States of Jersey

FINANCIAL REPORT AND ACCOUNTS 2014

TREASURY
& RESOURCES

States of Jersey

FINANCIAL REPORT AND ACCOUNTS

2014

States of Jersey

Contents

1 The Minister's Report

1.1 The Minister's Report

2014 has, without doubt, been a year of transition for the States of Jersey and this changing landscape is reflected in the financial report and accounts for the year.

In presenting the Financial Report and Accounts for 2014, I must first acknowledge the work done and significant contribution by my predecessor Senator Philip Ozouf, who presided over this Ministry for six years until November last year.

This report underlines the strength of Jersey's finances which makes us ideally placed to meet the challenges posed and opportunities offered by the ever-changing global financial situation and the trends of an aging population experienced across the world.

This document offers the public of Jersey the opportunity to scrutinise the way in which government departments fund their services and the context of position within which Jersey has managed its financial challenges during the year.

Despite the challenges, many of which are inherent in a global economic downturn, and the aging population, Jersey remains strong and in an enviable position. The first signs of growth in the economy have started to emerge and provide for some optimism, not least as, for first time since the recession started in 2008, it is predicted that 2014 will have delivered the first GVA growth in our economy of 1.6%.

Jersey's international reputation is also reflected in the awarding in 2014 of an excellent international credit rating from Standard and Poors. The rating of AA+ with stable outlook – which was maintained throughout the year and into 2015 – reflects the view that Jersey has derived strength from its assets and support for growth.

Investments in strategic priorities, returning Islanders to the workplace, house our community and reform our Health and Social Services, during the tenure of the previous Council of Ministers can be seen in outline in this Financial Report and Accounts.

During 2014 continued investment in Back to Work initiatives directly resulted in bringing down unemployment levels. By December 2014 the number of people registered as long term unemployed had dropped to its lowest level for three and a half years. It is a trend that our continued support for jobseekers and the increase in private sector jobs will help to sustain.

The year also saw the incorporation of the Housing Department into Andium Homes Limited, the successful issue of a public bond to fund new social and affordable housing and the introduction of Long Term Care benefits for Islanders. These changes and developments all have at their base, the determination of the previous and current Council of Ministers to balance a growing demand for services with the need to find innovative solutions within constrained resources to fund that demand in a fair and balanced way.

The issuance of a bond was a part of a significant and bold investment strategy in 2014 to use market and financial conditions to Jersey's advantage in order to fund much-needed improvements to Jersey's housing stock. The response from investors was overwhelmingly positive and the successful £250 million bond issuance was a reflection of the global perception of Jersey as a strong, well regulated jurisdiction. A number of Andium Homes projects are underway with an extensive plan of work scheduled for the coming years. Those due for completion in 2015 and 2016 include, refurbishment projects at Nicolle Close and Hampshire Gardens and new homes at Le Squez in St Clement and at Langtry Gardens, St Saviour.

The priority to reform Health and Social Services was announced in 2013 with plans, which continue, for the delivery of a new hospital. Reform in health and social care is needed to help Jersey face a substantial increase in both the number and proportion of older residents over the next 30 years.

While these large projects take shape, other initiatives have already been put in place to begin to address future care needs. Care costs are predicted to more than double by 2044 and the Long Term Care (LTC) scheme aims to ensure the community as a whole shares that cost. The scheme provides financial support to Jersey residents who are likely to need long-term care for the rest of their life, either in their own home or in a care home and is funded through contributions from the States – which began in 2014 – and from local residents, through income tax payments, starting from the 2015 year of assessment.

As in previous years, the Treasury has taken on board recommendations from the Comptroller and Auditor General to develop the 2014 Report and Accounts to include a more in depth analysis of spend against the approvals made by the States Assembly. This analysis is presented in the form of the Statement of Outturn Against Approvals in Section 10.

This is also the second year in which reporting from the Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long Term Care Fund, and Jersey Dental Scheme have been included in the financial report and accounts. The addition of these funds followed a recommendation by the C&AG to provide more comprehensive information, enabling readers to gain a full understanding of the financial performance of the States.

The inclusion of these funds provides a more complete picture as to the strength of our finances and, in particular, the reserves available to assist with the rising cost of an aging population, offering the opportunity for well thought through strategies rather than hasty decision making as costs inevitably rise.

Further recommendations by the C&AG will be reflected in the accounts in future years and will also be given full consideration in all areas as we continue to revise the way in which we allocate spending, reducing it in some areas of the public sector so that we can continue our work to transform the way we care for the increasing numbers of older people and invest in important capital projects.

Managing the Budget: States Income

The States of Jersey has continued to feel the effects of the challenging global economic climate in 2014 and this is reflected in the income performance for the year. This prolonged global downturn - with interest rates lower for much longer than ever imagined - has continued to impact our revenues. These are not challenges that are unique to Jersey but with a heavy reliance on our finance industry and, specifically the banking sector, increases in revenues have not occurred as strongly as previously forecast.

The most obvious indicator of this, and the most well-documented in recent months, is the actual drop of £15 million in income tax receipts from 2013 and the shortfall against the budget which was set when the consensus opinion both inside and outside of Jersey suggested that economic recovery would begin sooner than has been the case.

The shortfall in tax was offset to some extent during the year by increases in both GST and stamp duty – the latter being primarily driven by an increase in high value property transactions.

The total net revenue income for 2014 has also fallen compared to 2013 largely as a result of an increase in impairment expenses and the increase in pension liabilities. However, investment income within funds in 2014 has been robust and, once again, out-performed the market contributing to a surplus overall.

Revenues may have fallen short, however, overall, the States maintained a net income position and we will continue to look at ways to strengthen our forecasting. As Treasury Minister, I have established a new income forecasting group with new terms of reference and a broader remit to help achieve this aim. However, forecasts will by their very nature vary and need regular updating as circumstances change. The key is to ensure that forecasts used for budgeting purposes are realistic and prudent.

Managing the Budget: Expenditure

Departments spent just under £674.2 million in 2014 on providing services. This was almost £28.3 million less than the amount available to them. Departments are carrying forward £15 million into 2015 to fund essential expenditure.

During 2014, we also saw a number of significant one-off calls for funding which had an impact on revenue expenditure. Perhaps the most prominent of these were the £7 million on the Jersey Independent Care Inquiry and a £3.6 million grant to the National Trust for the purchase of Plémont. In addition, the public sector pay award, agreed in 2012, accounted for a total of £15.2 million from revenue, and was the largest single contributor to the year's increase in expenditure.

The more flexible system introduced by the Medium Term Financial Plan (MTFP) process was developed to encourage Departments to plan with more certainty over a longer period than had previously been the case and so reducing the desire to "use or lose" funding by the end of December each year. This allows the funding carried forward to be applied effectively to meet the service priorities set out in the Strategic Plan.

Jersey's first MTFP was a significant step forward in effective financial planning for States Departments and is now in its final year. As we finalise the second, for the period 2016–2019, we are taking what we have learned so far to revise the process further and ensure that we have an even more robust and transparent but flexible system to make the best use of our resources across all sectors.

On top of the amounts carried forward in 2014, there was a balance of £22.1 million remaining in contingency and restructuring expenditure at the end of the year. £8 million of this has been carried forward into 2015 to manage known pressures.

Capital expenditure is essential in order to maintain and improve our fixed asset base. It is also one of the key tools at our disposal to support and stimulate the economy at this time. In 2014 Departments spent £51.7 million on capital projects. Significant projects during the year included: A new Oncology ward allowing the hospital to treat patients in one purpose built location where previously they were split across two sites, a new primary school in St Martin which is due to be completed in May 2015, work on the new Police Headquarters as well as work on the Island's infrastructure.

