



## **Budget 2014**

**Town Hall Presentations 4<sup>th</sup> and 7<sup>th</sup> October 2013**



**TREASURY  
& RESOURCES**

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# Introduction: Budget 2014

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# Introduction: Budget 2014

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## **Core Focus of Budget 2014 (1 of 2)**

- To stimulate economic growth and job creation through stability and certainty
- To propose a package of measures that, taken together, leave more money in the pockets of tax payers

The package of taxation measures covers :

- Impôts
- Goods and Services Tax
- Income Tax
- Stamp Duty and Land Transaction Tax

As agreed as part of the MTFP 2013 to 2015 process, Budget 2014 seeks approval to:

- The 2014 Central Growth Allocation
- The 2014 Capital Programme



# Introduction: Budget 2014

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## **Core Focus of Budget 2014 (2 of 2)**

The Budget 2014 also seeks approval to the next steps needed to finance the major investment in Island infrastructure needed in the hospital, housing and liquid waste facilities.

It offers innovative and cost effective ways of funding these projects which:

- Minimise the impact on the taxpayer
- Maximise the use of the States' existing resources



## Key Points

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### **Impôt**

The increases in impôt:

- Supports the current health strategy
- Forms part of the overall package of measures being proposed

### **GST**

Our GST policy is stable: “low, broad and simple.”

- There is no change in the 5% rate of GST
- There are no major GST policy changes included in Budget 2014

### **Income Tax**

- Income tax exemption thresholds to be increased by 1.5%
- The marginal rate of tax to be decreased from 27% to 26%
- Enhanced child allowance for parents of children in higher education (an additional £3,000 for taxpayers in the marginal rate)
- 1(1)k provision – to permit pre July 2011 ‘K’s to elect to new regime



# Impôts

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## Details of the package of proposals

### Impôts – duty increases

These changes are consistent with the delivery of the objectives of the Health Minister and are supported by the Economic Development Minister as part of a package of tax measures.

	Duty Rate Increase	Increase per Unit
Spirits	11%	£1.27 per litre bottle at 40% abv
Wines	5%	7p per 75cl bottle of table wine
Weak Beer/Cider	5%	2p per pint under or equal to 4.9% abv
Strong Beer/Cider	11%	6p per pint over 4.9% abv
Tobacco	11%	47p per packet of 20 cigarettes
Fuel	2%	1p per litre of unleaded petrol
VED	5%	

## Impôts comparisons

The table below identifies the duty percentage increase for each commodity for each of the last 5 budgets and the proposed increase for 2014.

Commodity	2009	2010	2011	2012	2013	Proposed 2014
Spirits	5.6%	0%	6.2%	5%	10%	11%
Wines	5.6%	0%	6.2%	5%	10%	5%
Weak Beer/ Cider	5.6%	0%	6.2%	5%	5%	5%
Strong Beer/ Cider	5.6%	0%	6.2%	5%	8%	11%
Tobacco	6.0%	0%	11.1%	10%	13.2%	11%
Fuel	0%	0%	4.9%	0%	0%	2%
Vehicle Emission Duty	n/a	Introduced September 2010	0%	5%	5%	5%



## Impôts comparisons

Based on the percentage increases in the duty for each commodity the actual increases in price over the last 5 years and the proposed increase for 2014.

Commodity	2009	2010	2011	2012	2013	Proposed 2014
Litre Spirits at 40% abv	49p	Nil	58p	50p	105p	127p
75cl Bottle Wine	6p	Nil	7p	6p	13p	7p
Weak Pint Beer	1p	Nil	2p	1p	2p	2p
Strong Pint Beer	1p	Nil	2p	1p	2p	6p
Packet of 20 Cigarettes	18p	Nil	35p	35p	38p	47p
Litre of unleaded Petrol	Nil	Nil	2p	Nil	Nil	1p



# Goods and Services Tax

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## Goods and Services Tax

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# There is no change in the 5% rate of GST

The following proposals were also considered:

- After evaluating a proposal to exempt/zero rate the importation of investment grade gold for business, no change is proposed
- After evaluating a proposal to reduce ISE fees for new businesses, no change is proposed
- The proposal to introduce changes to the Goods and Services Tax legislation to support the development of an aircraft registry will be taken forward with EDD



# Goods and Services Tax Proposed Administrative Changes

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Definition of existing building – clarification and strengthening of existing policy	Safeguarding revenues	Negligible	Neutral
Input tax on white goods, carpets etc. supplied in zero rate dwellings - clarification and strengthening of existing policy	Safeguarding revenues	Negligible	Neutral
Deregistration law amendment – correction	Clarification	None	Neutral
Strengthen the legislation around imported goods put to private use/deregistration	Safeguarding revenues	Negligible	Neutral
Discretionary power for Comptroller to allow input tax claims that would otherwise be capped at 3 years	Fairness to taxpayer	Negligible	Negative



# Income Tax

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# Income Tax Proposals

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Increase income tax exemption thresholds by 1.5%	Individuals on lower incomes	A 1.5% increase in thresholds would cost £2.5M based upon the latest available income tax data . A 3% increase would have cost £5.4M based upon the MTFP forecast.	Positive (An increase of 3% on tax thresholds has been factored in to the MTFP forecast for 2014. )
Decrease the marginal rate from 27% to 26%	Individuals and households on lower to middle incomes	A 1% decrease in the marginal rate would cost £7.8M	Negative
Child allowance – enhance tax relief for parents of children in higher education	Supporting families	Estimated cost £900,000	Negative



# Income Tax Proposals continued . . .

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Freeze income tax allowances		Neutral	Neutral
Child allowance – remove restriction to child allowance by reference to the child's <u>earned</u> income	Supporting families	Estimated cost £420,000	Negative
Increase in age of single, married persons and civil partners entitlement to the higher exemption threshold	To align the tax law with States Pensions age	Estimated additional revenue between £678,000 and £810,000	Positive
1(1)(k) provision – to permit pre July 2011 'K's to elect to new regime	Encouraging economic growth	Difficult to quantify	Positive



## Income Tax Proposals continued . . .

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Lump sum donations – revoke 3 year rule of residence prior to making lump sum donation	Charities to benefit from higher donations	Negligible	Negative
Strengthening legislation on interest deductions to counter non-commercial debt financing	Safeguarding revenues	Difficult to quantify	Positive
Create level playing field for oil importation and distribution companies – liable to tax at 20%	Creates equity in tax system	Estimated additional revenue up to £50,000	Positive
ITIS – Mandatory online filing	Eases administration	None	Neutral for tax revenues but reduces the cost of administration
Amend ITIS provisions – restrict credit to controlling directors	Safeguarding revenues	Difficult to quantify as dependent on cases arising	Positive



## Increase exemption thresholds by 1.5% - proposal details

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- The proposals will benefit approximately 84% of the Island's taxpaying population (approximately 40,000 households)
- The tax burden on marginal rate taxpayers will reduce
- This will cost 2.5 million



## Decrease marginal rate by 1% (from 27% to 26%) – proposal details

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- The tax burden on marginal rate taxpayers will reduce
- Based on 2011 year of assessment data the proposals will benefit approximately 84% of the Island's taxpaying population (approximately 40,000 households)
- Cost £7.8M

Marginal relief is explained at:

[www.gov.je/taxesmoney/incometax/individuals](http://www.gov.je/taxesmoney/incometax/individuals)



## Enhanced higher child allowance for marginal rate taxpayers – proposal details

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- Targeted at taxpayers who pay tax in the marginal band of tax
- Approximately 1,000 parents will benefit from this measure
- Approximately 500 parents will not benefit as they pay tax at the standard rate
- Approximately 200 parents will not benefit because they are already exempt with the existing higher child allowance
- The revenue cost will be approximately £900,000



# Proposal withdrawn

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Consideration has been given to the introduction of a 100% first year capital allowance

This proposal has been evaluated and withdrawn.



