 1,080,000        |
|   | 2 - 4 Joumeaux Street                       | 1,405,000                              | 175,000          | 290,000          | 620,000          | 320,000          |
|   | Langtry Gardens                             | 2,000,000                              | 500,000          |                  |                  | 1,500,000        |
|   | Lesquende Phase 1                           | 2,700,000                              | 400,000          | 500,000          | 800,000          | 1,000,000        |
|   | Osborne Court                               | 1,475,000                              | 225,000          | 250,000          | 500,000          | 500,000          |
|   | <b>Sub-total for P40 Projects</b>           | <b>13,560,000</b>                      | <b>2,450,000</b> | <b>2,540,000</b> | <b>3,370,000</b> | <b>5,200,000</b> |
|   | <b>Housing Department - New Projects</b>    |  |                  |                  |                  |                  |
|   | Lesquende Phase 2                           | 225,000                                |                  |                  | 75,000           | 150,000          |
|   | Le Squez Phase 3                            | 400,000                                |                  | 50,000           | 250,000          | 100,000          |
|   | Le Squez Phase 4                            | -                                      |                  |                  |                  |                  |
|   | La Collette Low Rise Phase 1                | 1,000,000                              |                  | 200,000          | 300,000          | 500,000          |
|   | La Collette Low Rise Phase 2                | -                                      |                  |                  |                  |                  |
|   | Former Le Coin Site                         | 1,100,000                              | 100,000          | 100,000          | 150,000          | 750,000          |
|   | Summerland Site                             | -                                      |                  |                  |                  |                  |
|   | Ambulance Station Site                      | -                                      |                  |                  |                  |                  |
|   | Pine Ridge                                  | 175,000                                |                  | 40,000           | 60,000           | 75,000           |
|   | Joumeaux Street Refurbishment               | -                                      |                  |                  |                  |                  |
|   | Hampshire Gardens                           | -                                      |                  |                  |                  |                  |
|   | Victoria Cottage Homes                      | -                                      |                  |                  |                  |                  |
|   | Convent Court                               | -                                      |                  |                  |                  |                  |
|   | Caesarea Court                              | -                                      |                  |                  |                  |                  |
|   | De Quetteville Court High Rise              | 450,000                                |                  | 100,000          | 100,000          | 250,000          |
|   | Hue Court High Rise                         | -                                      |                  |                  |                  |                  |
|   | <b>Sub-total for New Projects</b>           | <b>3,350,000</b>                       | <b>100,000</b>   | <b>490,000</b>   | <b>935,000</b>   | <b>1,825,000</b> |
| <b>Housing Trust Projects</b>               |   |  |                  |                  |                  |                  |
| Former Ann Court Site                       | 850,000                                     |  | 250,000          | 300,000          | 300,000          |                  |
| Former JCG Site                             | 250,000                                     |  |                  | 100,000          | 150,000          |                  |
| La Motte Street Site (Sounds Workshop)      | 50,000                                      |  |                  |                  | 50,000           |                  |
| <b>Sub-total for Housing Trust Projects</b> | <b>1,150,000</b>                            | -                                      | <b>250,000</b>   | <b>400,000</b>   | <b>500,000</b>   |                  |
| <b>Total anticipated Expenditure</b>        | <b>20,720,000</b>                           | <b>4,290,000</b>                       | <b>4,200,000</b> | <b>4,705,000</b> | <b>7,525,000</b> |                  |

## Transport and Technical Services

| Department | Head of Expenditure                         | Total Project Forecast Expenditure for | 2013             |                  |                   |                  |
|------------|---|--|------------------|------------------|-------------------|------------------|
|            |   |  | Q1               | Q2               | Q3                | Q4               |
| TTS        | Q000C0393 - South La Collette Reclamation   | 28,045                                 |                  | 10,000           | 10,000            | 8,045            |
|            | Q000C2645 - Gas Engine - Bellozanne         | 4,165                                  |                  | 4,165            |                   |                  |
|            | Q000C2666 - Sewage Treatment Works          | 51,070                                 |                  |                  | 20,000            | 31,070           |
|            | Q000C2682 - In-Vessel Composting            | -                                      |                  |                  |                   |                  |
|            | Q000C2693 - Solid Waste Incinerator 2008    | 60,000                                 |                  | 60,000           |                   |                  |
|            | Q000C2695 - EPW Plant La Collette           | 6,201,767                              | 15,471           | 23,206           | 6,139,883         | 23,206           |
|            | Q000C7001 - Fire Fighting System            | 178,190                                | 882              | 1,323            | 101,323           | 74,663           |
|            | Q000C7004 - Economic Stimulus Bids          | 17,931                                 | -                | 17,931           | -                 | -                |
|            | Q00BP10016 - Eastern Cycle Network          | 344,768                                | -                | -                | 262,500           | 82,268           |
|            | Q00BP10017 - Town park                      | 3,757                                  | 3,757            |                  |                   |                  |
|            | Q00BP10018 - Odour Treatment Works          | -                                      |                  |                  |                   |                  |
|            | Q00BP11004 - Sludge Thickener Project       | 3,709,514                              | -                |                  | 1,854,757         | 1,854,757        |
|            | Q00BP12010 - Phillips Street Shaft          | 3,912,614                              | 947,778          | 1,089,304        | 1,061,437         | 814,095          |
|            | Q00BP12020 - STW Secondary Treatrnt Upgrade | 399,498                                | 152,000          | 228,000          | 19,498            | -                |
|            | Q00DD11003 - Waste: Ash Pit La Collette     | 1,097,691                              | -                | -                | 360,000           | 737,691          |
|            | Q00MC10012 - Replacement Assets             | 169,002                                | -                | 18,002           | 80,500            | 70,500           |
|            | Q00MD10126 - Contingency Infrast Maint      | 27,246                                 | -                | 27,246           | -                 | -                |
|            | Q00MD11091 - Asbestos Waste Disposal        | -                                      |                  |                  |                   |                  |
|            | Q00MF13030 - Clinical Waste Refurbishment   | 300,000                                | -                | -                | -                 | 300,000          |
|            | Q00MF14034 - Bottem Ash Recycling           | -                                      |                  |                  |                   |                  |
|            | Q00RL10011 - Infrastructure                 | 7,069,891                              | 577,203          | 1,187,611        | 1,757,354         | 3,547,723        |
|            | <b>Total anticipated Expenditure</b>        | <b>23,575,149</b>                      | <b>1,697,091</b> | <b>2,666,788</b> | <b>11,667,252</b> | <b>7,544,018</b> |