Managing the Balance Sheet

The continued focus during 2014 on managing the States' balance sheet means that despite the issuance of the £250 million bond for social housing, it has grown at a similar level to 2013. Active management of our assets and liabilities provides another means of safeguarding us against future economic shocks and providing sources of significant levels of funding.

The States balance sheet remains strong, with fixed assets now worth £3.3 billion. It is essential that we continue to seek ways to manage those assets in a way that works to the best advantage of the Island.

The value of the States' Strategic Investments increased by £3.9 million in 2014. The Treasury operates a policy of active management of these investments, with regular meetings throughout the year. Included in this figure is over £8 million in dividends contributed to the States in 2014 by the four utility companies. There remains a close working relationship with the Boards of the utilities to deliver the best returns possible to the States, while allowing them to retain sufficient working capital to be able to grow their businesses.

The total value of the Common Investment Fund (CIF) increased from £2.4 billion at the end of 2013 to £2.8 billion at the end of 2014. This represents both investment returns but also the transfer into the CIF of additional funds previously invested outside. This increase in value is not income to the States in the same way as taxes or dividends: the increases in value remain within the relevant Funds to be used for specific purposes.

The Strategic Reserve stood at £786.5 million at the end of 2014, a net increase of £43.4 million from 2013 after the transfer of £10.2 million to fund the new hospital. Pension past service liabilities increased by £41.3 million in 2014. This was mostly due to an increase of £37.9 million in the PECRS past service liability and an increase of £3.4 million in the JTSF past service liability. These changes largely arose as a result of significant reductions in the gilt yield relative to inflation over the past year which is a key driver in the debt valuation. Increased repayments for the Pre-1987 Debt have continued in 2014 which will reduce the long term costs of repaying this liability, albeit at a lower level than agreed in the MTFP following the measures to balance the consolidated fund in the 2015 Budget.

Conclusions

Like many other governments we are now under pressure and during the course of 2014 the picture of lower revenue expectations and growing demand on health and social services emerged clearly.

Despite those challenges we have remained in a strong position but we now need to make the changes necessary to the structure of the public sector and the way we manage our finances to make sure that this remains the case.

These accounts also outline the many positive steps that departments have taken during 2014, delivering against the Strategic Priorities set by the Council of Ministers and laying the groundwork for our economic recovery.

I would like to thank all the staff in the Treasury and Resources Department and across States departments, my Assistant Minister, Deputy Tracey Vallois and my predecessor, Senator Ozouf, for their hard work. I would also like to extend my thanks to the retiring Comptroller of Taxes, David Le Cuirot, for his commitment and dedication to outstanding public service over many years.

In presenting the Financial Report and Accounts for 2014, I also want to take the opportunity to look forward over the coming term of office as we maintain and build upon a strong financial future for Jersey.

I am determined that we maintain strong public finances and balance the books as the economy recovers whilst planning prudently, to meet the funding challenges we face rather than pass greater problems onto future generations. Fundamental to this objective is the need to restructure the public sector and change the way services are delivered.

Senator Alan Maclean
Date: 28th May 2015

2 The Treasurer's Report

2.1 Highlights

Total Net Revenue Income *Including the results of all Social Security Funds and Andium Homes Limited and after depreciation*	Total Net Revenue Income for the year was £6.4 million in 2014 compared to £278.5 million in 2013. Key movements between years were: • Investment income was £131.0 million lower than 2013. • An increase in the valuation in pension liabilities of £43.8 million.
Operating (Surplus) / Deficit	There was an operating deficit in 2014, before depreciation, of £25.2 million. This compares with an operating surplus of £0.5 million in 2013.
Strong Balance Sheet	The balance sheet has grown further in 2014 with an increase in the net asset balance of £73 million to £5.7 billion, largely as a result of investment returns.
Income	Total Revenue Income remained strong at £1.158 billion. This was £125.1 million lower than 2013 mainly as a result of exceptional investment returns achieved in 2013. Included in the above, **General Revenue Income** was £12.3 million higher than 2013 largely as a result of the inclusion of the return from Andium Homes Limited.
Expenditure	Total Revenue Expenditure increased by £147.0 million compared to 2013 with the biggest movements coming from pension liability movements and the impairment of assets. Included in this, **Net Revenue Expenditure** of Departments increased by £38.0 million before depreciation. The biggest single contributor was the 4% pay award followed by the incorporation of Andium and some significant non-recurring expenditure such as for the Committee of Inquiry into Historical Abuse, Jersey Innovation Fund and the purchase of Plémont Headland.
Capital Expenditure	Departments spent a total of £51.7 million on capital projects in 2014, with a further £13.7 million spent by trading operations.
Investment Returns	Investment Returns continued to perform well in 2014 with the Common Investment Fund generating net returns of £207 million, a return net of fees in excess of 8%. £43.8 million of this is attributable to entities outside of the States of Jersey Accounts.
Reserves	The balance in the Strategic Reserve increased by £43.4 million to £786.5 million in 2014. This is net of the £10.2 million draw down in 2014 for the Future Hospital project.
Social Security Funds	The balances in each of the four Social Security Funds increased in 2014 to a total value of over £1.4 billion.
Credit Rating	Jersey was accredited with an excellent international credit rating of AA+ with a stable outlook in 2014 from Standard and Poors and this has been maintained into 2015.
Bond	A £250 million public bond was successfully issued in 2014 to fund vital investment in social and affordable housing largely through Andium Homes Limited which was incorporated during the year.

2.2 Summary of Performance

States Net General Revenue Income was £38.1 million less than budgeted, at £649.0 million

- Net Income Tax was £38.3 million less than budgeted due to a £39.8 million under-achievement in Personal Tax resulting from the continued impact of the wider economic environment, having a particularly detrimental impact on employment income, and changes in the taxation of shareholder income. This was offset by a £0.5 million overachievement in Business tax and £1.0 million less bad debts than budgeted.
- Goods and Services Tax (GST) was £1.8 million less than budgeted due to actual performance not increasing in line with RPI as projected.

- Stamp Duty was £1.4 million less than budgeted, due to a slower than expected economic recovery offset in part by increased activity in high value property transactions.
- Fines and Other Income were £4.3 million more than budgeted, mainly due to a higher level of returns from investments.

Departmental Near Cash Net Revenue Expenditure (the amount spent on day-to-day activities) was £12.2 million more than the Medium Term Financial Plan (MTFP), but £28.3 million less than the final approved amount after carry forwards and other allocations, at £674.2 million.

- Social Security expenditure was £8.0 million less than budgeted mainly due to an underspend in Income Support of £10.3 million as a result of lower levels of weekly benefit claimants and residential care costs than anticipated at the time of the budget being set and Employment Services of £1.6 million as a result of fewer employment grants than anticipated being issued. This was offset by an additional contribution to the Long Term Care Fund of £4.6 million as agreed by the States in P.140/2013.
- Education Sport and Culture spent £4.5 million less than budgeted, due to the approved arrangement to manage the differential between the academic and financial year in schools through carry forwards and lower than budgeted costs associated with Higher Education university grant payments.
- Health and Social Services spent £3.8 million less than budgeted mainly due to the timing of spend in respect of the transformation programme identified in P.82/2012 'Health and Social Services: A New Way Forward'.
- Transport and Technical Services spent £2.0 million less than budgeted due to greater than expected tipping fee income from several large construction projects offsetting expenditure and the delay in a solution for the disposal of asbestos.
- Departments have requested to carry forward £15.0 million of these underspends of approved expenditure into 2015 for projects and other spending pressures.