# Income Tax Proposals - Administrative Changes

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Company and shareholder distribution rules review	Safeguarding revenues	Negligible	Neutral
Allowable deduction on account of social security contributions revised for self employed	Equity	Negligible	Neutral
Repeal of tax credit for electronic delivery of income tax return	Safeguarding revenues	Negligible	Neutral



# Stamp Duty/Land Transaction Tax Proposals

Proposal	Beneficial Impact	Financial Impact Revenue/(cost)	Impact on Financial Forecast
Continue the extension of the maximum threshold for first time buyer relief from £400,000 to £450,000	First time buyers/Housing market	Estimated cost £300,000	Negative

# On-going and Future Reviews

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- Tax policy development of a long term programme defining the way forward for Jersey's tax regime
- On-going property tax review
- Modernisation and simplification of the personal tax regime
- Safeguarding revenues
- Taxes Office developments



# Reports

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Tax Policy Reports planned for publication alongside the Budget are:

- A Feasibility Report into the Introduction of Independent Taxation in Jersey
- Tax Regime for High Net Worth Individuals Review 2013
- Facilitate introduction of “flexible retirement” in the context of approved occupational pension schemes



## Summary of income: Budget 2014

	Budget 2014 (Oct 2013) £'000
Income Tax	474,965
Goods and Services Tax	81,955
Impôts Duties	55,191
Stamp Duty	27,402
<b>Total taxation revenue</b>	<b>639,513</b>
Other States income	21,926
Island Rate Income from Parishes	12,032
<b>Total States Income</b>	<b>673,471</b>



# Central Growth Allocation Proposals for 2014 and 2015

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# Central Growth Allocation 2014 and 2015

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- All departments minimum spending limits for 2013-2015 were agreed in the MTFP debate in November 2012.
- As a result of a proposal from the Corporate Services Scrutiny Panel a central growth allocation was set aside for 2014 and 2015.
- The central growth allocation amounts to £2,210,00 for 2014 and £1,460,000 for 2015.
- The allocation of this growth will supplement those departments spending limits from 2014.
- The central growth allocation in the MTFP resulted from a comprehensive process with departments, CMB and CoM.



# Central Growth Allocation Proposals

The allocation of central growth for 2014 will be proposed in the 2014 Budget as identified during the MTFP debate.

Proposed Allocations to Departments from Central Growth Allocation in 2014 and 2015			2013	2014	2015
	Dept		£'000	£'000	£'000
33	External Relations: International meetings, monitoring and visiting dignitaries	CMD	0	160	160
34	External Relations: External specialist advice	CMD	0	100	100
52	CSR: Fund permanent members of the CSR delivery team	CMD	0	150	150
			0	410	410
43	Marine Response Team	HA	0	25	25
43a	Increased running costs of new prison facilities	HA	0	25	25
18	Private Sector Rental Support	SSD	0	750	1,000
49	Treatment and disposal of ash	TTS	0	1,000	0
<b>Total</b>			<b>0</b>	<b>2,210</b>	<b>1,460</b>

*Note: The allocation to Home Affairs was originally a single allocation of £50,000 to the Marine Incident Response Group (MIRG).*



# Capital Programme Proposals for 2014

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# 2014 Capital Programme

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- The total States capital expenditure limits for 2013-2015 were agreed as part of the MTFP debate in November 2012.
- The 2014 Budget will debate and agree the allocation to capital projects for 2014.
- An indicative capital programme for 2014 of £88,892,000 was included in the MTFP. The programme was the result of an extensive prioritisation process with departments, CMB and CoM.
- The indicative capital programme for 2014 has also been reviewed as part of the process to produce a draft Long Term Capital Plan (LTCP).



# 2014 Capital Programme Proposals

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The MTFP approved a total allocation in 2014 of £88,892,000. The review of the proposed programme has identified a reduced cost for the Replacement School and Replacement General Hospital Planning.

It is proposed that this variance is used to accommodate:

- an additional allocation for TTS in respect of works at Green Street Car Park,
- an allocation to ESC for work required to meet their Sports Strategy, and
- an additional allocation for Fiscal Stimulus and Urban Regeneration Projects.



# 2014 Capital Programme Proposals: Schemes

Capital Programme 2014	£'000 2014 Budget
<b>Chief Minister's</b>	
Web development	170
JDE Development & Upgrade	370
Application remediation Windows 8	500
<b>Chief Minister's Total</b>	<b>1,040</b>
<b>Education Sport &amp; Culture</b>	
School ICT	1,000
Autism Support Unit	1,066
FB Fields Running Track	810
Les Quennevais Artificial Pitch	650
St James Centre	2,500
Additional Primary School Accommodation (Phase 1)	8,188
Sports Strategy Infrastructure (Phase 1)	1,550
<b>Education Sport &amp; Culture Total</b>	<b>15,764</b>
<b>Sub Total</b>	<b>16,804</b>



# 2014 Capital Programme Proposals: Schemes

Capital Programme 2014	£'000 2014 Budget
Sub Total Brought Forward	16,804
<b>Department of the Environment</b>	
Fisheries Vessel	100
Met Radar Refurbishment / Upgrade	350
Countryside Infrastructure	200
<b>Department of the Environment Total</b>	<b>650</b>
<b>Health &amp; Social Services</b>	
Future Hospital (Phase 1)	10,200
Main Theatres Project	1,837
Future Hospital – Planning	500
Integrated Assessment and Intermediate Care	500
Refurbishment of Sandybrook	1,700
<b>Health &amp; Social Services Total</b>	<b>14,737</b>
Sub Total	32,191



# 2014 Capital Programme Proposals: Schemes

Capital Programme 2014	£'000 2014 Budget
Sub Total Brought Forward	32,191
<b>Home Affairs</b>	
Police Station Relocation – Tranche 4	1,000
<b>Home Affairs Total</b>	<b>1,000</b>
<b>Transport &amp; Technical Services</b>	
Infrastructure Rolling Vote	6,657
Refurbishment of Clinical Waste Incinerator	300
Liquid Waste Strategy (Phase 1)	10,100
Ash Cells & La Collette Headland	1,051
New Public Recycling Centre	2,050
Bottom Ash Recycling	1,538
Scrap Yard Capital Basic Infrastructure	1,025
EFW Plant La Collette Replacement Assets	1,586
Project – Green Street Car Park	1,500
<b>Transport &amp; Technical Services Total</b>	<b>25,807</b>
Sub Total	58,998



# 2014 Capital Programme Proposals: Schemes

Capital Programme 2014	£'000 2014 Budget
Sub Total Brought Forward	58,998
<b>Treasury &amp; Resources (including JPH)</b>	
Tax Transformation Programme & IT systems	500
Demolition of Fort Regent Pool	750
Fiscal Stimulus and Parish Projects	1,252
<b>Treasury &amp; Resources (including JPH) Total</b>	<b>2,502</b>
<b>Vehicle replacement (additional from consolidated fund)</b>	<b>1,500</b>
<b>Replacement assets</b>	<b>3,692</b>
<b>Total Projects – Capital Allocation</b>	<b>66,692</b>
<b>Housing</b>	
Social Housing Programme	22,200
<b>Total Programme</b>	<b>88,892</b>



# 2014 Capital Programme – States Trading Operations

The MTFP agreed the total capital expenditure allocation from trading funds and the 2014 Budget will agree the allocation to individual projects.