## Jersey Property Holdings

| Department | Head of Expenditure                         | Total Project Forecast Expenditure for | 2013             |                  |                  |                  |
|------------|---|--|------------------|------------------|------------------|------------------|
|            |   |  | Q1               | Q2               | Q3               | Q4               |
| JPH        | F000C0198 - Police Relocation               | -                                      | -                | -                | -                | -                |
|            | F000C0199 - Police Relocation (Phase 1)     | 300,000                                | 75,000           | 75,000           | 75,000           | 75,000           |
|            | F000C1248 - Relocation of Sea Cadets        | 407,263                                | 101,816          | 101,816          | 101,816          | 101,816          |
|            | F000C2575 - Highlands (A Block)             | 99,770                                 | 24,943           | 24,943           | 24,943           | 24,943           |
|            | F000C2668 - Public Markets Maintenance      | 200,000                                | 50,000           | 50,000           | 50,000           | 50,000           |
|            | F000C2668 - Public Markets Maintenance      | 496,250                                | 124,063          | 124,063          | 124,063          | 124,063          |
|            | F000C3315 - St Martin                       | 2,800,000                              | 700,000          | 700,000          | 700,000          | 700,000          |
|            | F000C3316 - Mont-a-l'Abbe Phase II          | -                                      | -                | -                | -                | -                |
|            | FXA037 - Youth Service Works - Various      | 108,000                                | 27,000           | 27,000           | 27,000           | 27,000           |
|            | FXA052 - St James Youth Serv Reloc          | 420,000                                | 105,000          | 105,000          | 105,000          | 105,000          |
|            | F000C3325 - Integrated Property System      | 95,670                                 | 23,918           | 23,918           | 23,918           | 23,918           |
|            | FXA040 - HDF Buildg & Incinerator Works     | 75,065                                 | 18,766           | 18,766           | 18,766           | 18,766           |
|            | FXA047 - JSPCA Incinerator Relocation       | -                                      | -                | -                | -                | -                |
|            | FA0BP10020 - T&R Grainville Phase 4a        | 355,419                                | 88,855           | 88,855           | 88,855           | 88,855           |
|            | FXA028 - Prison Phase 4                     | 1,720,000                              | 430,000          | 430,000          | 430,000          | 430,000          |
|            | FXA049 - Prison Training Centre             | 103,525                                | 25,881           | 25,881           | 25,881           | 25,881           |
|            | FXA053 - Police Station Reloc-Tranche 4     | -                                      | -                | -                | -                | -                |
|            | FXA036 - Victoria College Extension         | 928,000                                | 232,000          | 232,000          | 232,000          | 232,000          |
|            | FA000C3265 - A&E/Radiology Extens (Phase 2) | 30,805                                 | 7,701            | 7,701            | 7,701            | 7,701            |
|            | FA0BP11007 - Oncology Extension & Refurbish | 1,150,000                              | 287,500          | 287,500          | 287,500          | 287,500          |
|            | FX1005 - Renal Dialysis Unit                | 500,000                                | 125,000          | 125,000          | 125,000          | 125,000          |
|            | FA0BP12006 - Intensive Care Unit Upgrade    | 1,004,632                              | 251,158          | 251,158          | 251,158          | 251,158          |
|            | FA0BP12007 - New Maternity Theatre          | 1,265,000                              | 316,250          | 316,250          | 316,250          | 316,250          |
|            | FA0BP12008 - Main Theatre Upgrade           | 500,000                                | 125,000          | 125,000          | 125,000          | 125,000          |
|            | FA0BP12009 - Clinique Pinel Upgrade         | 1,906,810                              | 476,703          | 476,703          | 476,703          | 476,703          |
|            | FA0BP12015 - Limes Upgrade                  | 697,000                                | 174,250          | 174,250          | 174,250          | 174,250          |
|            | FA0DD10041 - G&A Hospital Fire Safety Works | 41,997                                 | 10,499           | 10,499           | 10,499           | 10,499           |
|            | FX1003 - Central Stores ImprovementsWor     | 16,565                                 | 4,141            | 4,141            | 4,141            | 4,141            |
|            | FA0MD10111 - Rosewood House Refurbishment   | 137,760                                | 34,440           | 34,440           | 34,440           | 34,440           |
|            | FA0MF13018 - Replce GHospital-feasibility   | 350,000                                | 87,500           | 87,500           | 87,500           | 87,500           |
|            | FA0MF13019 - Ment Health Fac Overdale-feas  | 100,000                                | 25,000           | 25,000           | 25,000           | 25,000           |
|            | FA0MF13021 - Reloc AmbandFire Stat-feasib   | 50,000                                 | 12,500           | 12,500           | 12,500           | 12,500           |
|            | FA0MF13022 - Adult Care Homes               | 1,000,000                              | 250,000          | 250,000          | 250,000          | 250,000          |
|            | FA0MF13023 - Children's Homes               | 996,375                                | 249,094          | 249,094          | 249,094          | 249,094          |
|            | <b>Total anticipated Expenditure</b>        | <b>17,855,906</b>                      | <b>4,463,977</b> | <b>4,463,977</b> | <b>4,463,977</b> | <b>4,463,977</b> |

4. In addition to bringing forward as much public sector capital spending as possible, the Council of Ministers has been working on identifying obstacles in the way of private sector planning applications. The Council of Ministers continues to support the Planning Minister in achieving the objective of securing speedy planning decisions in a way that does not compromise the necessary rigorous Planning processes that are in place.

In addition, the scheme for a new Police Headquarters and Esplanade Square is progressing well and is going through the Planning process at the moment.

### **Recommendation from the FPP (3)**

***The extent of stimulus should not be limited by the balances on the Consolidated or Stabilisation Funds. The States should give consideration as to the best way to fund needed stimulus if it is constrained by the availability of funding from these sources, not least because any constraint would be one of cash flow and funds could be repaid from future revenue.***

### **Current Progress (3)**

The current level of spending on capital schemes in 2013 is being constrained more by the capacity within Departments to take schemes forward than it is by the available level of funding. Steps are being taken to build up project management capacity, particularly within Health and Social Services and Jersey Property Holdings, so that more schemes can be brought forward and tendered successfully.

Looking ahead, work is well underway to assess the options for funding three major projects that would transform the public infrastructure on the Island. The schemes are:

- a new build or substantial rebuild/refurbishment of the General Hospital
- a major investment in sewers and liquid waste management
- a major investment in bringing social housing up to “Decent Homes Standards” and building new social rented homes.