In addition, £22.1 million of Central Contingency was not allocated in 2014. £14.1 million was returned to the Consolidated Fund, as planned in the Budget 2015, and the remainder will be carried forward into 2015.

Depreciation charges relating to the use of Property, Plant and Equipment by the States for Ministerial and Non-Ministerial departments were more than budgeted by £4.3 million, mainly due to a review of asset lives in Housing and Transport and Technical Services.

AMOUNTS NOT APPROVED BY THE STATES ASSEMBLY

After adjusting for other Non-Cash charges, Trading Operations, Special Funds and other accounting adjustments there was an accounting surplus of £6.4 million for the year – this in general relates to the amounts that are not available for everyday expenditure approved by the States Assembly.

- Special Funds saw Net Income of over £155.5 million. This is mostly attributable to returns in the Strategic Reserve (£53.6 million) and the Social Security (Reserve) Fund (£95.5 million). Neither of these funds are available for current expenditure.
- The Common Investment Fund generated significant income for the States of Jersey during 2014, earning net income of £207.0 million in total, representing a rate of return, net of fees, of around 8%. This represents both positive market conditions and performance of the underlying investment managers.
- The most significant Accounting Adjustment was associated with Pension liabilities (£41.3 million), due mostly to a revised estimate for the amount required to settle the Public Employees Contributory Retirement Scheme (PECRS) pre 87 debt (£37.9 million) and Jersey Teachers Superannuation Fund (JTSF) pre-2007 debt (£3.4 million), based on information in the latest Actuarial Valuation.

The States spent £51.7 million on Capital projects in the year, including improvements to the Island's Infrastructure.
In the Treasurer's view the States Balance Sheet remains strong.

- The States overall owns Fixed Assets worth £3.3 billion, including £0.7 billion of Social Housing assets now held by Andium.
- The value of Strategic Investments in utility companies increased by £3.9 million, and are now valued at £317.7 million.
- Pensions liabilities relating to past service liabilities have increased by £41.3 million to £384.7 million.

At a Glance – Financial Results

TABLE 1 – SUMMARY OF FINANCIAL RESULTS

2013 Actual (Restated) £'000		Table	2014 Budget / MTFP £'000	2014 Final Approved Budget £'000	2014 Actual £'000
(636,688)	States Net General Revenue Income	2	(673,183)	(687,017)	(648,967)
636,186	Departmental Net Revenue Expenditure - Near Cash	3, 4	661,968	702,459	674,163
–	Allocations for Contingencies		7,633	22,084	–
(502)	**Operating (Surplus)/Deficit**		**(3,582)**	**37,526**	**25,196**
51,621	Departmental Depreciation	5	59,728	52,558	56,901
51,119	**Deficit of General Revenue Expenditure over Income**		**56,146**	**90,084**	**82,097**
698	Departmental Net Revenue Expenditure – Other Non Cash	5	5,629	3,748	21,688
(1,544)	Trading Operations Net Revenue Expenditure	6	(1,251)	(557)	(2,446)
(97,308)	Net Revenue Income of Special Funds	7			(48,469)
(223,544)	Net Revenue Income of Social Security Funds	7			(107,058)
(2,504)	Net Revenue (Income)/Expenditure of SOJDC	7			307
–	Net Revenue Expenditure of Andium Homes	7			6,385
(5,461)	Other (Income)/Expenditure	11			40,339
(5)	Consolidation Adjustments	11			735
(278,549)	**Total Net Revenue Expenditure/(Income)**		**60,524**	**93,275**	**(6,422)**

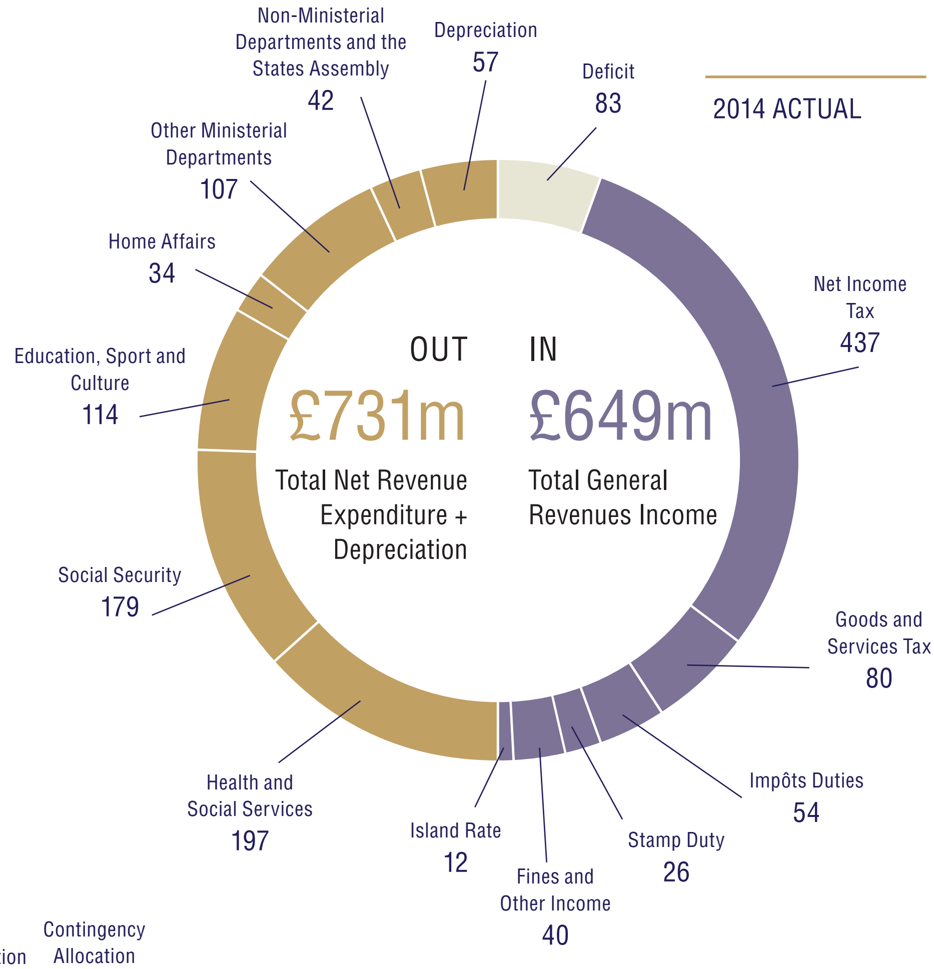
2013 actuals have been restated to reflect the change in accounting treatment in Andium Homes Limited. For further information see Section 6.1 .