Proposed Capital Programme	2014 Budget £
<b>Jersey Airport</b>	
Minor capital Assets	331,000
<b>Jersey Harbour</b>	
Minor Capital Assets	368,000
<b>Jersey Car Parking</b>	
Concrete Degradation	561,000
<b>Jersey Fleet Management</b>	
Vehicle and Plant Replacement	1,091,000
<b>Total Capital Programme to be Financed from Trading Funds</b>	<b>2,351,000</b>



# Major Capital Schemes: Hospital, Housing & Liquid Waste

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# Funding Options for the Three Major Capital Projects

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- Hospital
- Housing
- Liquid Waste



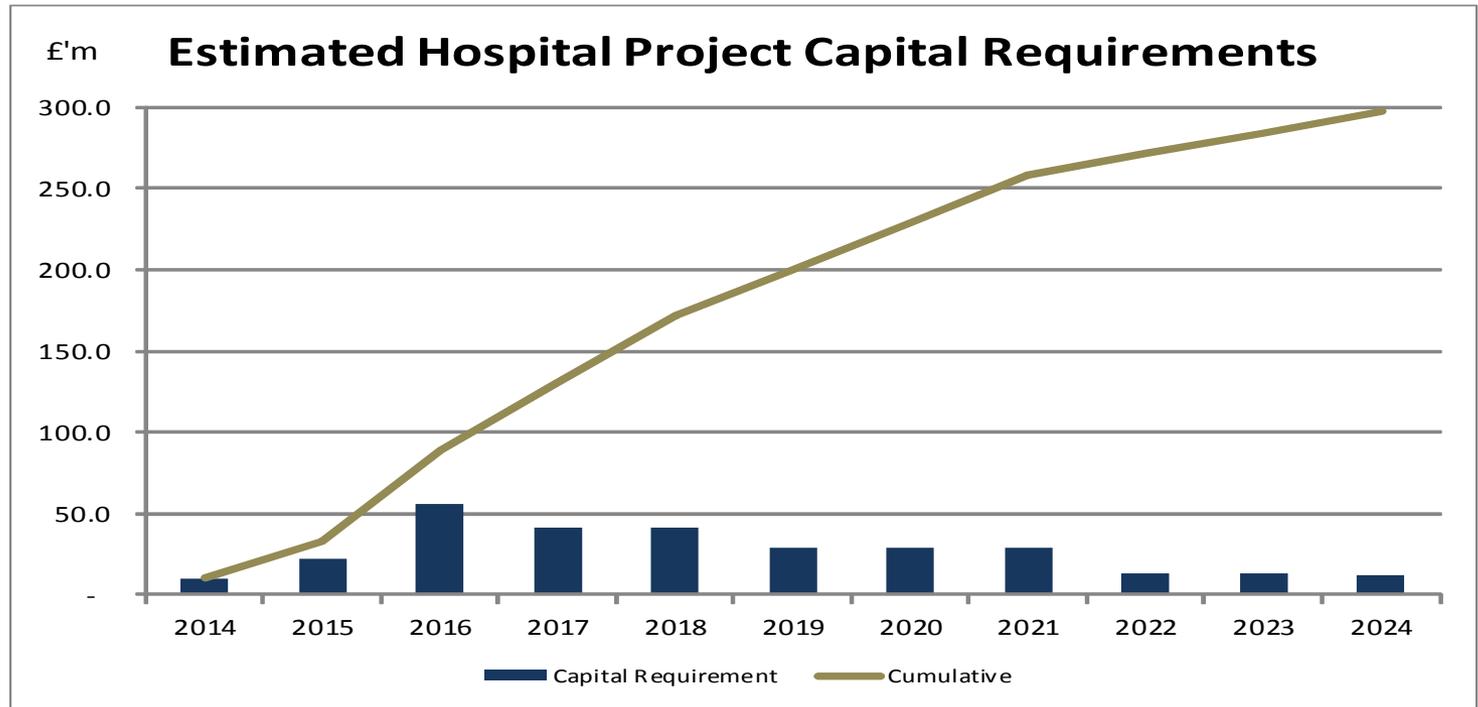
## The Island faces significant capital spending needs for 3 major projects

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- The development of a new or substantially redeveloped General Hospital.
- The need for more and better social housing stock.
- The need for an efficient liquid waste infrastructure for the Island.



# Hospital Project Funding Requirements

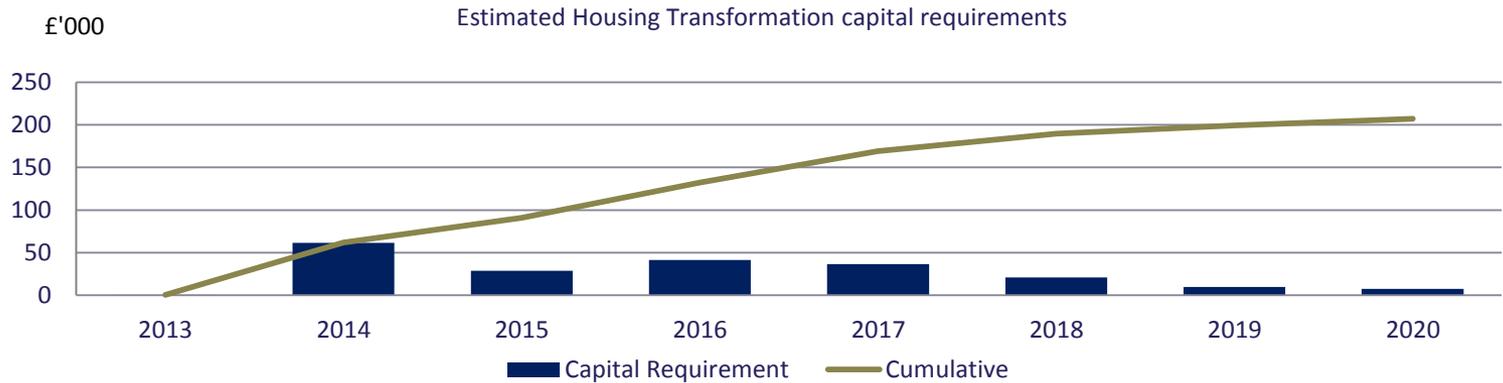


## Estimated Hospital Project capital requirements

£'m	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Total
Hospital Project	10.2	22.7	55.9	41.4	41.3	28.9	28.9	28.9	13.1	13.1	12.6	297.0