The level of funding needed for these three major is beyond what can be easily accommodated within the constraints of the annual Capital Programme. A separate report has hence been commissioned to assess the funding options available should the States choose to take these projects forward.

### **Recommendation from the FPP (4)**

***It is too early to judge whether the stimulus that will be provided to the economy in 2014 and 2015 by the capital expenditure financed by one-off receipts will be warranted but contingency plans should be made as to what measures could be implemented to reduce the extent of the stimulus if economic conditions merit such an approach.***

### **Current Progress (4)**

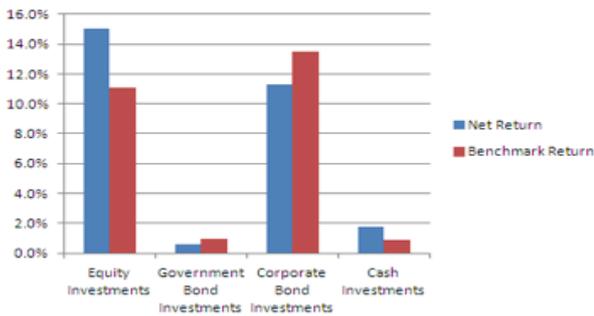
Detailed allocation of funding for capital schemes in 2014 and 2015 will be made by the States as part of consideration of the annual Budgets for those years. If prevailing economic conditions dictate then the level of capital funding in those years could be reduced if necessary. However, the projects set out in the capital programme, whilst they have the added advantage of providing fiscal stimulus, are necessary projects that the States must carry out to meet service delivery needs for local people. The annual Budget for each of these years provides the final mechanism for the approval of projects and there is the opportunity to vary the schemes at this stage. Economic conditions could vary either way and could improve. For example, it is the view of a number of investment managers who manage funds for The States of Jersey that an improvement in the USA

housing market will herald the beginning of an upturn in the global economy. There has been an improvement in the USA housing market. Last year, 2012, the Common Investment Fund benefited from a substantial improvement in markets and the level of returns has been significant for the year as can be seen by the charts below. Jersey's C.I.F. has done particularly well by delivering above benchmark returns in a rising market.

### CIF Performance by asset class

#### Relative performance

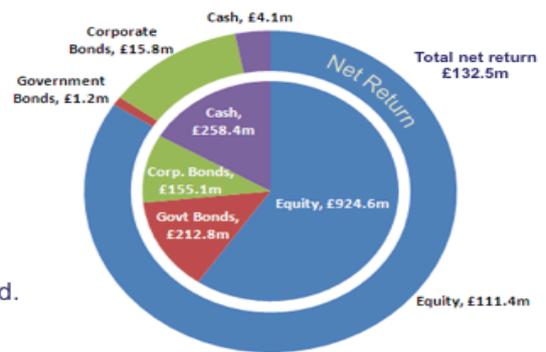
The diagram below illustrates the relative performance of each asset class compared to its apportioned benchmark.



The active equity managers have exceeded benchmark. The corporate bond manager has struggled to meet benchmark and has been replaced.

#### Absolute performance

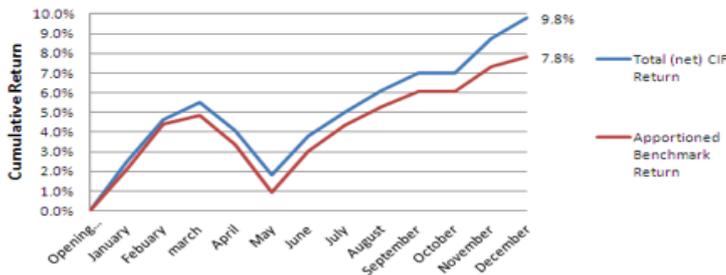
The diagram below illustrates the earnings of the CIF split by asset class. The central pie chart illustrates the year end allocation, the surrounding doughnut shows the return.



### CIF Performance

The CIF contains 9 pools, across 4 asset classes, 6 are actively managed, 3 are passively managed.

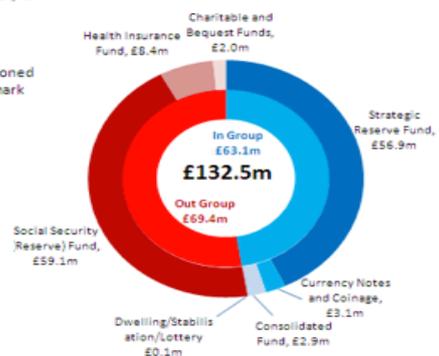
#### Relative performance



The diagram above, illustrates the relative earnings of the total CIF in comparison to the apportioned benchmarks of the underlying pools.

#### Absolute performance

The diagram below illustrates the actual earnings of the CIF split by participant over 2012.



## **Recommendation from the FPP (5)**

***No transfers into the Stabilisation Fund are recommended in 2012 or 2013. However, further consideration needs to be given as to how the Stabilisation Fund will be rebuilt through countercyclical fiscal policy once the economy begins to recover. The Panel does not recommend a transfer into or out of the Strategic Reserve at this stage.***

## **Current Progress (5)**

No transfers into the Stabilisation Fund have taken place in 2012, and none are planned for 2013. There have also been no transfers into or out of the Strategic Reserve in 2012, and none are planned for 2013 to 2015, being the period of the MTFP.

When the economy begins to recover, FPP advice will be important in determining when the States should be running a surplus and rebuilding the Stabilisation Fund. The Stabilisation Fund should be rebuilt at a time when the economy is operating above capacity, and the advice of the FPP will be sought when this is the case so that the States can, if necessary, adjust fiscal policy. In the meantime, one way in which the Stabilisation Fund could be rebuilt during the period 2013 to 2015 period is by allocating some of the general revenue income that is achieved above our current target could be allocated to the Stabilisation Fund. This approach would be in line with previous recommendations from the FPP and is an option discussed within the Medium Term Financial Plan. It is also possible that any unspent contingencies available at the end of 2015 could be transferred in whole or in part to the Stabilisation Fund.

## **Recommendation from the FPP (6)**

***The Panel cannot rule out that there is an underlying structural imbalance between expenditure and revenue. The Panel's view is that further analysis is required by the Treasury and Resources Department to consider the nature of proposed capital expenditure, the way it is funded and what it implies for the underlying position of States' finances. If this analysis suggests that there is a structural deficit then consideration should be given to its extent and nature, including a more detailed plan of action to rectify it.***

## **Current Progress (6)**

For a structural deficit to exist in Jersey there would need to be a fundamental and persistent imbalance between government income and expenditure. In other words, it would require an imbalance between income and expenditure manifested in deficits arising year after year, as opposed to a deficit arising from one-off or short term factors. An assessment of Jersey's position shows that temporary deficits have existed, but they have been planned and managed during the restricting of the tax system, so that the Zero/Ten and GST regimes can be introduced and implemented.