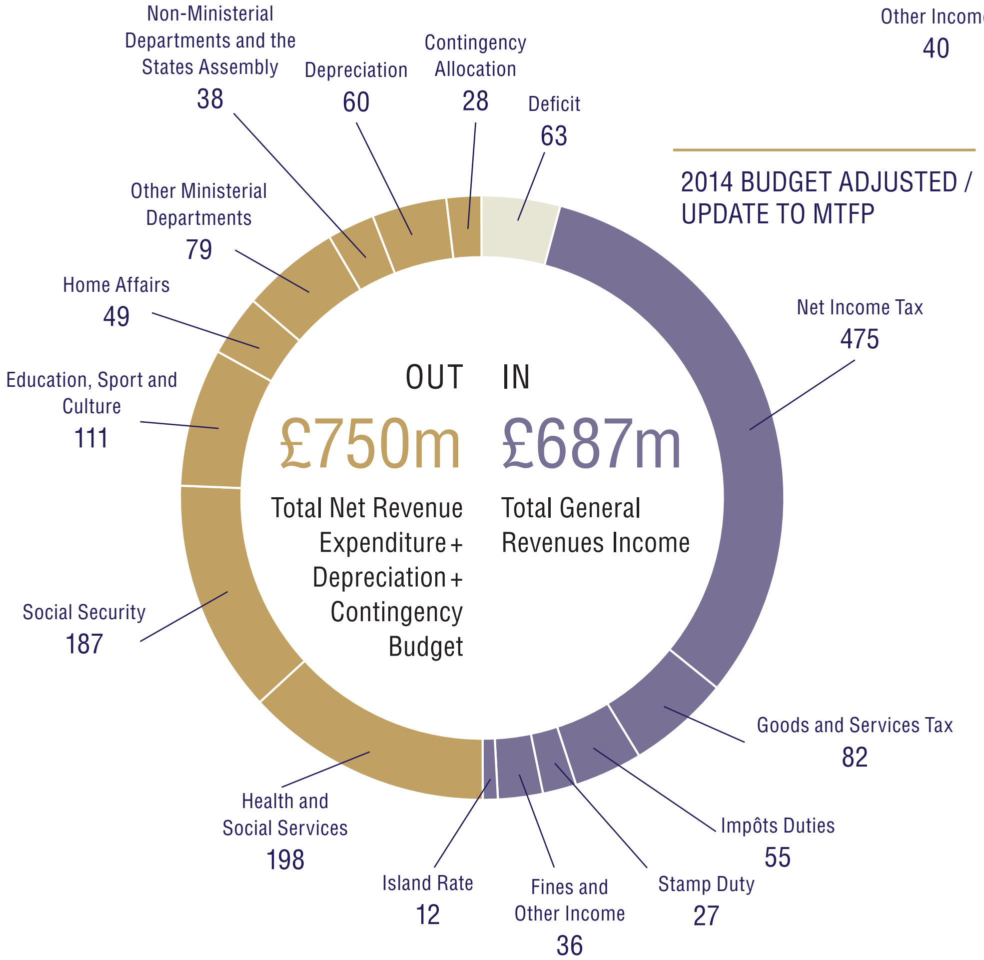
EXPLANATION OF STATES ASSEMBLY APPROVED BUDGETS

» '**2014 Budget**' refers to the 2014 General Revenue Income budgets approved by the States Assembly in the 2014 Budget Statement.

» '**MTFP**' refers to the 2014 expenditure budget approved in the MTFP, updated for the 'Annual Update to the Medium Term Financial Plan Departmental Annex for 2014'. This updates the budget for any permanent approved changes since the MTFP was agreed in November 2012.

» '**2014 Final Approved Budget**' refers to the budget after all amendments made during the year for permitted variations in accordance with the Public Finances (Jersey) Law 2005. These include allocations from contingencies, carry forward of approvals from the prior year and capital to revenue transfers.


2014 ACTUAL
Non-Ministerial Departments and the States Assembly
42
Depreciation
57
Deficit
83
Other Ministerial Departments
107
Home Affairs
34
Education, Sport and Culture
114
Social Security
179
Health and Social Services
197
Island Rate
12
Fines and Other Income
40
Stamp Duty
26
Impôts Duties
54
Goods and Services Tax
80
Net Income Tax
437
OUT
£731m
Total Net Revenue Expenditure + Depreciation
IN
£649m
Total General Revenues Income


2014 BUDGET ADJUSTED / UPDATE TO MTFP
Non-Ministerial Departments and the States Assembly
38
Depreciation
60
Contingency Allocation
28
Deficit
63
Other Ministerial Departments
79
Home Affairs
49
Education, Sport and Culture
111
Social Security
187
Health and Social Services
198
Island Rate
12
Fines and Other Income
36
Stamp Duty
27
Impôts Duties
55
Goods and Services Tax
82
Net Income Tax
475
OUT
£750m
Total Net Revenue Expenditure + Depreciation + Contingency Budget
IN
£687m
Total General Revenues Income

2.3 General Revenue Income

1.9% higher than last year

5.5% less than budget

The largest element of income received by the States is "General Revenue Income", which is made up of income to the Consolidated Fund covered by the Annual Budget Statement and includes taxes, duties and investment returns.

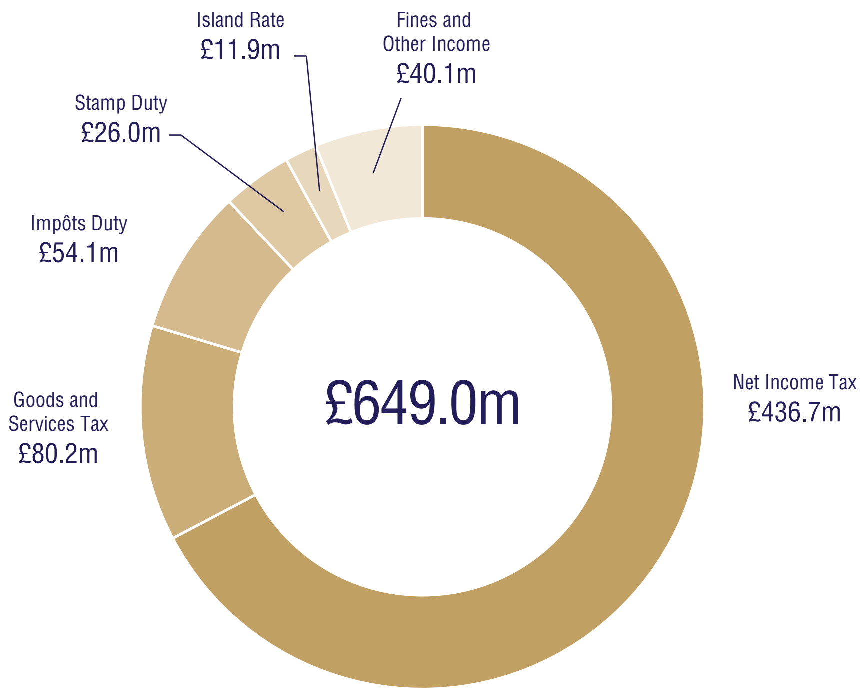
In the Budget Statement, General Revenue Income is voted net of directly related expenditure, such as Irrecoverable Debts or Investment Management fees, to represent the amount that is available to be spent on providing services. Net General Revenue Income for 2014 was £649.0 million, compared to £636.7 million for 2013 largely as a result of £13.6 million from Andium Homes Limited following incorporation.

Directly related expenditure totalled £3.7 million in 2014 (2013: £6.2 million), giving gross General Revenue Income of £652.7 million. The remainder of income received by the States includes charges raised by departments included in their cash limits and income relating to Trading Operations and Special Funds.

WHERE CAN I READ MORE?

Details of directly attributable expenditure for each type of General Revenue Income are included in The General Revenue Pages in the Annex to the Accounts

FIGURE 1 – BREAKDOWN OF NET GENERAL REVENUE INCOME



Net Income Tax

3.3% lower than last year
8.1% less than budget

Income Tax comprises two main elements, Personal Income Tax and Company Income Tax.

Personal Income Tax

Personal Income Tax is a standard 20% rate of tax with a limited number of allowances/reliefs. To protect the lower to middle income earners, a separate calculation is also performed using exemption thresholds and a greater number and value of reliefs, but with a higher tax rate (26% from 2014 year of assessment). The lowest of the two tax calculations is then used to determine the tax charge. Therefore individuals will be charged no more than 20% tax on their income. This is explained in a video available on the States' website:
http://www.gov.je/TaxesMoney/IncomeTax/Individuals/AllowancesReliefs/Pages/MarginalCalculation.aspx

Company Income Tax

Companies pay tax under the 0/10 Regime. Three tax rates are possible:

- 0% – all non-financial service entities (except those at 20% below).
- 10% – Financial Services Companies (a company registered, or holding a permit, by virtue of various Laws administered by the Jersey Financial Services Commission).
- 20% – Utility Companies, Rental and Property Development Companies.