# Housing Transformation Capital Requirements



## Estimated Housing Transformation capital requirements

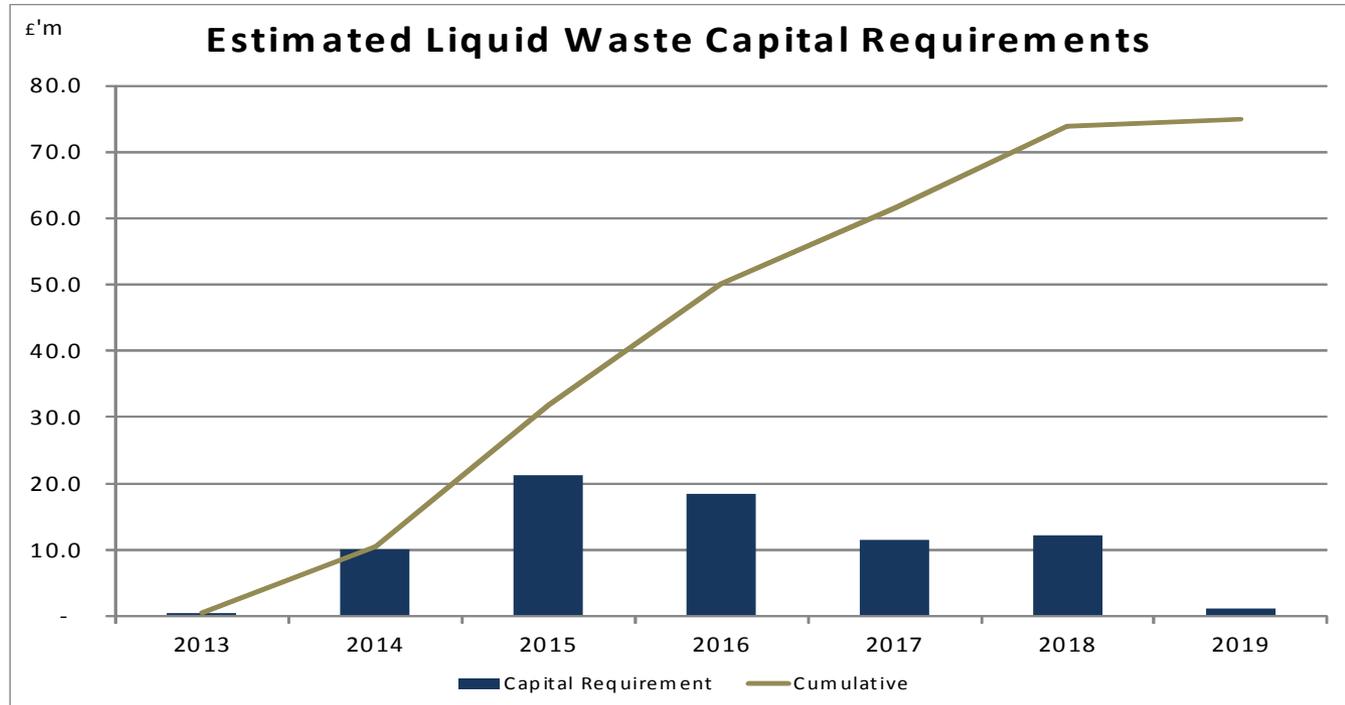
£'m	2013	2014	2015	2016	2017	2018	2019	2020	Total
Housing Transformation	0.3	61.7	28.8	41.5	36.7	20.8	9.7	7.7	207.2

Additional funding (acquisitions / re-zoned sites)	42.8
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<b>Total Funding Requirement</b>	<b>£250m</b>
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# Liquid Waste Capital Requirements



### Estimated Liquid Waste capital requirements

£'m	2013	2014	2015	2016	2017	2018	2019	Total
Liquid Waste	0.5	10.1	21.2	18.5	11.4	12.2	1.1	75.0

# Funding Options

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Three broad areas have been explored:

1. Borrowing from external markets
2. Internal borrowing through investment of our own resources
3. Use of our existing resources



# Funding Option 1

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## Borrowing from external markets

- Rated public bond
- Unrated public bond
- Retail bond (listed)
- Private placement bond
- Project finance
- Bank finance



# Funding Option 1 - A comparison of alternatives

	Public Bond (rated)	Public Bond (unrated)	Retail Bond (listed)	US Private Placement	Project Finance	Bank Debt
Currency	GBP, EUR, USD	GBP, EUR, USD	GBP, EUR, USD	USD, GBP	GBP, EUR, USD	GBP, EUR, USD
Liquidity capacity	£200m+ (could go lower with an illiquidity premium)	£200m+ (could go lower with an illiquidity premium)	< £100m	£25-500m	£50m+	£20m+
Maturity	5-50 years	5-50 years	3-10 years	3-30 years	5-25 years	1-7 years
Financial covenants	Typically none	May be required	None	Typically bank style covenants	Required, typically cashflow driven	Yes
Credit ratings	Minimum one required	N/A	Typically required	Private ratings may be required	Not required	Not required
Inflation-linked	Direct is an option	Direct is an option	Direct is an option	Direct is an option	Via swaps	Via swaps
Investor relationships	No	No	No	Yes	Yes	Yes



# Funding Option 1 - A comparison of alternatives

	Public Bond (rated)	Public Bond (unrated)	Retail Bond (listed)	US Private Placement	Project Finance	Bank Debt
Pros	<ul style="list-style-type: none"> <li>✓ Deep and liquid market</li> <li>✓ No financial covenants</li> <li>✓ Historically attractive fixed coupon cost</li> <li>✓ Long tenors available</li> <li>✓ Benchmark issue lays ground for future issues</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reasonably deep market</li> <li>✓ No financial covenants</li> <li>✓ Reasonably attractive fixed coupon cost</li> </ul>	<ul style="list-style-type: none"> <li>✓ Access to alternative investor base</li> <li>✓ No financial covenants</li> </ul>	<ul style="list-style-type: none"> <li>✓ No public credit rating required</li> <li>✓ Historically attractive fixed coupon cost</li> <li>✓ Flexible maturities available</li> </ul>	<ul style="list-style-type: none"> <li>✓ Non-recourse bank debt</li> <li>✓ Suitable for investment capex where there is a construction period</li> <li>✓ Flexibility in draw down and repayment profiles</li> </ul>	<ul style="list-style-type: none"> <li>✓ Simple to arrange</li> <li>✓ Flexibility in draw down and repayment profiles</li> </ul>



# Funding Option 1 - A comparison of alternatives

	Public Bond (rated)	Public Bond (unrated)	Retail Bond (listed)	US Private Placement	Project Finance	Bank Debt
Cons	<ul style="list-style-type: none"> <li>Public credit rating and ongoing disclosure requirements</li> <li>Minimum deal size of £200m</li> <li>Early redemption costs</li> </ul>	<ul style="list-style-type: none"> <li>Price premium compared to rated public bonds</li> <li>Minimum deal size of £200m</li> <li>Early redemption costs</li> </ul>	<ul style="list-style-type: none"> <li>Bespoke disclosure and documentation requirements</li> <li>Less capacity than public market</li> </ul>	<ul style="list-style-type: none"> <li>Financial covenants required</li> <li>Early redemption costs</li> <li>Typically more costly than public markets</li> <li>Long dated swaps would be required</li> </ul>	<ul style="list-style-type: none"> <li>Security required</li> <li>Can be complex in structuring</li> <li>Lengthy arrangement process</li> </ul>	<ul style="list-style-type: none"> <li>Shorter tenors than other markets</li> <li>Refinancing risk</li> </ul>
Pricing	10yr: Gilts + c. 65bps 30yr: Gilts + c. 80bps	10yr: Gilts + c.90 bps 30yr: Gilts + c.105 bps	10yr: c. 4.5% 30yr not likely available	10yr: Gilts + c.115 bps 30yr :Gilts + c. 130 bps	25yr: LIBOR + c.275 bps	10yr not likely available