When considering the question of underlying structural imbalance we need to be mindful not just of the operating deficit (being broadly the difference between ongoing income and ongoing expenditure in a year), but also the cost of capital investment, investment in fixed

assets (for example buildings and equipment) and the extent to which those fixed assets are depreciating. The States has changed the basis of its accounting practice so as to more clearly reflect the cost of 'using up' fixed assets. This move to International Financial Reporting Standards will make it easier to identify the full cost of delivering services and to assess whether the States is running a structural surplus or deficit over time.

Another pertinent issue is that Jersey has substantial investments. Therefore, to fully resolve the matter of whether or not an imbalance exists, agreement will also need to be reached with the FPP on how the return on investments should be treated.

The Treasury and Resources Department will undertake more work in this area and develop a consistent approach to the measurement and monitoring of structural surpluses and deficits. This will include investigating whether a long run of comparable data can be generated by re-stating Accounts from previous years without incurring undue cost. The Treasury and Resources will undertake further analysis, as suggested by the FPP, to look at the nature of capital expenditure, in particular whether it can be separated into expenditure that is investment with clear returns for the economy/tax payer, and expenditure that is for repair and maintenance.

The Medium Term Financial Plan has a target to balance income and expenditure over the 3 years 2013 to 2015. Since the FPP report was published, the States draft Accounts for 2012 have been produced. The Accounts for 2012 are still draft and subject to Audit, nevertheless they show an improvement in the actual States' income for 2012 which is £15 million above the budgeted level for 2012. This is within our forecasting limits and it is consistent with the income forecasts that are already built into the MTFP for 2013 to 2015. This additional ongoing income that has been delivered at the end of 2012 was anticipated and is necessary for the States to be able to afford the spending levels that are built in to the MTFP for 2013 to 2015. Furthermore, as the high level summary demonstrates whilst there was an operating surplus in 2012 of £27 million.

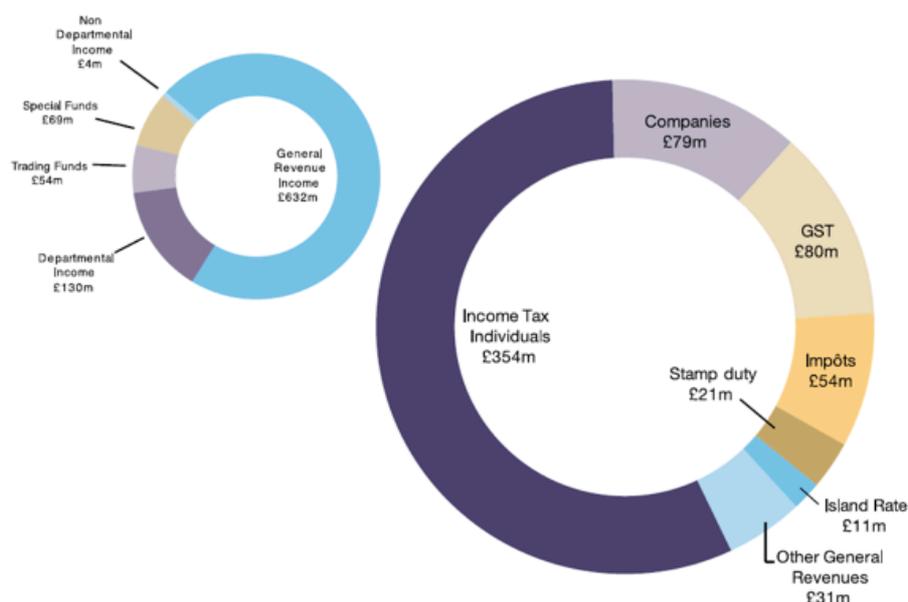
## High Level Summary – 2012 at a Glance

|   | Budget/<br>Business Plan<br>2012 | Final<br>Approvals<br>2012 | Actual<br>2012 |
|---|----------------------------------|----------------------------|----------------|
| General Revenue Income                            | 612                              | 625                        | 628            |
| Departments Net Revenue Expenditure               | (616)                            | (657)                      | (601)          |
| <b>Operating (Deficit)/Surplus</b>                | <b>(4)</b>                       | <b>(32)</b>                | <b>27</b>      |
| Trading Operations                                | (1)                              | (4)                        | (21)           |
| <b>(Deficit)/Surplus adjusted for Trading Ops</b> | <b>(5)</b>                       | <b>(36)</b>                | <b>6</b>       |
| GAAP Adjustments                                  | (40)                             | (40)                       | (39)           |
| Special Funds and SOJDC                           |                                  |                            | 60             |
| Other Income and Adjustments                      |                                  |                            | 43             |
| <b>Accounting Surplus</b>                         |                                  |                            | <b>70</b>      |

### High Level Summary – Key Results

- £16 million positive variance (2.5%) in Net General Revenue Income (against original Budget of £612m)
  - Income variance largely due to higher revenue from Personal Tax (£11m) and Company tax (£3m), an additional dividend from Jersey Post (£4m), offset by lower stamp duty than expected (£2m)
- £56 million underspends against Revenue Expenditure Limits
  - £28m within Departments
  - £28m due to unused contingency amounts