Net Income Tax was £15.0 million of 3.3% lower than 2013, primarily because of a £10.0 million one off Business Tax settlement in 2013 and reduction in profits from the finance sector.

Net Income Tax was £38.3 million or 8.1% less than the 2014 budget. This was the net effect of a £39.8 million underachievement in Personal Tax offset by a £0.5 million overachievement in Business tax and £1.0 million less bad debts than budgeted.

The most significant factors contributing to the shortfall in Personal Tax are the economic environment not being as good as predicted at the time of the budgets being set and changes in the taxation of shareholder income.

Goods and Services Tax

3.4% higher than last year
2.1% less than budget

Goods and Services Tax is a consumption tax of 5% on imports and supplies made in Jersey. The underlying principles are that the tax is low, broad and simple. As a result there are a limited number of reliefs. Businesses within the financial services industry who generally have the majority of their activity outside Jersey may apply to be approved as an International Services Entity (ISE) for GST purposes. They pay a flat rate annual fee instead of accounting for GST.

Income from GST was £2.6 million or 3.4% higher than 2013 due to net increases in activity across sectors.

GST income has not increased at the same rate as the Jersey Retail Price Index (RPI) as expected when the budgets were set. Consequently, GST income underachieved against budget by £1.8 million.

Impôts Duty

0.4% lower than last year
1.5% less than budget

Impôts duties are duties charged on goods as they are imported to the Island. The duties apply to a range of commodities including alcohol, tobacco and fuel. The rules were changed during 2014 so that all tobacco products were to be entered into bond when imported into the Island and duty accounted for on withdrawal from the bond. The £0.8 million underachievement is primarily due to the timing of impôts received in respect of tobacco products.

Income from Impôts Duty was £0.2 million lower than 2013, with tobacco duty £1.3 million lower due to the implementation of bonded facilities for all tobacco products leading to a delay in the recognition of tobacco duty until it enters the market. This was offset by increases in alcohol and fuel duty income.

Stamp Duty

49.6% higher than last year
5.2% less than budget

Stamp duty is charged on property, equity and share transfer transactions according to the value of the transactions. Jersey operates a discount scheme for first time property buyers. Duty is also collected on Wills, Probate and Obligations.

Stamp Duty collected in 2014 was £8.6 million or 49.6% higher than in 2013 with the average stamp duty per property in 2014 higher than the previous 5 year average and a particular increase on high value properties. Stamp Duty income is particularly sensitive to the small volume of high value property transactions and these have been particularly high in 2014.

However, a slower than expected economic recovery and a budget influenced by a positive base year in 2011 resulted in £1.4 million less Stamp Duty than budgeted.

Island Rate

2.2% higher than last year
1.1% less than budget

The 12 Parishes in Jersey levy rates to pay for parish services. In addition the Parishes collect an Island Wide Rate levied by the States. The Island Wide Rate was introduced in 2006 to provide a contribution to parish welfare costs which were incorporated into the Island's Income Support system.

Fines and Other Income

66.4% higher than last year
12.1% better than budget

Fines and Other Income includes returns on States strategic investments in utility companies and the newly incorporated Andium Homes, returns on cash balances and various fees and charges.

Fines and Other Income was £16.0 million or 66.4% higher than 2013. This was mainly due to the inclusion of the £13.6 million return from Andium Homes Limited and an increase in investment returns received.

Other Income is £4.3 million or 12.0% higher than budgeted, primarily as a result of investment income of £4.9 million over budget achieved from a higher proportion of the consolidated fund assets remaining in the Long Term Investment portfolio and therefore generating a higher rate of return. Currency surplus investments were £1.1 million higher than budgeted due to a growth in the currency in circulation, asset returns and value generated by commemorative coin issue. This was offset by a lower than originally budgeted dividend from JT and a lower return from Andium Homes Limited as a result of agreed adjustments to the calculated base amount and RPI being lower than originally estimated.

TABLE 2 – NET GENERAL REVENUE INCOME – OUTCOME COMPARED TO BUDGET SUMMARY TABLE A

2013 Actual £'000		2014 Budget £'000	2014 Actual £'000	Difference from Budget £'000
(451,661)	Net Income Tax	(474,965)	(436,665)	(38,300)
(77,603)	Goods and Services Tax	(81,955)	(80,226)	(1,729)
(54,320)	Impôts Duty	(54,903)	(54,103)	(800)
(17,370)	Stamp Duty	(27,402)	(25,977)	(1,425)
(11,641)	Island Rate	(12,032)	(11,896)	(136)
(24,093)	Fines and Other Income	(35,760)	(40,100)	4,340
(636,688)	**Net General Revenue Income**	**(687,017)**	**(648,967)**	**(38,050)**

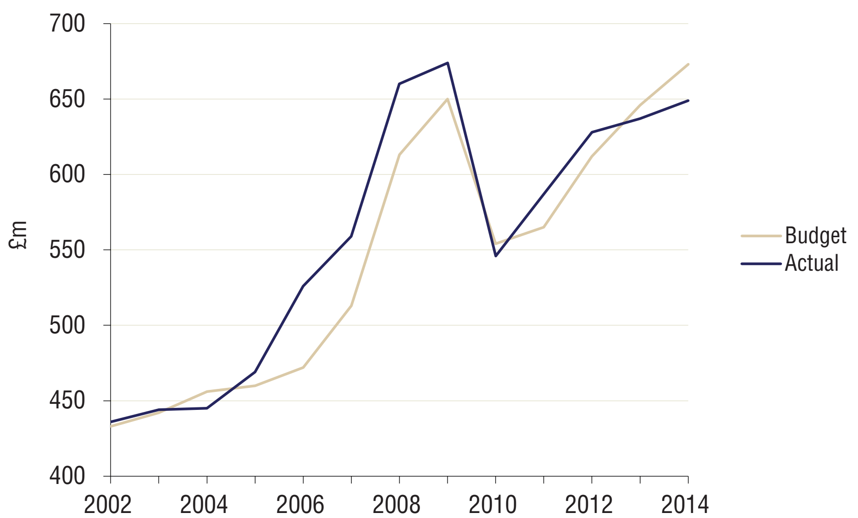
Changes in Net General Revenue Income

Figure 2 shows how Net General Revenue Income has changed since 2002. Budgets for 2002 – 2005 have been adjusted for accounting restatements made in the 2006 Accounts to improve comparability.

The graph shows a large drop in General Revenue Income between 2009 and 2010, which was anticipated in the budget as a result of the introduction of 0/10. Actual income in 2014 was higher than in 2013 by £12.3 million.

The main changes from 2013 were a decrease in Income Tax of £15.0 million, primarily as a result of a drop off in Business Tax due to a £10.0 million one-off received in 2013 and a reduction in profits from the finance sector. This was offset by increases in GST of £2.6 million due to net increases in activity across sectors, Stamp Duty Income of £8.6 million due to an increase in the average stamp duty per property and an increase in high value property transactions and Other Income of £16.0 million due to the inclusion of the £13.6 million return from the newly incorporated Andium Homes Limited and an increase in investment returns achieved.

FIGURE 2 – NET GENERAL REVENUE INCOME



WHERE CAN I READ MORE?

Further details on the individual streams of General Revenue Income are included in the Annex to the Accounts. Individual Departments and Trading Operations also include an analysis of their income as part of the departmental pages in the Annex to the accounts.