# Funding Option 1 - A comparison of alternatives

## 3.2 Summary of Funding Market Suitability

FIGURE 46 – ASSESSMENT OF FUNDING MARKET SUITABILITY

	Public Bond (rated)	Public Bond (unrated)	Retail Bond (listed)	US Private Placement	Project Finance	Bank debt
Currency - GBP	✓	✓	✓	✗	✓	✓
Liquidity capacity	✓	✓	✗	✓	✓	✓
Tenor - 10 to 40 yrs	✓	✓	✗	✓	✓	✗
Benefit from a credit rating	✓	✗	✓	✓	✗	✗
Direct inflation-linked	✓	✓	✓	✓	✗	✗
Coupon type – fixed	✓	✓	✓	✓	✗	✗
Maturity type – bullet	✓	✓	✓	✓	✗	✗
Transaction costs (upfront fees)	✓ Lower than the bank market	✓ Lower than the bank market	✓ Lower than the bank market	✓ Lower than the bank market and the public	✗ Higher than the public bond market	✗ Higher than the public bond market
Transaction costs (ongoing costs)	✗ High transaction costs	✗ High transaction costs	✗ High transaction costs	✓ Lower than the public bond market	✓ Lower than the public bond market	✓ Lower than the public bond market
Disclosure requirements	✗ Onerous disclosure requirements	✗ Onerous disclosure requirements	✗ Onerous disclosure requirements	✓ Less than the public bond market	✓ Less than the public bond market	✓ Less than the public bond market
Pricing	✓ Lowest pricing achievable	✗ Wider than the rated public bond market	✗ Wider than the institutional bond market	✗ Higher than the public bond market	✗ Higher than the private bond market	✗ Higher than the public bond market
Suitability for Jersey	✓ Can provide tenor and quantum of funds sought	✗ Can provide tenor but pricing likely to be higher than a rated public bond	✗ Unlikely to offer capacity and tenor required	✗ Pricing likely to be higher than public market	✗ Likely to be costly, complex and time consuming	✗ Unlikely to offer tenor required

# Funding Proposals for Jersey - Hospital Projects

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Fund entirely from internal resources.

There is a limited income stream for the new hospital, insufficient to finance debt.

The Strategic Reserve stands at £720 million (May 2013)

An increase of £170 million since mid 2010 – inception of the Common Investment Fund.

- Assuming an average return of 5% this generates £35 million a year.
- £297 million required for the hospital – spread over 10 years.
- Leave the Strategic Reserve fully invested and draw down allocations as required for the hospital.

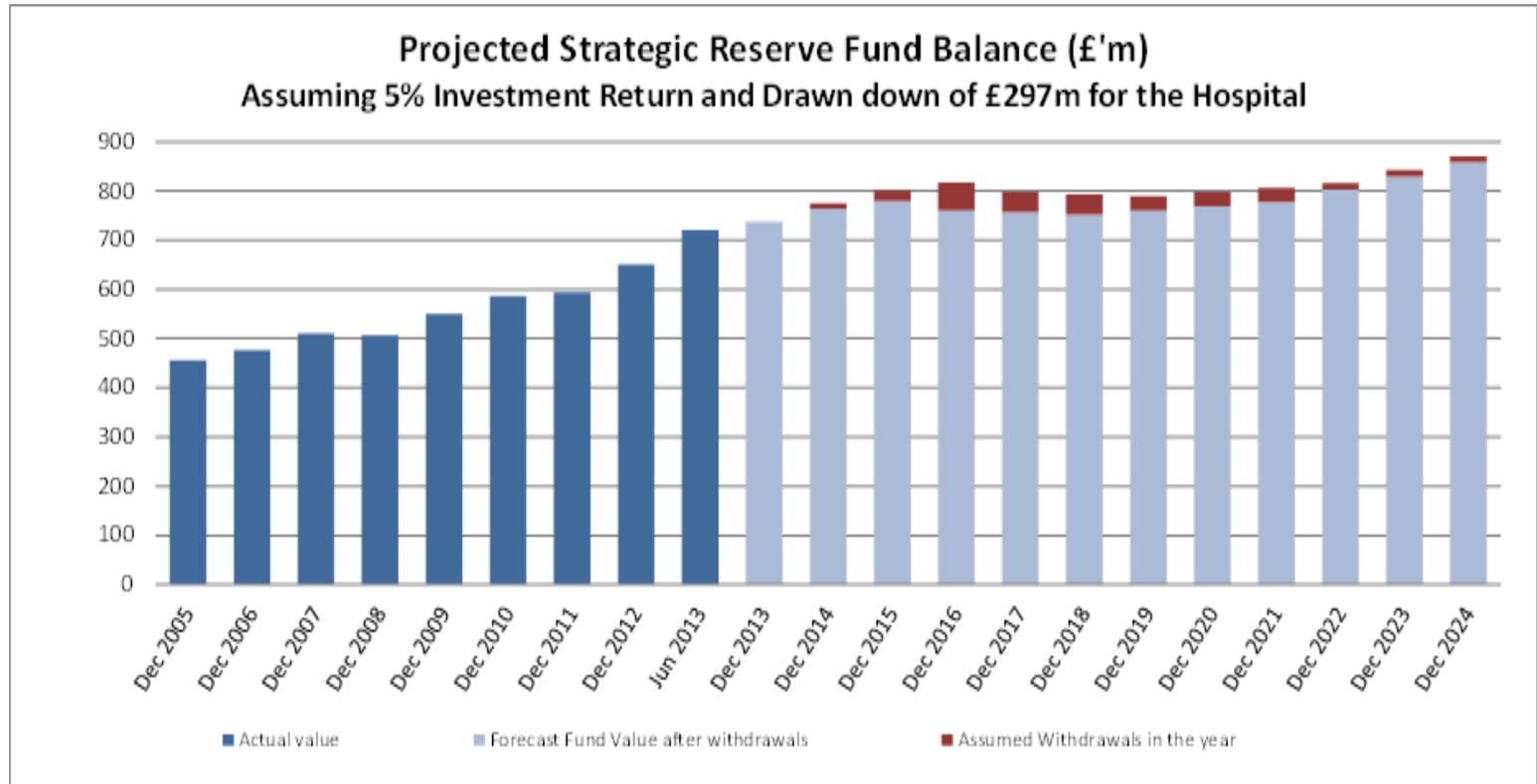


## Funding Option 3: Use of existing resources – Strategic reserve investment returns

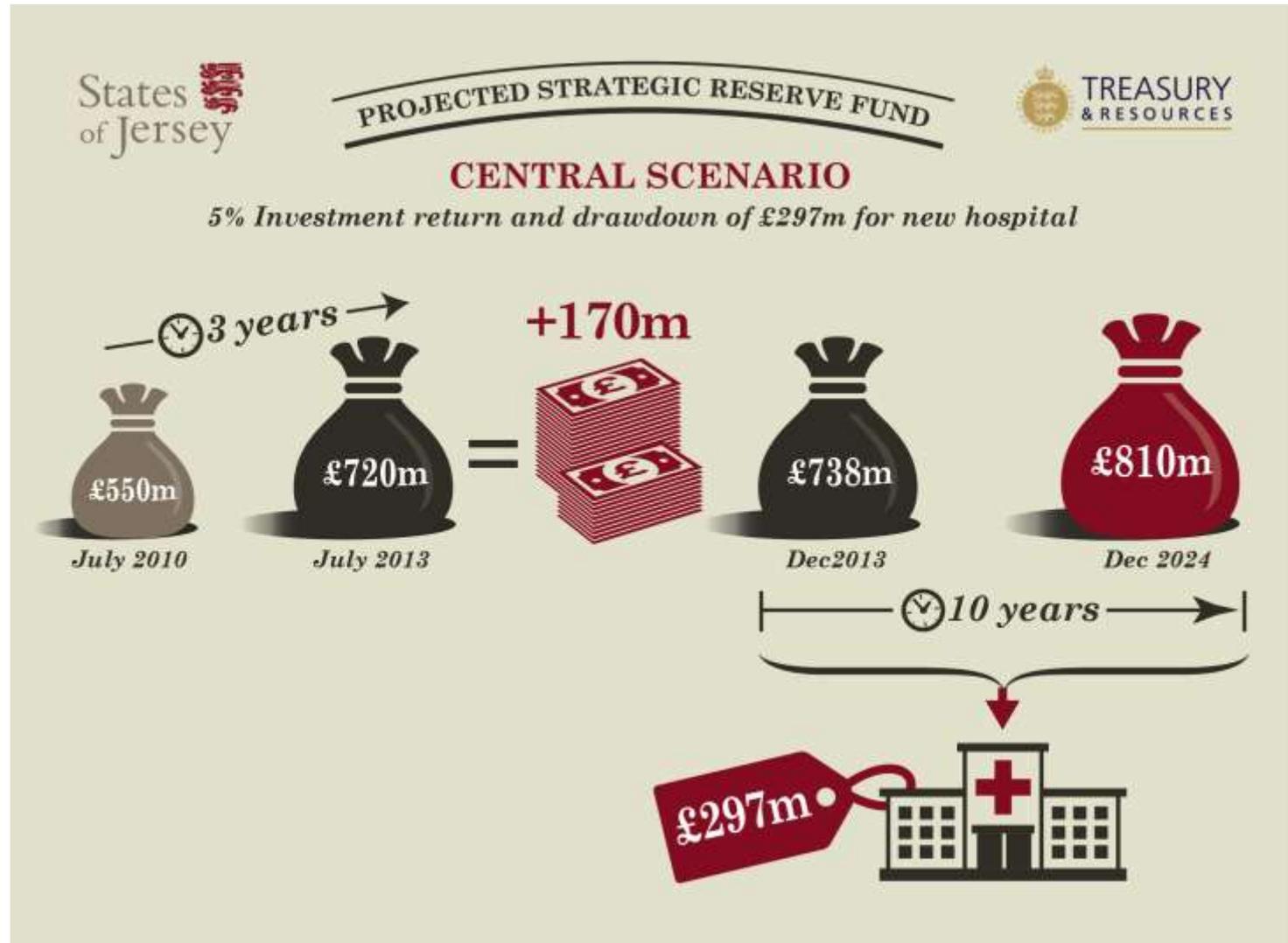
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# Strategic reserve investment returns - central scenario

