STATES OF JERSEY

PROGRESS REPORT BY THE MINISTER FOR TREASURY AND RESOURCES ON THE RESPONSE TO THE FISCAL POLICY PANEL ANNUAL REPORT APRIL 2013

Presented to the States on 19th April 2013
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

Introduction

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 2 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 7 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 2 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 2 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 has 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.

- Out-turns 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 Ts" 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 on the next page is a summary of approved capital allocations for 2013 and proposed allocations for 2014 and 2015.

		£'000 2013	£'000 2014	£'000 2015
	Chief Minister's			
1	Web Development	100	170	-
2	Microsoft Upgrade	663	-	-
3	JDE Development & Upgrade	-	370	450
4	Application remediation Window s 8	-	500	-
5	HRIS Replacement	740	-	-
	Chief Minister's total	1,503	1,040	450
	Education, Sport and Culture			
6	School ICT	1,000	1,000	1,000
7	St Martin School	7,732		
8	Autism Support Unit	-	1,066	-
9	FB Fields Running Track	-	810	-
10	Les Quennevais Artificial Pitch	-	650	-
11	St James Centre	-	2,500	-
12	Replacement School	-	15,000	-
	Education, Sport and Culture total	8,732	21,026	1,000
	Department of the Environment			
13	Fisheries Vessels	-	100	-
14	Met Radar Refurbishment/ Upgrade	-	350	-
15	Countryside Infrastructure	-	200	200
	Department of the Environment total	-	650	200
	Health & Social Services			
16	Upgrade of Main Theatres	2,100	1,837	-
17	The Limes Refurbishment	1,700	-	-
18	Replacement General Hospital - feasibility	350	-	-
18	Replacement General Hospital - planning	-	2,000	-
19	Mental Health Facility at Overdale - feasibility	350	-	-
20	Intermediate Care	-	500	-
21	Relocation of Ambulance and Fire Station - feasibility	100	-	-
22	Adult Care Homes	4,000	-	-
23	Children's Homes	2,000	-	-
24	Refurbishment of Sandybrook	-	1,700	-
25	Replacement MRI Scanner	-	-	2,277
26	Replacement RIS / PACS IT assets	-	-	1,567
	Health & Social Services total	10,600	6,037	3,844
	Home Affairs			
27	Police Station Relocation - Tranche 4	1,000	1,000	-
28	Prison Improvement Works - Gatehouse and Admin Block	-	-	7,532
	Home Affairs total	1,000	1,000	7,532
	Transport and Technical Services			
29	Infrastructure Rolling Vote	9,981	10,657	11,097
30	Refurbishment of Clinical Waste Incinerator	700	300	-
31	Sew age Treatment Works	-	3,100	-
32	Ash Cells & La Collette Headland	1,025	1,051	1,077
33	New Public Recycling Centre	-	2,050	-
34	Bottom Ash Recycling	-	1,538	-
35	Scrap yard Capital Basic Infrastructure	-	1,025	-
36	EFW Plant La Collette Replacement Assets	-	1,586	681
37	Pedestrian / Cycle Track Improvements	-	-	635
38	Sea Defence Backlog	-	-	425
	Transport and Technical Services total	11,706	21,307	13,915
	Treasury & Resources (inc. JPH)			
39	Tax Transformation Programme & IT systems	-	500	-
40	Demolition of Fort Regent Pool	-	750	-
	Treasury & Resources (inc. JPH) total	-	1,250	-
	Vehicle replacement (additional from consolidated fund)	1,000	1,500	1,500
	Replacement assets	2,785	3,692	3,027
	Total Projects - Capital Allocation	37,326	57,502	31,468
	Social Housing Programme	18,801	31,390	45,873
	Total Programme	56,127	88,892	77,341

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 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 1 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) Parish of St. Saviour – Langtry Gardens