### High Level Summary – Income

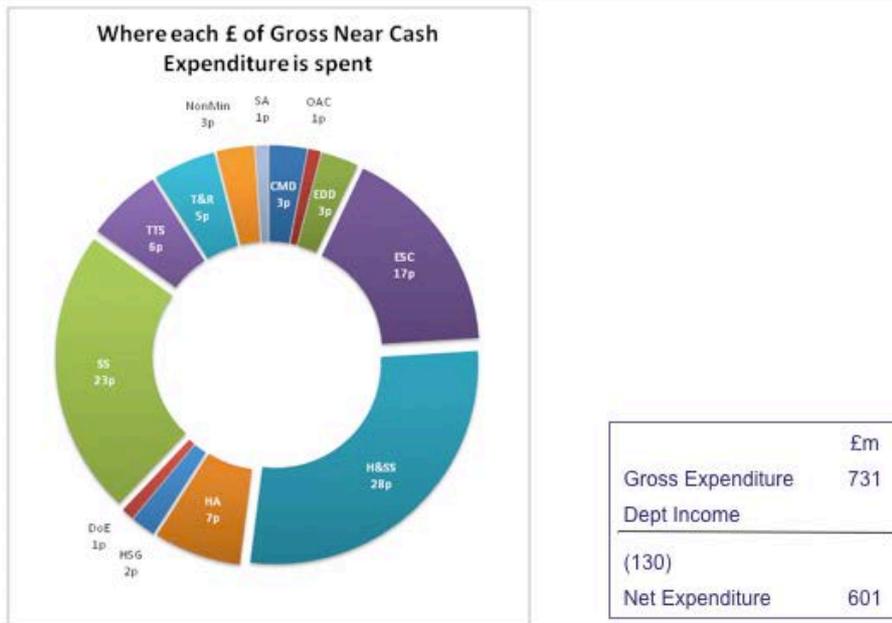


## High Level Summary – Departmental Expenditure

### Underspends

- £28 million of unused contingency
- £28 million in departments, including
  - £7 million in Social Security due to fewer benefit payments
  - £6 million in CMD and T&R for projects extending over more than one year
  - £4 million in ESC due to the system of delegated financial management
- Carry forwards will allow departments to prepare for the delivery of longer term savings, and to allow them to make better use of their budgets in line with the Medium Term Financial Plan, as well as alleviating pressures in 2013 – this is covered in more detail later.

## High Level Summary – Departmental Expenditure



### Recommendation from the FPP (7)

***The Panel has had to make significant adjustments to the financial forecasts presented in the MTFP to try to assess the underlying economic impact of the proposals. In future the presentation of States' finances would be more informative, leading to a better informed policy debate, if these types of adjustments were already included in the analysis accompanying any proposals in the MTFP or Budget.***

## **Current Progress (7)**

The proposal of the FPP was agreed in the Minister's initial response to the FPP report. The Treasury will include this analysis in future Budgets and Medium Term Financial Plans, commencing with the Budget 2014.

### Review of 2013 Capital Programme against Fiscal Stimulus Criteria

#### Introduction

One of the outcomes of Corporate Services Scrutiny Panel review of the Medium Term Financial Plan 2013-2015 (MTFP) was a request that the Treasury & Resources Minister report back to the States Assembly within three months, with confirmation that elements of fiscal stimulus proposed in the MTFP are timely, targeted and temporary. This report relates to the Capital Programme 2013, in that context.

The Fiscal Stimulus Programme measured projects against the 3T's criteria. These are summarised as:-

**Timely:** Action should start immediately, and spend while the economy is in recession.

**Targeted:** Policy should hit the intended target whether it is to support activity and employment in the Island, support those adversely affected by the downturn or implement projects which have intrinsic benefit.

**Temporary:** There should be no negative long term implications for the public finances.

All of the criteria are important when considering the impact on the local economy of capital spending. The "Targeted" criterion is particularly important because the intention is that the spending has a beneficial effect on the local economy.

As a result, schemes need to demonstrate that there is good proportion of both local labour and local materials usage. Checks are in place to ensure that local labourers used as part of our procurement process and in line with our financial directions. Departments also endeavour to assess the use of local materials sourced from local suppliers.

It is reasonable to presume, that by approving the Capital Programme for 2013 in the 2013 Budget, the States acknowledged the need for these schemes to commence in 2013. In approving the schemes it also acknowledges that any associated revenue funding implications (additional or reduced) are accounted for. It is also generally acknowledged that the economy remains in need of support from Government in an appropriate way. The criteria, "Timely" and "Temporary" can therefore reasonably be stated as having been fulfilled, in most cases.

This review therefore principally focuses on the "Targeted" criteria and whether the schemes are likely to proceed as planned in 2013.

### Review of the 2013 Capital Programme

The review was undertaken through discussions with relevant staff in Departments delivering the projects. The outcome is contained in the attached Summary.

Brief details relating to specific schemes are:-

#### Web Development

Project is underway. ISD are working with C5 Alliance with the bulk of the work going to them. There may be some software purchase but this will not be significant in the context of the sum involved. Project continues into 2014. Potential savings longer term in terms of the delivery of States services.

#### Microsoft upgrade

The upgrade of the Microsoft desktop system forms part of the existing “Enterprise” contract with Microsoft. ISD have not gone for cheapest option in terms of delivery (which could have been through remote access from UK). Aim has been to get “value added” through up-skilling of local workforce. Approx £500k will go on local services, principally 2e2 but also need for input from a local training company.

#### HRIS Replacement

The Specification Document for the system has not yet been finalised. Target is for the Tender process to be complete and system roll out commenced by year end, with completion in 2014. It is estimated that 50% of budget will be for software (off island) and 50% on implementation and training (on island). ISD/HR will employ some contract staff contract for roll out and training. Whilst the capital budget provision for 2013 is £740,000, actual total estimated cost is £1,340,000. The balance of £600,000 will be funded from the JDE Development Fund (previously voted).

#### School ICT

Work is ongoing to develop an “Information Services Skills Strategy” in order to determine how this scheme will be implemented and delivered. It is likely to be “on island” expenditure. The expectation is that planned budget will be spent in 2013. This scheme was proposed by the Council of Ministers Capital Sub-Group to support the development of skills in the field of Information Services. This was on the basis that it would help to respond to the local economy’s requirements for such skills. Scheme will continue for 2014 and 2015.

### St Martin School

Still awaiting formal planning consent but approval in principle received. Scheme will commence in 2013. Expenditure will be through local contractor and sub-contractors.

### Upgrade of Main Theatres

This is part of a phased programme due for completion in 2014. Some specialist work is required for M & E which will go “off island” – estimated at approx 10% of budget. Rest will be through local contractors.

### The Limes Refurbishment

This scheme is still planned to proceed in 2013. The key elements are refurbishment and upgrade works, to be undertaken fully by local contractors.

### Replacement General Hospital – feasibility

Work is being undertaken by specialist UK company (Atkins) although there is some local company involvement through Currie & Brown (£ not known).

### Mental Health Facility at Overdale – feasibility

The detailed feasibility study is likely to need some specialist input from UK, which is not available locally. Therefore it is estimated that 60% of the budget will be spent “off island” and 40% “on island”.

### Relocation of Ambulance and Fire Station – feasibility

All “on island” work. Significant amount will be JPH recharges.

