

Fiscal Stimulus Report



REPORT ON THE ACHIEVEMENTS OF FISCAL STIMULUS PROJECTS AND FORMALLY CLOSE THE FISCAL STIMULUS PROGRAMME TO FURTHER APPLICATIONS

1. Purpose of Report

For the FSSG to report on the achievements of Fiscal Stimulus projects and request that the Minister for Treasury and Resources formally close the Fiscal Stimulus Programme to further applications.

The Appendix contains a Fiscal Stimulus project by project financial and performance indicators report.

2. Background

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

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

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

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

3. Evaluation Process

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

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

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

- **Timely:** Action should start immediately, and spend 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.

In addition, if projects were undertaken that would have happened anyway in future years, the risks with undertaking fiscal stimulus activity were much reduced. When a project was evaluated as having met the target score for acceptance, the PM would further review the validated business plan and submit both the business plan and an accompanying report to the FSSG. The project would then be reviewed and considered by the FSSG for Fiscal Stimulus funding.

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

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

4. Results

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

Skills & Training

Highlands Additional Spaces: Fiscal Stimulus has funded

- an additional 93 spaces in 2009-2010
- an additional 156 spaces in 2010-2011
- an additional 40 spaces in 2011-2012 for students who enrolled in a two year course in September 2010

Careers Strengthening: Fiscal Stimulus has funded

- additional Careers support on Job fairs, CV workshops, careers advice and targeted training
- additional support has lead to an overall 400% increase in Advisor appointments for those seeking careers support.

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

- 285 young people have been on placement with 200 companies

- 116 have since managed to secure employment since participation on the course.

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

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

Re-introduction of Apprenticeship in the States

- A total of 21 apprenticeships/trainees.
- Recruited 7 apprentices to various craft areas in Transport and Technical Services, including 2 greenkeepers/gardeners, 2 trainee chefs were also recruited to H&SS.
- 12 Trainee Business Administrators were recruited

Support for Individuals

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

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

Support for Business

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

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

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

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

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

Infrastructure

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

- Improved traffic flow along avenue with improvements to pedestrian safety

- Highway now has further 15 years life. (reducing need for ongoing patching).
- Replace 25 year old lighting with new energy efficient lights

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

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

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

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

- Prior to works, inspections indicated structural failure of the sub-base alongside People's Park and failure of the surface course along Cheapside.

Works completed structural failure of the sub-base alongside People's Park and failure of the surface course along Cheapside.

- Road now strengthened resulting in reduced need for patching and the associated disruption caused.

St Peters Arsenal Pumping Station: Emergency works upgrade.

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

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

Rozel 1, 3 and 4 rising main replacement

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

Cheapside Urban Renewal:

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

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

Construction and Maintenance works

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

- The funds allocated to JPH for backlog maintenance addressed Health and Safety and other high priority maintenance issues across a large range of States buildings, including:
- Overdale Hospital, General Hospital, Piquet House, States Nursery, Bellozanne, Arts Centre, Various toilets and cafes, Indoor Markets, Various storage buildings, Haut de la Garenne, Jersey Arts Trust Building, Opera House, Various Youth Clubs, Cyril Le Marquand House, Magistrates Court, Supported Living Homes at Don

Terrace, Alzola, Southview, The Haven, 2 Roseville Villa, Tevielka, Old Mill House, 7 Pomona Road, 2 Khartoum Villa - Beach Road, 16 Clairvale Road

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

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

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

- 253 properties had aging windows and /or doors replaced and benefited from thermal improvements and a further 36 will be completed by April 2011.
- 167 individual properties have had their roofs, rainwater goods and loft insulation brought up to standard and a further 20 will be completed by April 2011.
- 528 properties have had their aging fossil fuel heating systems replaced, at the end of the 2010 there were 1,009 fossil fuel systems still to be replaced:

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

Le Squez: New build development

- Provide 49 new rental homes (36 flats 1&2 beds, 13 houses 2&3 beds). 25 Jersey Hospice Development: Fiscal Stimulus funding relates to the first two phases of a seven phase project to extend and modernize the facilities at Jersey Hospice.

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

Durrell: Redevelopment of Durrell Visitors Centre

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

Rosewood House (St Saviour's Hospital) refurbishment – (provides 52 inpatient beds for older people with mental health problems)

- Rosewood House assessed as unfit for purpose for the client group for whom it is providing a service.
- Remedial works on McKinstry Ward (Overdale) to enable half the patients at Rosewood to be decanted to McKinstry while construction works were in progress at Rosewood House.