The Minister, in accordance with 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 are amounting to £29 million have been provided for by Jersey Harbours and Airport. 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**
Confirmed 2013 Expenditure (including prior approvals)		
Housing		20,720
TTS		23,575
JPH		17,856
		62,151
Departmental 2013 Maximum Available (including prior approvals)		
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, Transport and Technical Services 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	**Remaining Spend on Existing Projects**					
	Le Geyt Phase 7	70,000	70,000			
	Le Squez Phase 2a & 2b	530,000	30,000	480,000		
	Clos Gossel	530,000	530,000			
	Pomme D'Or Farm	1,340,000	900,000	440,000		
	Jardin Des Carreaux	190,000	190,000			
	Sub-total for Existing Projects	**2 660,000**	**1,740,000**	**920 000**	-	-
	Remaining Spend on P40 Projects					
	La Collette Phase 1	3,600,000	800,000	1,000,000	1,000,000	800,000
	Le Squez Phase 2c	2,380,000	330,000	500,000	450,000	1,080,000
	2 - 4 Journeaux 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
	Sub-total for P40 Projects	**13 560,000**	**2,450,000**	**2,540 000**	**3,370,000**	**5,200,000**
	Houisng Department - New Projects					
	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
	Journeaux 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	-				
	Sub-total for New Projects	**3 350,000**	**100,000**	**490 000**	**935,000**	**1,825,000**
	Housing Trust Projects					
	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
	Sub-total for Housing Trust Projects	**1 150,000**	-	**250 000**	**400,000**	**500,000**
	Total anticipated Expenditure	**20 720,000**	**4,290,000**	**4,200 000**	**4,705,000**	**7,525,000**

Transport and Technical Services

Department	Head of Expenditure	Total Project Forecast Expenditure for	2013 Q1	Q2	Q3	Q4
TTS	Q0000C0393 - South La Collette Reclamation	28,045		10,000	10,000	8,045
	Q0000C2645 - Gas Engine - Bellozanne	4,165		4,165		
	Q0000C2666 - Sewage Treatment Works	51,070			20,000	31,070
	Q0000C2682 - In-Vessel Composting	-				
	Q0000C2693 - Solid Waste Incinerator 2008	60,000		60,000		
	Q0000C2695 - EFW Plant La Collette	6,201,767	15,471	23,206	6,139,883	23,206
	Q0000C7001 - Fire Fighting System	178,190	882	1,323	101,323	74,663
	Q0000C7004 - 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 Treatmnt 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 - Bottom Ash Recycling	-				
	Q00RI10011 - Infrastructure	7,069,891	577,203	1,187,611	1,757,354	3,547,723
	Total anticipated Expenditure	**23,575,149**	**1,697,091**	**2,666,788**	**11,667,252**	**7,544,018**

Jersey Property Holdings

Department	Head of Expenditure	Total Project Forecast Expenditure for	2013			
			Q1	Q2	Q3	Q4
JPH	F0000C0198 - Police Relocation	-	-	-	-	-
	F0000C0199 - Police Relocation (Phase 1)	300,000	75,000	75,000	75,000	75,000
	F0000C1248 - Relocation of Sea Cadets	407,263	101,816	101,816	101,816	101,816
	F0000C2575 - Highlands (A Block)	99,770	24,943	24,943	24,943	24,943
	F0000C2668 - Public Markets Maintenance	200,000	50,000	50,000	50,000	50,000
	F0000C2668 - Public Markets Maintenance	496,250	124,063	124,063	124,063	124,063
	F0000C3315 - St Martin	2,800,000	700,000	700,000	700,000	700,000
	F0000C3316 - 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
	F0000C3325 - 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
	Total anticipated Expenditure	**17,855,906**	**4,463,977**	**4,463,977**	**4,463,977**	**4,463,977**

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 Minister for Planning and Environment 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 3 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 3 major projects is beyond what can easily be 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.

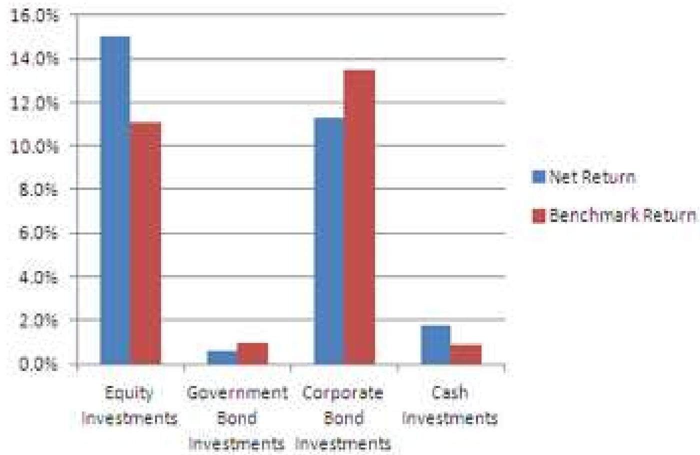
Current Progress (4)