### Adult Care Homes

Currently, the method of delivering this project is undergoing review. Discussions are taking place with Housing to see if they can deliver the required accommodation as part of one of their planned housing projects. A number of potential benefits are seen to arise from this revised approach. If agreed, the full budget might not then be required (and may be diverted to a refurbishment of the Le Geyt Centre, subject to the necessary approvals). It is not yet known whether this will impact on timescales. Whether it is H&SS or Housing who develop the scheme, the work will be undertaken by local contractors.

Children's Homes

This project is to develop fit for purpose homes for children who require residential care, including the acquisition and development of a new home for children currently placed in the UK. The project also encompasses the rationalisation of the current Children's home portfolio and will include accommodation to incorporate short break facilities, including day service and residential services. This work is intended to be undertaken through local building contractors. It forms part of the Invest to Save initiatives being undertaken by Health and Social Services.

Police Station Relocation – Tranche 4

This project is intended to be undertaken using local contractors. Timing is subject to Planning approval and an ongoing Scrutiny Panel review.

Infrastructure Rolling Vote

|                  | Total<br>£000 | Local<br>£000 | UK<br>£000   |
|------------------|---------------|---------------|--------------|
| Infrastructure   | 1,760         | 1,760         | -            |
| Highways         | 3,602         | 3,242 (90%)   | 360          |
| Traffic          | 31            | 31            | -            |
| Street Lighting  | 124           | 124           | -            |
| Drainage         | 1,145         | 1,145         | -            |
| Liquid Waste     | 1,852         | 556 (30%)     | 1,296 (70%)  |
| Pumping Stations | 242           | 242           | -            |
| Drainage Mtce.   | <u>1,225</u>  | <u>1,225</u>  | <u>-</u>     |
|                  | <u>9,981</u>  | <u>8,325</u>  | <u>1,656</u> |

Expectation is that approved Budget will be spent this year although there is a possible timing delay on the Liquid Waste project, following the UK contractor going into administration. Based on the above analysis 83.4% of work will be "on island".

Refurbishment of Clinical Waste Incinerator

TTS are currently considering a new solution for the replacement of the exiting Incinerator using a solution which will be incorporated into the EFW facility at La Collette. Currently the estimated design costs are £50k - £100k. This is likely to be undertaken by a UK specialist company. It is anticipated that the balance of the Budget will roll forward into 2014.

Ash Cells

Design work, which is estimated at 20% of the 2013 Budget, will be undertaken in the UK by a specialist company. The construction and installation of the Cells, estimated at 80% of the 2013 Budget will be undertaken by local contractors. Plan is that Budget will be spent in this year.

Vehicle Replacement

General vehicles will be sourced through local market, although some specialist vehicles will be sourced “off island”. Split is not known at this stage but it is expected that the great majority of purchases will be through the local market.

Replacement Assets

Health – special medical equipment (“off island”)

Home Affairs – specialist vehicle – (“off island”)

Social Housing Programme

Per previous Fiscal Stimulus initiatives – Housing projects are seen as meeting the 3T’s criteria.

**Conclusion**

The attached Appendix summarises the position for each of the schemes against the 3T’s criteria. It will be seen that the vast majority of schemes fall within the definition of Fiscal Stimulus as determined by the 3T’s criteria.

However a critical issue relates to timing and the ability to physically commence schemes in order that the financial stimulus impacts positively on the local economy in 2013. In certain cases e.g. St Martin School and the Police Station Relocation, it will be first necessary to receive final planning approval. In the latter case this is complicated by the potential delay that may arise from the ongoing Scrutiny review. In the case of the School ICT project the strategy and method of delivery is under development and the Adult Homes Project is being reviewed as to how it should be delivered. These issues represent risk to the “Timely” criteria and need to be actively progressed and monitored.

## TTT Analysis for 2013 for Approved Capital Allocations

|   | £'000         |        |          |           | Notes  |
|---|---------------|--------|----------|-----------|--|
|   | 2013          | Timely | Targeted | Temporary |  |
| Web Development   | 100           | Y      | Y        | Y         | Underway. Working locally with C5 Alliance on development, although some software purchase.  |
| Microsoft Upgrade                                       | 663           | Y      | Y        | Y         | Underway. Working with Ze2. Decision to use on-island. Upskilling of local workforce & knowledge transfer.                                       |
| HRIS Replacement  | 740           | Y      | P*       | Y         | *Est 50% software purchase (off island), 50% on island re implementation e.g. training, roll out.  |
| School ICT  | 1,000         | Y      | S        | S         | Specific proposals not yet developed but expected to be expenditure on island.   |
| St Martin School  | 7,732         | Y      | Y        | Y         | Major construction project employing local contractors.  |
| Upgrade of Main Theatres                                | 2,100         | Y      | Y*       | Y         | * Some M&E work off island (est. up to 10%)  |
| The Limes Refurbishment                                 | 1,700         | Y      | Y        | Y         | Refurbishment and upgrade work to be undertaken by local contractors.  |
| Replacement General Hospital - feasibility              | 350           | Y      | N*       | Y         | *UK specialist consultant (Atkins) main provider, although some local support e.g. Currie & Brown  |
| Mental Health Facility at Overdale - feasibility        | 350           | Y      | P*       | Y         | Est. 60% specialist off island, 40% on island  |
| Relocation of Ambulance and Fire Station - feasibility  | 100           | Y      | Y        | Y         | Work principally undertaken through JPH.   |
| Adult Care Homes  | 4,000         | Y      | Y        | Y         | Scheme under review and may not be delivered as originally planned - possible delay as a result.   |
| Children's Homes  | 2,000         | Y      | Y        | Y         | Refurbishment and upgrade works to be undertaken by local contractors.   |
| Police Station Relocation - Tranche 4                   | 1,000         | Y      | Y        | Y         | Subject to Planning Approval and Scrutiny outcomes.  |
| Infrastructure Rolling Vote                             | 9,981         | Y      | Y*       | Y         | * Approx 84% on island.  |
| Refurbishment of Clinical Waste Incinerator             | 700           | N      | N        | Y         | *Design spend £50k to £100k in 2013 (off island). Expect bulk of £700k to roll forward to 2014.  |
| Ash Cells & La Collette Headland                        | 1,025         | Y      | Y*       | Y         | * Design work est. 20%(off island), Construction & installation est 80% (on island)  |
| Vehicle replacement (additional from consolidated fund) | 1,000         | Y      | P*       | Y         | Expect majority of general vehicles sourced through local market. Some specialist vehicles - off island.   |
| Replacement assets                                      | 2,785         | Y      | N        | Y         | Mainly specialist equipment - H&SS & T&TS, specialist vehicle - HA ( off island)   |
| Social Housing Programme                                | 18,801        | Y      | Y        | Y         | Per previous Fiscal Stimulus initiatives - this activity seen as meeting 3T's criteria.  |
| <b>Total Programme</b>                                  | <b>56,127</b> |        |          |           |  |
| <b>Replacement Assets</b>                               |               |        |          |           |  |
| Health and Social Services                              | 2,484         |        |          |           | <b>Key</b><br>Y = yes, meets criteria      P = partly meets criteria<br>N = no, does not meet criteria      S = Strategy/Project not yet defined |
| Home Affairs  | 200           |        |          |           |  |
| Transport and Technical Services                        | 101           |        |          |           |  |
| <b>Total</b>  | <b>2,785</b>  |        |          |           |  |

NB Please note that the analysis above is carried out against the approved budget for the whole scheme. The planned spend for 2013 will be lower because some larger schemes take more than one year to deliver. The planned spend in cash terms in 2013 is set out in the body of the report in response to FPP Recommendation 2.