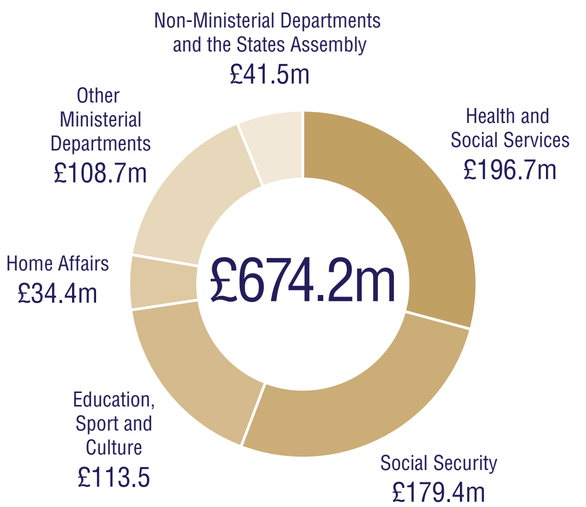
2.4 Ministerial and Non-Ministerial Departments' Revenue Expenditure

The key element of the States Expenditure is the Near-Cash Net Revenue Expenditure of Ministerial and Non-Ministerial Departments through the Consolidated Fund. As departments raise charges for some of the services that they provide, and may also receive other income, the MTFP approves Net Revenue Expenditure (NRE) limits for departments, which take into account this income, and so represents the amount that needs to be funded from taxes.

In 2014 Near Cash Net Revenue Expenditure for these departments was £674.2 million (2013: £636.2 million). This included departmental income of £132.9 million (2013: £127.6 million), giving gross expenditure of £807.1 million (2013: £763.8 million).

As well as Near Cash there were also non-cash amounts of £78.6 million for depreciation and impairments which represent the use of resources such as fixed assets, even though no cash is spent.

FIGURE 3 – MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS – NET REVENUE EXPENDITURE (NEAR CASH)



Departments' Near Cash Net Revenue Expenditure

MTFP 2014 Approval	Actual 2014	
£662.0 million	£674.2 million	
Budget Carried Forward from 2013	Underspend	Actual 2013
£19.9 million	£28.3 million	£636.2 million
Other Allocations and Transfers		
£20.6 million	4.0% Less than Final Approved Budget	6.0% More than Last Year

Near Cash Expenditure represents amounts that transacted in cash during the year, or will be shortly after (e.g. departmental income charged that will be collected after the year end). It excludes amounts relating to the use of Fixed Assets, such as depreciation and impairments, which are covered in section 2.3.5. Accounting Officers are accountable for Near-Cash expenditure.

During the year, Budgets can be varied for limited reasons, as detailed in section 5.3.1. Table 3 reconciles departmental approvals in the Medium Term Financial Plan to the Final Approved Budget. More detail on these changes is given in the Annex to the Accounts.

TABLE 3 – RECONCILIATION OF FINAL APPROVED BUDGET TO THE MEDIUM TERM FINANCIAL PLAN NEAR-CASH APPROVAL

	£'000
Medium Term Financial Plan Approval (Near-Cash)	**661,968**
2013 Departmental Approvals Carried Forward to 2014	19,873
Allocation of Contingency	4,594
Allocations of Additional Funding *	19,167
Transfers Between Capital and Revenue	(3,143)
Final Approved Budget	**702,459**

* Additional Funding represents any other budget approvals made during the year that do not fall into the other categories. In 2014, the largest contribution to this movement was the six month adjustment to the Housing budget of £13.8 million to reflect the incorporation of Andium Homes Limited on 1st July 2014. As Housing provided a net contribution, this has the effect of increasing total net departmental expenditure.

TABLE 4 – NET REVENUE EXPENDITURE – OUTCOME COMPARED TO MEDIUM TERM FINANCIAL PLAN SUMMARY TABLE B

2013 Actual £'000		MTFP 2014 £'000	Final Approved Budget £'000	2014 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments				
23,223	Chief Minister	22,067	32,544	31,163	1,381
9,182	– Grant to the Overseas Aid Commission	9,794	9,945	9,798	147
17,015	Economic Development	18,513	24,266	23,933	333
106,909	Education, Sport and Culture	110,775	118,012	113,526	4,486
6,238	Department of the Environment	5,971	6,555	6,054	501
186,723	Health and Social Services	198,457	200,502	196,670	3,832
47,149	Home Affairs	49,306	35,547	34,443	1,104
(26,126)	Housing	(27,192)	(10,306)	(12,571)	2,265
181,782	Social Security	186,619	187,411	179,378	8,033
25,861	Transport and Technical Services	27,912	28,575	26,537	2,038
32,359	Treasury and Resources	32,009	35,511	33,536	1,975
	Non Ministerial States Funded Bodies and the States Assembly				
1,721	Bailiff's Chambers	1,654	1,887	1,791	96
7,648	Law Officers' Department	7,961	9,223	8,444	779
6,161	Judicial Greffe	6,905	6,812	6,518	294
1,417	Viscount's Department	1,424	740	493	247
545	Official Analyst	636	387	324	63
722	Office of the Lieutenant Governor	730	916	805	111
24	Office of the Dean of Jersey	26	28	28	–
139	Data Protection Commission	234	259	201	58
1,899	Probation Department	2,213	1,944	1,904	40
641	Comptroller and Auditor General	769	1,260	747	513
4,954	States Assembly and its services	5,185	10,441	10,441	–
636,186	**Net Revenue Expenditure – Near Cash**	**661,968**	**702,459**	**674,163**	**28,296**

WHERE CAN I READ MORE?

Each department gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Annex to the Accounts. They also give further information on variances from 2013.

Changes in Departments' Near Cash Net Revenue Expenditure

Figure 4 shows how Near Cash Net Revenue Expenditure has changed since 2002. From 2009, the States introduced Generally Accepted Accounting Principles(GAAP), beginning with Financial Reporting Standards, and moving to International Financial Reporting Standards in 2012. GAAP compliant figures have been included since 2009, but are not available from previous years, meaning that figures are not perfectly comparable (as explained below). Budget figures have been adjusted for previously reported accounting restatements to allow comparability. Prior to the move to GAAP some expenditure which would not now qualify as capital under accounting standards was approved (and recorded) as capital expenditure. It is difficult to assess the magnitude of these amounts, and so these have not been reflected in the graph.

Net Revenue Expenditure on a Near Cash basis increased by £38.0 million (6.0%) from 2013.

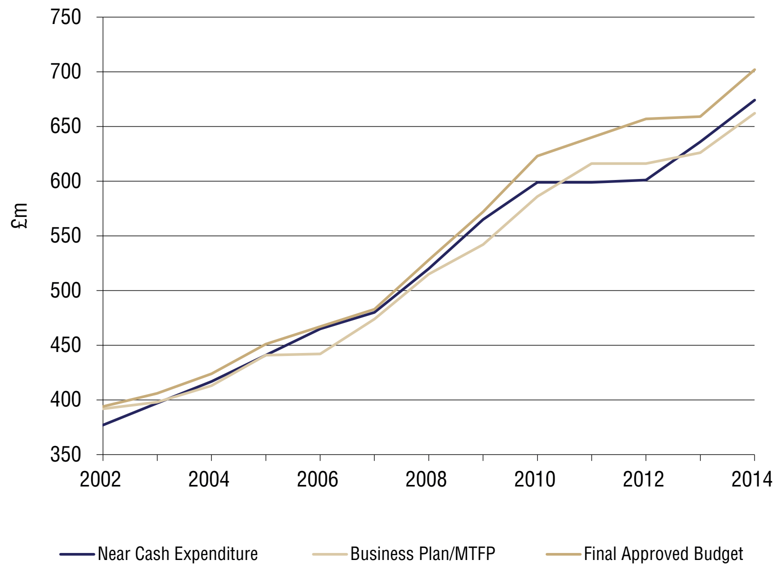
The biggest single contributor to the increase in Net Revenue Expenditure from 2013 was the 4% pay award agreed in July 2012 and separate pay agreements for doctors, nurses and uniformed staff totalling £15.2 million.