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

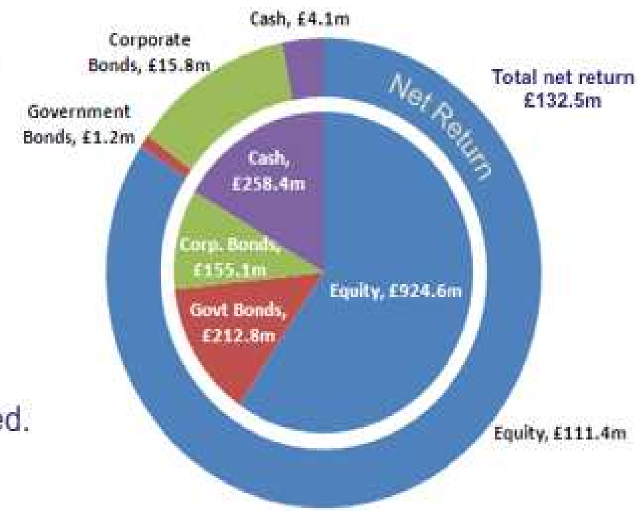
The diagram below illustrates the relative performance of each asset class compared to its apportioned benchmark.



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

Absolute performance

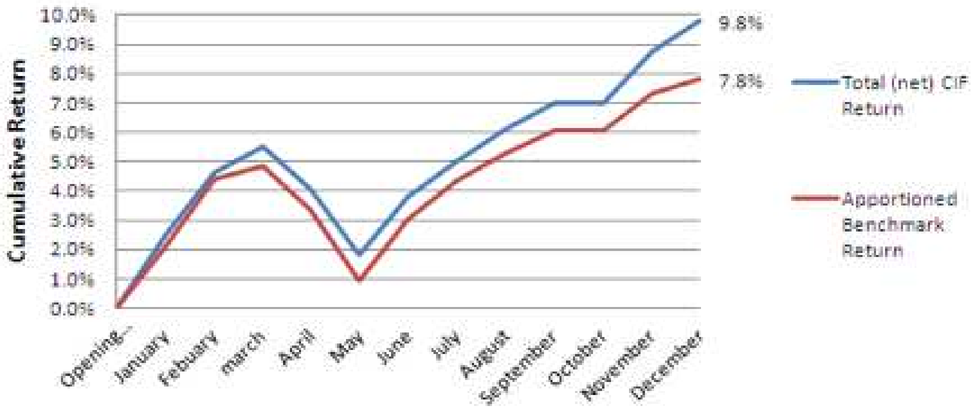
The diagram below illustrates the earnings of the CIF split by asset class. The central pie chart illustrates year end allocation, the surrounding doughnut shows the return.



CIF Performance

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

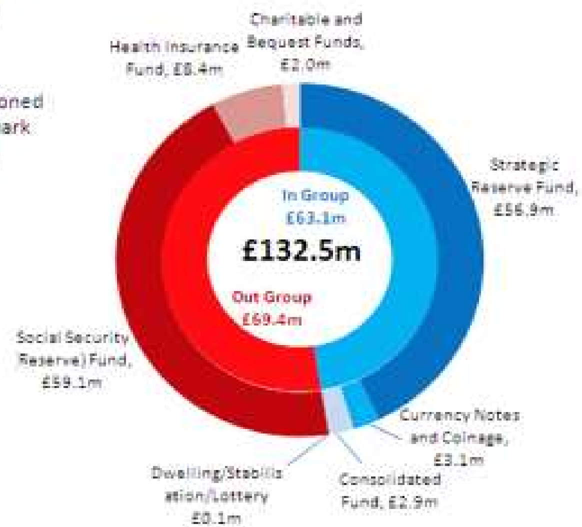
Relative performance



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 is by allocating some of the general revenue income that is achieved above our current target 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 restating Accounts from previous years without incurring undue cost. The Treasury and Resources Department 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/taxpayer, 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 from 2013 to 2015. Since the FPP report was published, the States draft Accounts for 2012 have been produced. The Accounts for 2012 are still in 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.