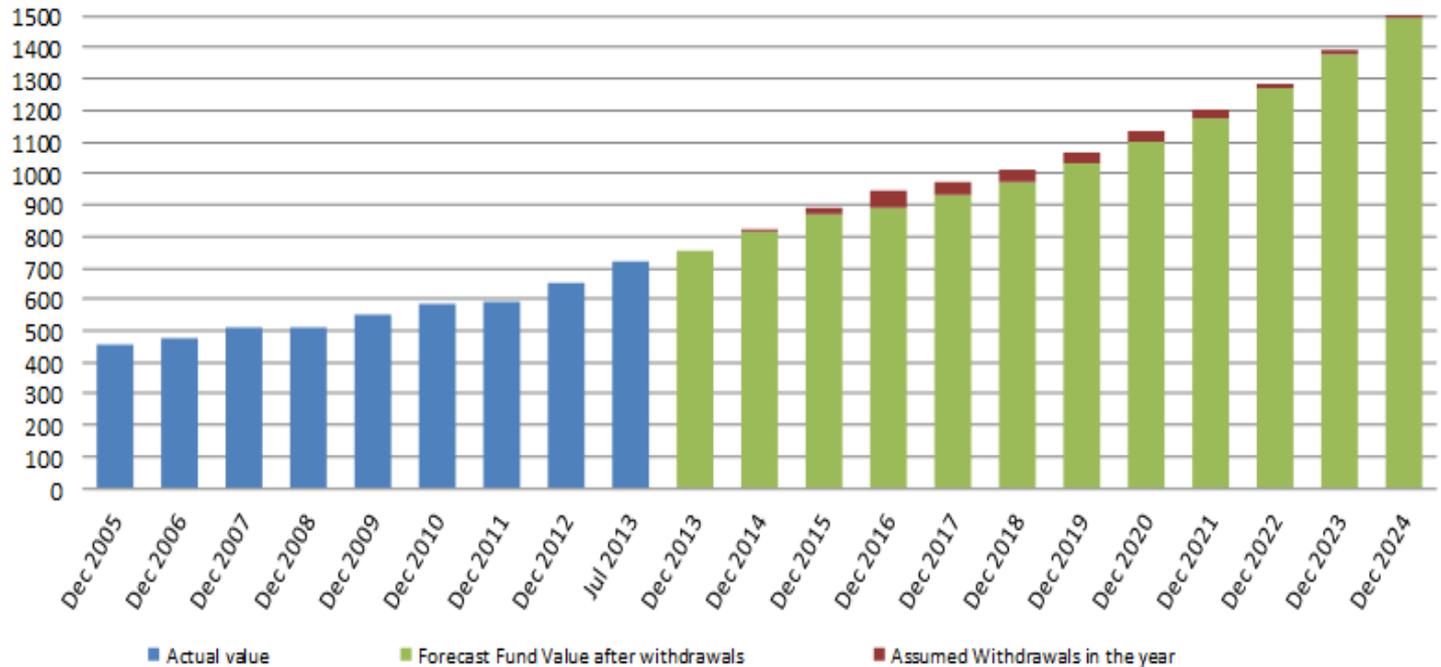


# Strategic reserve investment returns - central scenario



# Strategic reserve investment returns – high return scenario

**Projected Strategic Reserve Fund Balance (£'m)**  
**Assuming 9.4% Investment Return and Drawn down of £297m for the Hospital**