There was also some significant non-recurring expenditure in 2014 including £7.0 million on the Committee of Inquiry into Historical Abuse, a £5.0 million transfer from Economic Development Department to set up the Jersey Innovation Fund, £1.5 million from Education, Sport and Culture on the I.T. and Sports Strategies, and a £3.6 million grant to the National Trust Jersey for the purchase of Plémont.

The incorporation of Housing on 1st July 2014 increased the Net Revenue Expenditure as the net return reduced by £13.6 million. However, this was offset by a corresponding increase in the return from Andium Homes Limited in General Revenue Income.

These increases were partially offset by non-recurring net income of £14.8 million from the Criminal Offences Confiscation Fund in Home Affairs which was transferred to the Police Headquarters Relocation project.

FIGURE 4 – NEAR CASH NET REVENUE EXPENDITURE



Allocations for Contingency

Centrally managed contingencies were established as part of the 2011 Business Plan. The principle is to provide flexibility within spending limits to be able to manage urgent and unforeseen items without returning to the States for further expenditure allocations. All requests for contingency allocations must be submitted to the Council of Ministers for approval.

MTFP 2014 Approval	Net Contingency Allocated in 2014	Carry Forward to 2015
£7.6 million	£3.8 million	£8.0 million
Amounts Carried Forward from 2013 £18.3 million	Unallocated Amounts at the year end £22.1 million	

The net budget allocations of £3.8 million made during the year included but were not limited to:

Transfers in:

- £7.8 million from the re-phasing of capital projects identified as part of the 'Measures to Balance the Consolidated Fund' in the Budget 2015 to be returned to the consolidated fund through the carry forward process.
- £3.0 million from the Police Relocation capital project as a result of a contribution from the Criminal Offences Confiscation Fund towards the funding of the project.

Allocations out for:

- £16.7 million for the agreed Pay awards;
- £1.8 million for the modernisation of Doctors and Nurses pay;
- £7.7 million for the Committee of Inquiry into Historical Abuse;
- £1.4 million relating to Project Omega (Historic abuse redress scheme);
- £5.1 million for restructuring projects such as Public Sector Reform, E-Government and Housing Transformation.

At the end of 2014 £14.1 million was returned to the Consolidated Fund from Contingency in line with the Budget 2015, comprising:

- £7.8 million from re-phased capital projects temporarily ring-fenced within Central Reserves.
- £2.7 million from Restructuring Provision.
- £3.6 million from the Court and Case Costs Smoothing Reserve.

Departments' Non Cash Expenditure

The Update to the MTFP Department Annex for 2014 approved a total of £59.7 million for depreciation as part of individual departments' approved expenditure limits. Depreciation for 2014 was £2.8 million less than budgeted in the MTFP at £56.9 million. This was mostly due to the incorporation of Housing on 1st July 2014. Depreciation was also lower than expected in Treasury and Health and Social Services due to asset disposals and the timing of capital expenditure. This was offset by a higher level of depreciation on Energy from Waste plant assets in Transport and Technical Services following the reduction in useful asset lives.

Amortisation relates to the annual write off of intangible assets such as software and licences to reflect their reducing value over time.

Gains or losses on disposal of assets are also not included in the Medium Term Financial Plan. An estimate of proceeds from the sale of property assets is included as part of the Capital Programme, but this is not comparable to gain or loss on disposal.

TABLE 5 – NON-CASH AMOUNTS

2013 Actual £'000		2014 MTFP £'000	Final Approved Budget £'000	2014 Actual £'000	Difference from Final Approved Budget £'000
51,621	Depreciation	59,728	52,558	56,901	(4,343)
2,308	Amortisation	131	231	2,331	(2,100)
(1,328)	Impairments [1]	5,498	3,520	18,910	(15,390)
(153)	(Gain)/Loss on Disposal of Assets	–	(3)	146	(149)
(129)	Other Non-Cash adjustments	–	–	301	(301)
52,319	**Total Non-Cash Amounts**	**65,357**	**56,306**	**78,589**	**(22,283)**

Notes

1 Further information on impairments during the year are given in Note 9.14.

2.5 States Trading Operations – Net Revenue Expenditure

Under the Public Finances (Jersey) Law 2005, the States can designate any distinct area of operation as a States Trading Operation. Estimates for Trading Operations are approved in the Annual Business Plan. At present, four such operations have been designated.

Jersey Airport provides a wide range of facilities and services for passengers over an extensive network of schedule and charter flight services across the UK and Europe and Jersey Harbours is responsible for the operation of Jersey's commercial port of St Helier and outlying ports. The incorporation of the Ports into a separate legal company has been approved by the States in principle, with a scheduled date for incorporation of the second half of 2015 subject to States approval of P.5/2015 Draft Air and Sea Ports (Incorporation) (Jersey) Law 201-.

Jersey Car Parking is responsible for administration, management, financing, development and maintenance of public parking places and Jersey Fleet Management is responsible for the acquisition, maintenance, servicing, fuelling, garaging and disposal of vehicles and mobile plant on behalf of the States.

Due to their commercial nature, Net Revenue Expenditure/(Income) for the Trading Operations includes Non-Cash amounts relating to the use of Assets such as depreciation and impairments. During the year Jersey Airport and Jersey Harbours saw more income than budgeted of £0.7 million and £1.1 million respectively.

TABLE 6 – TRADING OPERATIONS NET REVENUE EXPENDITURE – OUTCOME COMPARED TO BUSINESS PLAN SUMMARY TABLE B

2013 Actual £'000		2014 MTFP £'000	Final Approved Budget £'000	2014 Actual £'000	Difference from Final Approved Budget £'000
(1,852)	Jersey Airport	(1,954)	(1,260)	(1,991)	731
764	Jersey Harbours	1,310	1,310	208	1,102
(398)	Jersey Car Parking	(361)	(361)	(525)	164
(58)	Jersey Fleet Management	(246)	(246)	(138)	(108)
(1,544)	**Net Revenue (Income)/Expenditure – Trading Operations**	**(1,251)**	**(557)**	**(2,446)**	**1,889**

WHERE CAN I READ MORE?

Each Trading Operation gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Annex to the Accounts.

2.6 Other Income and Expenditure and Accounting Adjustments

Special Funds, Social Security Funds and the States of Jersey Development Company

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names four Special Funds – the Strategic Reserve, the Stabilisation Fund, the Currency Fund and the Insurance Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds for specific purposes. These are usually established by legislation or a States decision. A summary of the purpose of the various funds is given in Table 8 and Table 9.

During 2014 Special Funds saw Net Revenue Income (NRI) of £48.5 million, comprising income of £89.1 million and expenditure of £40.6 million. The majority of this figure was income in the Strategic Reserve which saw a net balance increase of £53.6 million (5.8% on its opening investment value). This increase was net of a £10.2 million drawing, transferred to the Consolidated Fund for the planning and creation of new hospital services in the Island as agreed in the 2014 Budget Statement (P.122/2013).

Income/expenditure approvals for Special Funds are not currently included in the Medium Term Financial Plan, and so results for these entities cannot be compared to budget.

Based on the threshold identified in Note 9.41, the Ecology Fund has been consolidated in 2014 as a Special Fund for specified purpose and figures have been restated to ensure comparability between years.