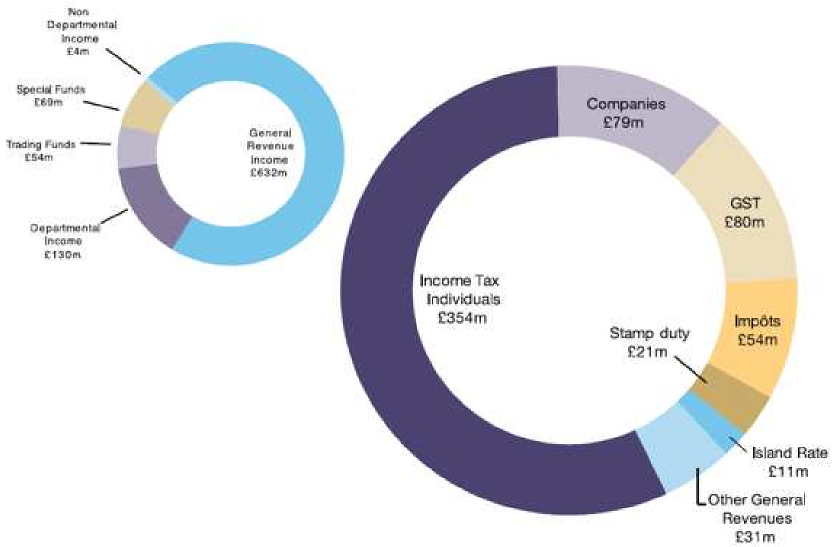
High Level Summary – 2012 at a Glance

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

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

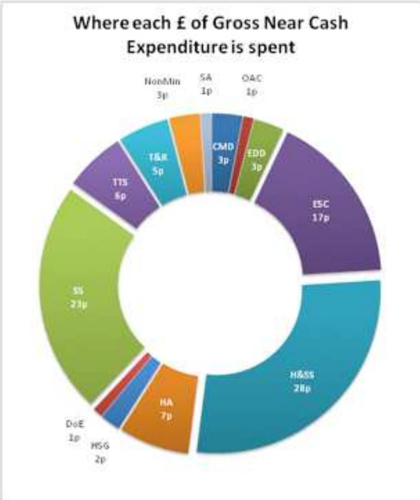
High Level Summary – Income



High Level Summary – Income

- General Revenue Income makes up 71% of total income in the States
  - Personal Income Tax makes up 56% of GRI
  - Company Tax and GST make up 13% of GRI each
- Departmental Income is counted against expenditure for budgeting purposes.
- Special Fund Income was mostly returns on CIF investments – covered later.

High Level Summary – Departmental Expenditure



	£m
Gross Expenditure	731
Dept Income	
(130)	
Net Expenditure	601

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.

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.

APPENDIX – PART 1

Review of 2013 Capital Programme against Fiscal Stimulus Criteria

Introduction

One of the outcomes of the Corporate Services Scrutiny Panel's review of the Medium Term Financial Plan 2013–2015 (MTFP) was a request that the Minister for Treasury and Resources report back to the States Assembly within 3 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 3Ts 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 a good proportion of both local labour and local materials usage. Checks are in place to ensure that local labourers are 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 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's 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. Remainder 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 Health and Social Services 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 £000	Local £000		UK £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 Maintenance	1,225	1,225		–	
	9,981	8,325		1,656	

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

Transport and Technical Services are currently considering a new solution for the replacement of the exiting Incinerator, using a solution which will be incorporated into the Energy from Waste Plant 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 3Ts criteria.

Conclusion

The attached Appendix summarises the position for each of the schemes against the 3Ts criteria. It will be seen that the vast majority of schemes fall within the definition of Fiscal Stimulus as determined by the 3Ts 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’s School and the Police Station relocation, it will first be 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 2013	Timely	Targeted	Temporary	Notes
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 2e2. 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. Cuming & 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
Total Programme	56 127				

Replacement Assets	
Health and Social Services	2,484
Home Affairs	200
Transport and Technical Services	101
Total	2,785

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

N.B. 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.

APPENDIX – PART 2

Review of 2014 and 2015 Programmes

The review of the 2014 and 2015 Capital Programmes 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 and Upgrade (2014 and 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 and 2015)

Continuation of programme from 2013.

Autism Support Unit (2014)

This is the provision of new accommodation at Haute Vallée 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. Martin’s School, 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 and 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 refurbishment of The Limes. Expectation that this will be delivered through local contractors and services.

Replacement MRI Scanner (2015)

Per Outline Business Case – of the £2.277 million planned expenditure, £1.7 million 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 Administration 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 and 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 and 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 and La Collette Headland (2014 and 2015)

Continuation of 2013 programme, i.e. 80% “on-Island” and 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 remaining 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 and 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 and 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 though an “off-Island” specialist company and 50% through local companies.

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

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

Replacement Assets (2014 and 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, Transport and Technical Services 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”.

TTT Analysis for 2014 – 2015 for Approved Capital Allocations

	£'000 2014	£'000 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	355	-	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	Refurbisment and uprade 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 3Ts criteria.
Total Programme	**88,892**	**77 341**				

Replacement Assets - funded		
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	
Total	**3,692**	**3,027**

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