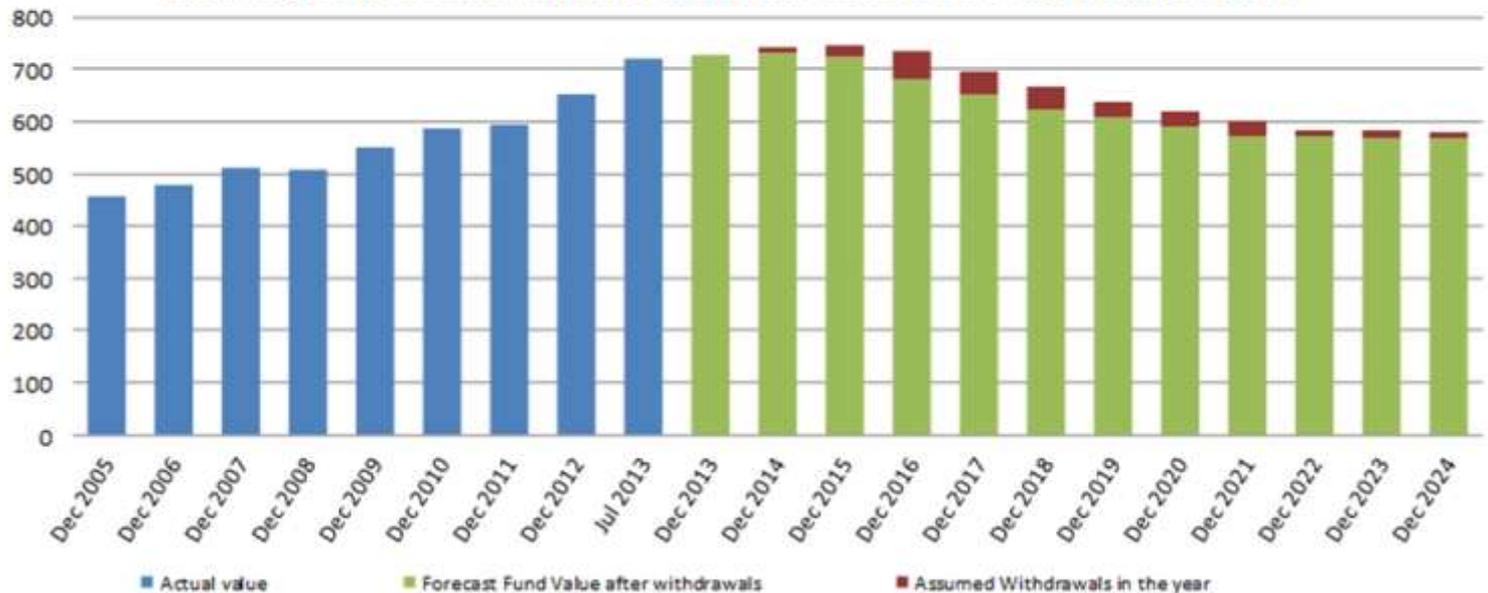


# Strategic reserve investment returns – high return scenario



# Strategic Reserve investment returns – low return scenario

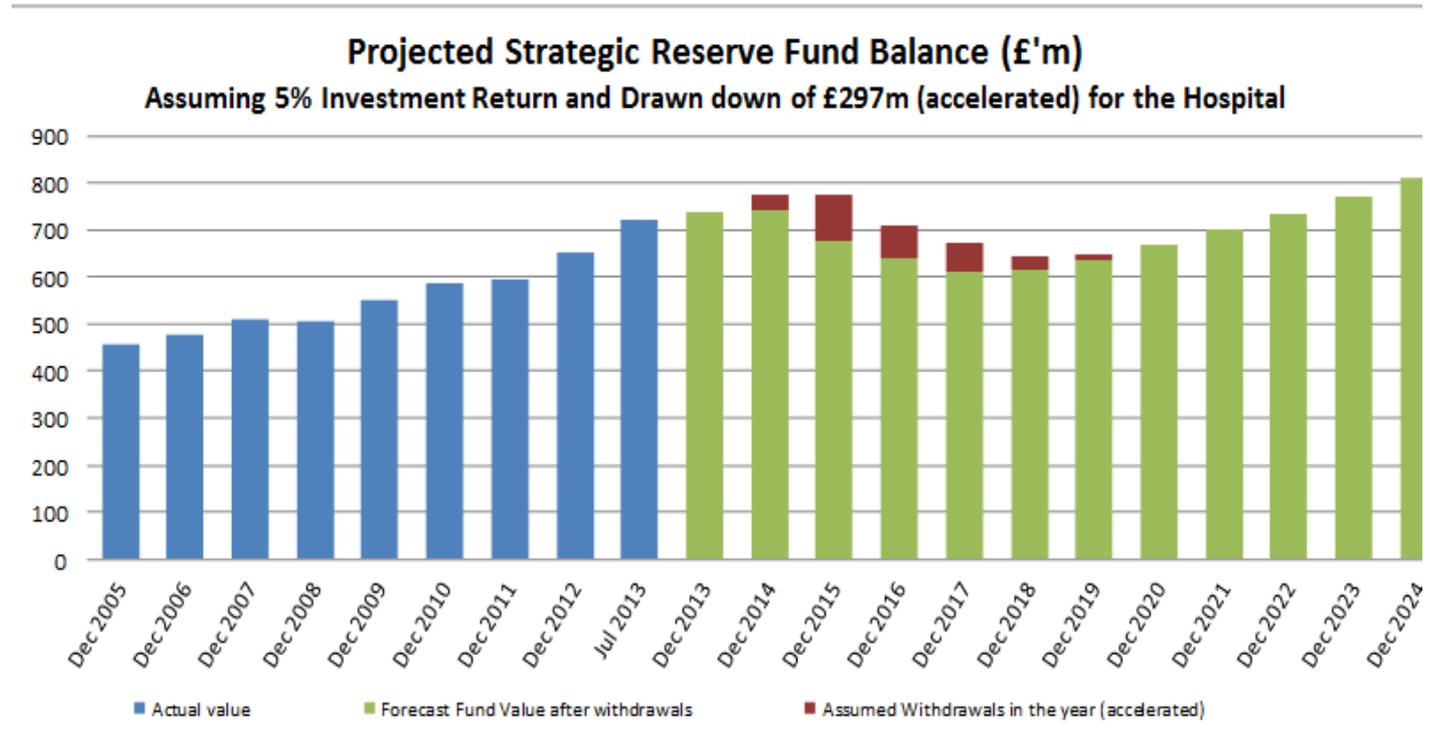
**Projected Strategic Reserve Fund Balance (£'m)**  
Assuming 2% Investment Return and Drawn down of £297m for the Hospital



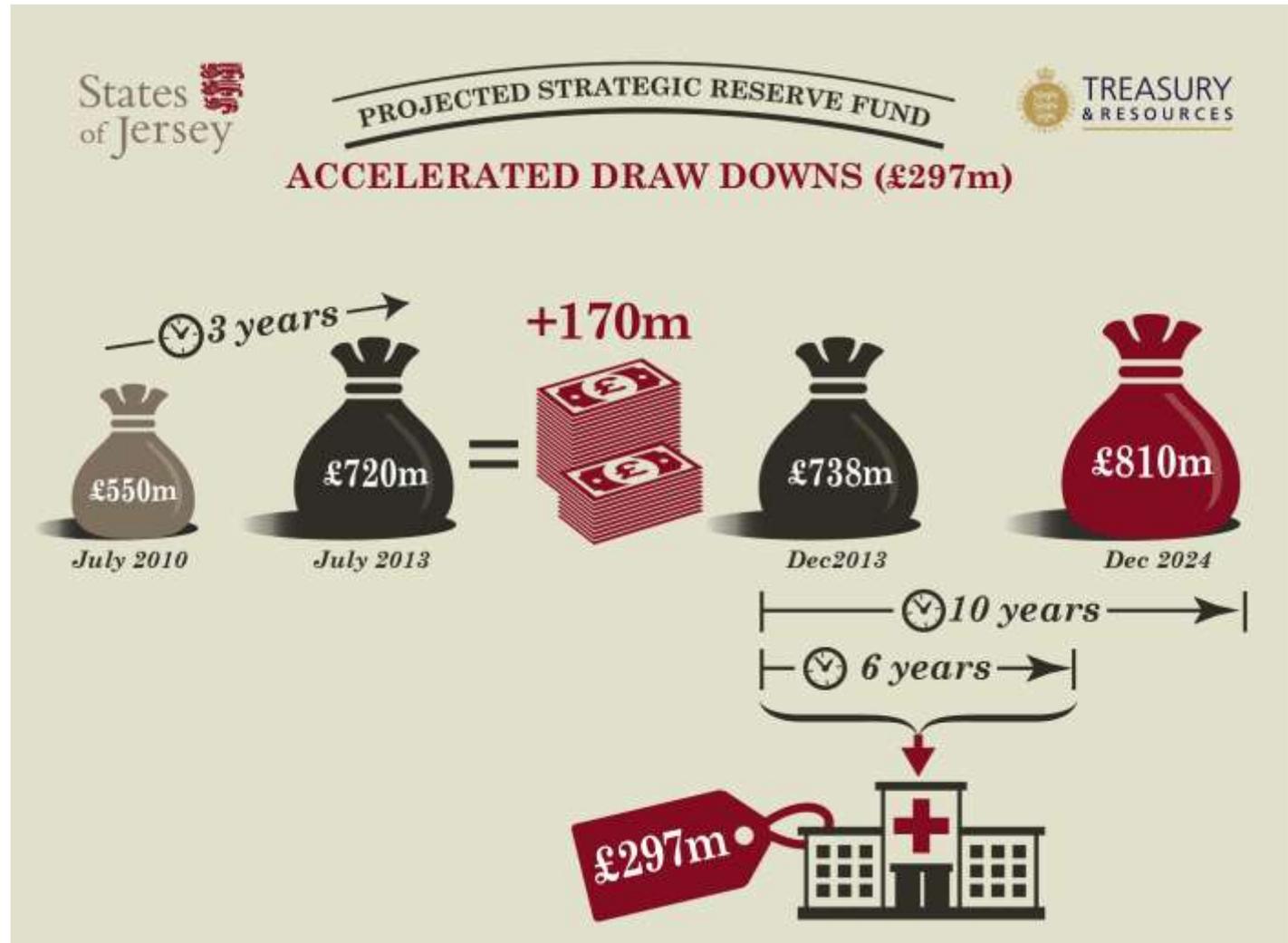
# Strategic Reserve investment returns – low return scenario