## PART 2

**Review of 2014 & 2015 Programmes**

**The review of 2014 and 2015 Capital Programme follows the same approach as for Part 1 and a summary of the outcome is attached.**

Please note that it is accepted that an assessment of future schemes against the fiscal stimulus criteria of “timely, targeted and temporary” has its limitations when assessing future schemes. Note also that the schemes included in the proposed capital programme for 2014 and 2015 are subject to States approval as part of the annual Budget process. These schemes are necessary for the effective and efficient delivery of public services in the Island and they are brought forward largely for those reasons.

We will look forward to receiving further advice from the FPP report about the future need for fiscal stimulus at the appropriate time and in light of the economic conditions then prevailing.

Web Development (2014)

Continuation of programme from 2013. Same criteria.

JDE Development & Upgrade (2014 & 2015)

Purchase of specialist software from Oracle, modifications to existing software and training are likely to be sourced “off island”. Expectation is that project will progress as planned, in terms of timescale.

Application remediation Windows 8 (2014)

|                                | £000 |
|--------------------------------|------|
| Line of business modifications | 150  |
| Application upgrades           | 150  |
| Application packaging          | 70   |
| Consultancy                    | 130  |

Assumption that majority will be off island specialist activity. Possibly some consultancy on island will be carried out.

School ICT (2014 & 2015)

Continuation of programme from 2013.

Autism Support Unit (2014)

This is the provision of new accommodation at Haute Vallee School. Expected to be delivered through “on island” contractors and services.

FB Fields Running Track (2014)

Specialist contractors for bulk of works. Estimate that less than 20% will be undertaken by local contractors.

Les Quennevais Artificial Pitch (2014)

As above.

St James Centre (2014)

Work expected to be undertaken by local contractors.

Replacement School (2014)

As with St Martins School, would expect that this work would be undertaken through local contractors. Actual requirement still under discussion,

Fisheries Vessels (2014)

Refurbishment of fisheries vessel. Expected that this will be mainly “off island” work.

Met Radar Refurbishment/Upgrade (2014)

Outline Business Case identifies that this is specialist work through the UK Met Office. Minimal “on island” input.

Countryside Infrastructure (2014 & 2015)

This relates to maintaining access networks in the countryside. Will be “on island” activity.

Upgrade of Main Theatres (2014)

Final element of phased programme. Same criteria as for 2013.

Replacement General Hospital – planning (2014)

As for the current Feasibility study, this stage will involve specialist health planners and design teams. Will be some opportunity for local input, but limited.

### Intermediate Care (2014)

Outline Business Case identifies that this is estates refurbishment works, to ensure sufficient capacity exists to accommodate 6 “Step Down” beds and associated services. Expectation that works will be delivered through local contractors.

### Refurbishment of Sandybrook (2014)

Similar to the Limes Refurbishment. Expectation that this will be delivered through local contractors and services.

### Replacement MRI Scanner (2015)

Per Outline Business Case – of the £2.277m planned expenditure, £1.7m relates to the scanner purchase itself. This is a specialist off island purchase and represents 74% of planned spend. The balance relates to fit out and there may be some scope for local firms to be involved in some building works.

### Replacement RIS/PACS IT Assets (2015)

Per Outline Business Case - the estimated cost covers purchase of hardware £698K, purchase of software £812k and implementation £57k. This is a specialist application and likely to be sourced “off island”. Similarly hardware expenditure will largely be off island.

### Police Station Relocation – Tranche 4 (2014)

Continuation of existing programme. As for 2013.

### Prison Improvement Works – Gatehouse and Admin Block (2015)

There are some specialist activities that need to be sourced “off island” e.g. locking systems, M&E and some architectural services. However these are not expected to exceed 20% and the construction works are expected to be through “on island” contractors.

### Infrastructure Rolling Vote (2014 & 2015)

Reasonable to assume will be similar programme to 2013. This identified 84% of likely expenditure to be on island. The main area of “off island” activity was in respect of the Liquid Waste Strategy. This is not continuing in 2014 & 2015. Therefore a significantly greater percentage of funds are likely to be spent “on island”.

Refurbishment of Clinical Waste Incinerator (2014)

Continuation of 2013 Programme. Expectation that this will be delivered mainly through “off island” specialist contractors/suppliers.

Sewage Treatment works (2015)

These are primarily enabling works to prepare the site. Expect to be undertaken by “on island” contractors.

Ash Cells & La Collette Headland (2014 & 2015)

Continuation of 2013 programme i.e. 80% “on island”. 20% “off island”.

New Public Recycling Centre (2014)

Per Outline Business Case - this involves substantial civil works. Expectation that these will be undertaken by local contractors.

Bottom Ash Recycling (2014)

Per Outline Business Case - this involves the purchase and installation of the Conditioning facility and equipment. Estimate 70% relates to equipment purchase (off island) and the remainder 30% being building works etc (on island).

Scrap Yard Capital Basic Infrastructure (2014)

Per Outline Business Case - this includes the provision of main services, pollution protection (slab, drainage and oil interceptors) and enabling works to accommodate Operations Shed. Expectation that these works will be undertaken through local contractors.

EFW Plant La Collette Replacement Assets (2014 & 2015)

Per Outline Business Case - this mainly involves replacement of various pieces of equipment as part of a phased programme. This is specialist equipment and principally sourced “off island”.

Pedestrian /Cycle Track Improvements (2015)

Expected to be undertaken through local contractors.

Sea Defence Backlog (2015)

Expected to be undertaken through local contractors.

Tax Transformation Programme & IT Systems (2014)

Specialist work, most probably undertaken off island.