- Refurbishment of Rosewood House to provide a high quality care facility, to improve the very poor standards in which these vulnerable patients are cared for.

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

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

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

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

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

5. FSSG allocation of Fiscal Stimulus funds

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

6. Allocation of Fiscal Stimulus funds by the T&R Minister

Two further tranches of funding totalling £5.8 million are in the process of being allocated by the T&R Minister following statements that he has made to the States Assembly.

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

Subsequently, the T&R Minister made a 'Statement on a matter of Official Responsibility' to the States Assembly (February 2011) that he intended to vary the timeframe for Fiscal Stimulus allocations as set out in P55/2009 to extend the funding of the programme for Skills and Training projects in 2012.

Further to this, two large projects (Pomme D'Or Farm estate and Phillips Street shaft) were highlighted as requiring urgent funding, and while meeting the majority of Fiscal Stimulus criteria, they also failed to meet the 'Timely' criteria. In March 2011 the T&R Minister made a second 'Statement on a matter of Official Responsibility' to the States Assembly that he

intended to vary the timeframe for Fiscal Stimulus allocations to extend the funding of the programme for the Pomme D'Or Farm estate repair and refurbishment project.

More recently, the Minister, having made a Ministerial decision to make available the capital receipts from the sale of the Sunshine Hotel site, has considered that these receipts would be far more appropriate to support the Pomme D'Or Farm estate repair and refurbishment project, as they relate to proceeds from the sale of a property originally held to benefit Social Housing on the Island. Apart from a small sum needed to supplement these receipts for Pomme D'Or the remaining Fiscal Stimulus funds are then proposed to be allocated to the build of the Phillips Street Shaft, a project to complete the final phase to connect the eastern area of town to the Cavern, therefore reducing the risk of flooding.

The remaining Fiscal Stimulus funds will therefore be allocated to Skills and Training £2.2 million, Pomme D'Or Farm estate £0.4 million and Phillips Street Shaft £3.2 million.

7. Allocation of Funds

The following report details the allocation of funds by area of funding for Fiscal Stimulus, amended to include any budget returns.

Table A: Allocation of total Fiscal Stimulus funds:-

	FISCAL STIMULUS	
	Allocated funds, less budget returns	
	<u>£000's</u>	
Skills and training		4,560
Support for individuals		41
Support for business		3,619
Civil Infrastructure works		5,940
Construction & Maint works		23,458
Project Management		244
TOTAL allocated by the FSSG		37,862
Proposed allocation by the Treasury Minister		5,835
TOTAL		43,697

NB: This total reflects the actual forecast expenditure on projects. The sum originally given 'Green Light' approval was higher. All expenditure on Fiscal Stimulus projects will be contained within the £44m allocated by the States.

The **Appendix** to the report includes a project by project report (provided by the Project Managers) detailing financials and performance indicators for each project funded by Fiscal Stimulus.

8. 2011 & 2012 spend

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

Spend will also occur in 2012. The T&R Minister has made a statements to the States Assembly (Skills & Training and Pomme D'Or Farm estate), announcing that he intends to vary the Timely criteria of Fiscal Stimulus for these two projects. The FSSG has allowed Fiscal Stimulus spend on a couple of smaller projects (as they draw to conclusion) for which the project has a 2-3 year lifespan (eg 2 year Highlands course).

9. Economic Report

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

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

10. Recommendation from the Fiscal Stimulus Funding Group

The FSSG are recommending that the T&R Minister make a statement to the States Assembly that the Fiscal Stimulus Programme is closed to new applications. The Economic Advisor has recommended that to be consistent with the original objectives and with FPP advice no further discretionary stimulus should take place in 2011 other than previously authorised and the allocation of Fiscal Stimulus funds now totals £44 million.

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

11. Reason for Decision

The advice from the FPP was to undertake discretionary stimulus in a timely manner and at the right point in the cycle. Further to this, advice from the States Economic Advisor is that the outlook for the Jersey economy has not changed significantly since Budget 2011 and that if it were to, the correct process would be to seek the Advice of the FPP as to whether economic conditions merited further discretionary stimulus in 2011.

It is for this reason that the FSSG are recommending closure of the programme to further applications.

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