# Strategic Reserve investment returns – accelerated draw downs



# Strategic Reserve investment returns – accelerated draw downs



# Strategic Reserve Balance

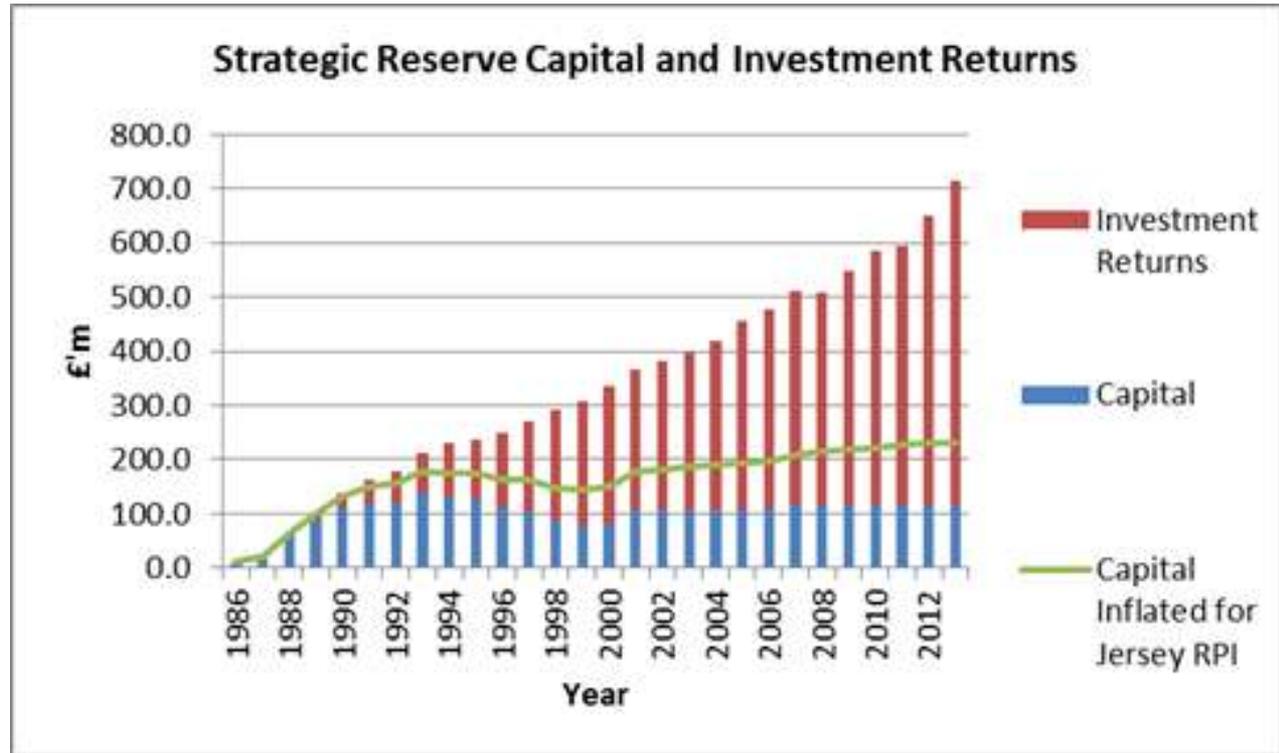
The Strategic Reserve was created in 1986 with an initial capital injection of £10 million. In the years since the inception of the Fund a further £167 million has been transferred in and capital withdrawals totalling £60 million have been made, giving a net capital position of £117 million.

	Capital in	Capital Out	Net Capital Movement	Cumulative Capital
Year	£	£	£	£
1986	10,079,392		10,079,392	10,079,392
1987	10,000,000		10,000,000	20,079,392
1988	40,000,000		40,000,000	60,079,392
1989	30,000,000		30,000,000	90,079,392
1990	20,000,000		20,000,000	110,079,392
1991	10,000,000		10,000,000	120,079,392
1992				120,079,392
1993	17,095,832		17,095,832	137,175,224
1994		-5,000,000	-5,000,000	132,175,224
1995		-7,000,000	-7,000,000	125,175,224
1996		-15,000,000	-15,000,000	110,175,224
1997		-5,000,000	-5,000,000	105,175,224
1998		-17,500,000	-17,500,000	87,675,224
1999	3,000,000	-10,500,000	-7,500,000	80,175,224
2000	4,000,000		4,000,000	84,175,224
2001	23,000,000		23,000,000	107,175,224
2002				107,175,224
2003				107,175,224
2004				107,175,224
2005				107,175,224
2006				107,175,224
2007	10,000,000		10,000,000	117,175,224
2008				117,175,224
2009				117,175,224
2010				117,175,224
2011				117,175,224
2012				117,175,224
2013				<b>117,175,224</b>
<b>Total</b>	<b>177,175,224</b>	<b>-60,000,000</b>	<b>117,175,224</b>	

The investment returns on the Strategic Reserve since its establishment in 1986 amount to £599 million over the value of capital invested. The balance of £716 million as at 31<sup>st</sup> August 2013 is therefore made up of £117 million in principle (capital) and £599 million of investment returns (interest).

If the capital of £117 million within the Strategic Reserve Fund were increased in real terms, in line with Jersey inflation, the capital element would be £230 million.

# Strategic Reserve Capital and Investment Returns



# Funding Proposals for Jersey - Housing Projects

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Total required £207 million or £250 million.

- Fund entirely from external borrowing

Repayments of principle and interest to be met from rental income.

This is entirely consistent with the strategic intent of the White Paper.



# Funding Proposals for Jersey – Liquid Waste

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Total required £75 million

- Fund partly from TTS existing annual capital budget for infrastructure £12 million
- Fund partly from the main capital programme £34 million.
- Fund partly from an infrastructure investment of the Currency Fund (2014 and 2015) at a fair interest rate £29 million.

Repayment of principal and interest of £1.7 million per year to the Currency Fund from revenue savings generated by the new technology and from TTS existing resources.



# Funding Proposals for Jersey – Summary

Capital Project	Cost of Project	Funding Source(s)
Hospital	£297 million	<ul style="list-style-type: none"> <li>- funded entirely from investment returns on the Strategic Reserve</li> <li>- no debt</li> <li>- no additional cost to the taxpayer</li> </ul>
Housing	£207 million or £250 million	<ul style="list-style-type: none"> <li>- funded entirely from the rental income stream</li> <li>- no additional cost to the taxpayer</li> </ul>
Liquid Waste	£75 million	<ul style="list-style-type: none"> <li>- £12 million funded from existing resources (TTS Infrastructure Budget)</li> <li>- no External debt</li> <li>- operational savings from the new energy efficient plant used to re-pay internal borrowing from an Infrastructure Investment (Currency Fund)</li> </ul>



## Timetable: Budget 2014

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**Tuesday 8 October:**  
Budget 2014 lodged

**Tuesday 3 December:**  
Budget 2014 to be debated by the States  
Assembly