Demolition of Fort Regent Pool (2014)

Due to the significant amount of asbestos removal required, it is estimated that approximately 50% of work will be through an “off island” specialist company and 50% through local companies.

Vehicle replacement(additional from Consolidated Fund) (2014 & 2015)

Vast majority sourced through local firms. Certain specialist vehicles will be purchased direct “off island”.

Replacement Assets (2014 & 2015)

The vast majority of expenditure in Health is on specialist medical equipment. In Home Affairs it is on specialist vehicles. In both cases, the likelihood is that these are sourced “off island”. In 2014 T&TS plan to spend £416k on Effluent Water Reservoirs whilst the remainder is on other specialist equipment. It would appear therefore that the great majority of expenditure is likely to go directly “off island”.

## APPENDIX 1

### TTT Analysis for 2014-2015 for Approved Capital Allocations

|   | £'000         | £'000         |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|---|---------------|---------------|--------|----------|-----------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|   | 2014          | 2015          | Timely | Targeted | Temporary | Notes  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Web Development   | 170           | -             | Y      | Y        | Y         | Continuation of 2013 programme   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JDE Development & Upgrade                               | 370           | 450           | Y      | N        | Y         | Specialist software purchase, modifications and training (off island)                                    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Application remediation Windows 8                       | 500           | -             | Y      | N        | Y         | Specialist software and services (off island)  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| School ICT  | 1,000         | 1,000         | Y      | S        | S         | As for 2013  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Autism Support Unit                                     | 1,066         | -             | Y      | Y        | Y         | Provision of new accommodation, using local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| FB Fields Running Track                                 | 810           | -             | Y      | N        | Y         | Specialist work (est 80% off island). General works (est 20% on Island)                                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Les Quennevais Artificial Pitch                         | 650           | -             | Y      | N        | Y         | Specialist work (est 80% off island). General works (est 20% on Island)                                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| St James Centre   | 2,500         | -             | Y      | Y        | Y         | Building refurbishment works using local contractors   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Replacement School                                      | 15,000        | -             | Y      | Y        | Y         | As with St Martins School - use local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fisheries Vessels                                       | 100           | -             | Y      | N        | Y         | Specialist service expected to be off island   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Met Radar Refurbishment/ Upgrade                        | 350           | -             | Y      | N        | Y         | Specialist work through UK Met Office  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Countryside Infrastructure                              | 200           | 200           | Y      | Y        | Y         | Maintaining access networks (on island)  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Upgrade of Main Theatres                                | 1,837         | -             | Y      | Y*       | Y         | *Continuation of programme from previous years Approx 90% on island.                                     |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Replacement General Hospital - planning                 | 2,000         | -             | Y      | N        | Y         | Specialist services (off island)   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Intermediate Care                                       | 500           | -             | Y      | Y        | Y         | Estates refurbishment costs costs using local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Refurbishment of Sandybrook                             | 1,700         | -             | Y      | Y        | Y         | Refurbishment and upgrade work to be undertaken by local contractors                                     |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Replacement MRI Scanner                                 | -             | 2,277         | Y      | P        | Y         | Fit out (24% - on island). Equipment purchase (76% - off island)   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Replacement RIS / PACS IT assets                        | -             | 1,567         | Y      | N        | Y         | Principally purchase of hardware and specialist software (off island)                                    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Police Station Relocation - Tranche 4                   | 1,000         | -             | Y      | Y        | Y         | Continuation from 2013 programme   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Prison Improvement Works - Gatehouse and Admin Block    | -             | 7,532         | Y      | Y*       | Y         | *Specialist services e.g.M&E, Locking systems (20% - off island). Construction (80% - on island)         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Infrastructure Rolling Vote                             | 10,657        | 11,097        | Y      | Y        | Y         | Estimate increase in spend locally from 2013 level. Should therefore be 84% +                            |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Refurbishment of Clinical Waste Incinerator             | 300           | -             | Y      | N        | Y         | Continuation of 2013 programme   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sewage Treatment Works                                  | 3,100         | -             | Y      | Y        | Y         | Enabling works - through local contractors and services  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Ash Cells & La Collette Headland                        | 1,051         | 1,077         | Y      | Y*       | Y         | *Continuation of 2013 Programme. 80% on island.  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| New Public Recycling Centre                             | 2,050         | -             | Y      | Y        | Y         | Largely civil works using local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bottom Ash Recycling                                    | 1,538         | -             | Y      | P        | Y         | Mainly purchase and installation of equip. Some building works (approx 30%) through local contractors    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Scrap yard Capital Basic Infrastructure                 | 1,025         | -             | Y      | Y        | Y         | Expected to be provided through local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| EFW Plant La Collette Replacement Assets                | 1,586         | 681           | Y      | N        | Y         | Specialist equipment to be sourced off island  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pedestrian / Cycle Track Improvements                   | -             | 635           | Y      | Y        | Y         | Expected to be provided through local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sea Defence Backlog                                     | -             | 425           | Y      | Y        | Y         | Expected to be provided through local contractors  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Tax Transformation Programme & IT systems               | 500           | -             | Y      | N        | Y         | Specialist services,software - predominantly off island  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Demolition of Fort Regent Pool                          | 750           | -             | Y      | P        | Y         | Asbestos issue will require specialist services.( Est. 50% - off island). (50% - on island)              |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Vehicle replacement (additional from consolidated fund) | 1,500         | 1,500         | Y      | P        | Y         | Expect majority of general vehicles sourced through local market. Some specialist vehicles - off island. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Replacement assets                                      | 3,692         | 3,027         | Y      | N        | Y         | Mainly specialist equipment to be sourced off island.  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Social Housing Programme                                | 31,390        | 45,873        | Y      | Y        | Y         | Per previous Fiscal Stimulus initiatives - this activity seen as meeting 3T's criteria.                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| <b>Total Programme</b>                                  | <b>88,892</b> | <b>77,341</b> |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| <b>Replacement Assets - funded</b>                      |               |               |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Department of the Environment                           | -             | -             |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Health and Social Services                              | 2,789         | 2,595         |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Home Affairs  | 200           | 200           |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transport and Technical Services                        | 633           | 232           |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non Ministerial   | 70            | -             |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| <b>Total</b>  | <b>3,692</b>  | <b>3,027</b>  |        |          |           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

| Key                            |                                      |
|--------------------------------|--------------------------------------|
| Y = yes, meets criteria        | P = partly meets criteria            |
| N = no, does not meet criteria | S = Strategy/Project not yet defined |