Social Security Funds

The Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long Term Care Fund are four specific Special Funds established under Social Security legislation. These funds were consolidated into the States Accounts for the first time in 2013. The Jersey Dental Scheme is also consolidated in this category. The reasons for the change in the Accounting Boundary are set out more fully in Section 6.1.

During 2014 the Funds saw Net Revenue Income (NRI) of £107.1 million, comprising income of £373.4 million and expenditure of £266.3 million. The largest element of this income is returns on investments held in the Social Security Reserve Fund of £95.5 million (8.2% on its opening investment value). This Fund sets aside funds for the future provision of pension benefits for those currently in employment so as to smooth the impact on future workers.

The Other Funds also saw net income, as contributions and investment income exceeded the benefit payments made. Income/expenditure approvals for the Social Security Funds are not included in the Medium Term Financial Plan and so results for these entities cannot be compared to budget.

States of Jersey Development Company

The States of Jersey Development Company (SOJDC) is a wholly owned subsidiary company of the States. It was originally incorporated in 1996 as the Waterfront Enterprise Development Board (WEB) and vested with responsibility for the co-ordination and promotion of development in the St Helier Waterfront Area on behalf of the States of Jersey. In 2010, the States approved proposition P73/2010, which set out proposals for the restructure of WEB into the SOJDC, clarifying the role of the company and widening the companies remit to cover all designated “Regeneration Zones”.

The SOJDC is outside of the Budgeting Boundary, but for 2014 the SOJDC showed a small Net Revenue Expenditure of £0.3 million.

Andium Homes Limited

The incorporation of the Housing department into a separate legal entity (a company limited by guarantee) was approved by the States under P.63/2013. The transfer into the new company was effective from the 1st July 2014.

For 2014, Andium Homes Limited showed a Net Revenue Expenditure of £6.4 million for the 6 month period to 31st December 2014.

TABLE 7 – NET REVENUE INCOME OF SPECIAL FUNDS, SOJDC AND ANDIUM

2013 Actual £'000		2014 Actual £'000
(97,308)	Special Funds Net Revenue Income	(48,469)
(223,544)	Social Security Funds Net Revenue Income	(107,058)
(2,504)	States of Jersey Development Company Limited Net Revenue Expenditure	307
–	Andium Homes Limited Net Revenue Expenditure	6,385
(323,356)	**Net Revenue Income of Special Funds, SOJDC and Andium**	**(148,835)**

TABLE 8 – PURPOSE OF SPECIAL FUNDS NAMED IN THE LAW

Special Fund	31 Dec 2013 £'000	31 Dec 2014 £'000	Function
Strategic Reserve Fund	743,128	786,522	Established under the Public Finances (Jersey) Law 2005, this is permanent reserve. The policy for the Reserve was agreed by the States under P133/2006, stating that it is to be used only in exceptional circumstances to insulate the Island's economy from severe structural decline (such as the sudden collapse of a major island industry) or from major natural disaster. The States have subsequently approved P84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding up to £100 million for a Bank Depositors Compensation Scheme and P122/2013 which agreed to the drawdown of approximately £297 million to fund the new hospital scheme over a period of years.
Stabilisation Fund	1,059	6	Established under the Public Finances (Jersey) Law 2005, the purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.
Currency Fund	7,850	1,763	Established under the Public Finances (Jersey) Law 2005, the Currency Notes (Jersey) Law 1959, and the Decimal Currency (Jersey) Law 1971, the fund holds assets that match the value of Jersey currency notes and coinage in circulation, such that the holder of Jersey currency could be repaid on request. It also produces and issues currency notes and coins, and administers the currency in issue.
Insurance Fund	8,057	5,676	Established under the Public Finances (Jersey) Law 2005 (as amended under P.73/2013), the fund facilitates the provision of mutual insurance arrangements for States funded bodies and other participating bodies.

TABLE 9 – PURPOSE OF SPECIAL FUNDS FOR SPECIFIC PURPOSES

Special Fund	31 Dec 2013 £'000	31 Dec 2014 £'000	Function
Dwelling Houses Loans Fund	10,635	4,275	Established under the Building Loans (Jersey) Law 1950, to establish a building loans scheme to enable residentially qualified first-time buyers,who have never owned residential freehold property in Jersey, to purchase their first home. No new loans were made in 2014.
Assisted House Purchase Scheme	2,150	2,173	Established in 1977, the purpose of this fund was to aid the recruitment of staff from the UK, by facilitating the purchase of suitable properties by the States on behalf of the employee. It is no longer making new loans.
99 Year Leaseholders Fund	830	830	Established by the former Housing Committee under the general powers of the Building Loans (Jersey) Law 1950, this fund allowed the Committee to lend to individuals offering leasehold property as security (at a time when there was no share transfer or flying freehold legislation). It is no longer making new loans.

Special Fund	31 Dec 2013 £'000	31 Dec 2014 £'000	Function
Agricultural Loans Fund	446	489	Established under the Agriculture (Loans and Guarantees) (Jersey) Regulations 1974, the fund makes loans to individuals engaged in work of an agricultural nature in Jersey for the purpose of furthering their agricultural business. Approval of new loans to farmers has been suspended.
Tourism Development Fund	945	829	Established under P.170/2001 to replace the Tourism Investment Fund, this fund makes grants to stimulate investment in the tourism industry and infrastructure in order to improve Jersey's competitiveness and sustain the industry as an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	590	180	Established by the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975, the fund promotes and conducts public lotteries, the draws for which may be held in Jersey or Guernsey.
Jersey Innovation Fund	–	4,989	Established under P.124/2012, the fund was set up to make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.
Housing Development Fund	5,783	9,061	Established under P.74/99 and P.84/99, the fund assists in meeting the requirements for the development of social rented and first-time buyer homes by providing development and interest subsidies.
Criminal Offences Confiscation Fund	17,165	3,027	These funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Civil Asset Recovery Fund	84	201	The Drug Trafficking Confiscation Fund was amalgamated into the COCF in the Revised Edition of the Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014 issued on 4th August 2014
Ecology Fund	–	382	Established in 1991, the purpose of this fund was to support local environmental projects.

WHERE CAN I READ MORE?

Where separate Accounts are not published, each Fund gives an explanation of income and expenditure and balance movements in the pages in the Annex to the Accounts. They also give further information on variances from 2013.

TABLE 10 – PURPOSE OF SOCIAL SECURITY FUNDS

Special Fund	31 Dec 2013 £'000	31 Dec 2014 £'000	Function
Social Security Fund	76,204	88,637	Established under the Social Security (Jersey) Law 1974, the fund receives all contributions payable under the Law, and pays out benefits such as the old age pension and incapacity benefit and expenditure related to the administration of these benefits.
Social Security (Reserve) Fund	1,157,694	1,253,169	Established under the Social Security (Jersey) Law 1974, the fund sets aside funds for the future provision of pension benefits for those in employment so as to reduce the impact of pensions in future generations, as well as to smooth contributions for Social Security benefits over time.
Health Insurance Fund	86,055	85,115	Established under the Health Insurance (Jersey) Law 1967, the fund receives allocations from Social Security Contributions for the purpose of paying claims for medical benefits and pharmaceutical benefit as defined in the law.
Long-Term Care Fund	11,701	11,783	Established under the Long Term Care (Jersey) Law 2013, the fund receives allocations under the Social Security Law, for the purpose of paying out benefits and expenditure relating to long-term care.
Jersey Dental Scheme	11	10	The Jersey Dental Benefit Scheme was established under the Jersey Dental Care Subsidy Scheme Act of June 1991 with the objective of providing a professional service of regular dental care to maintain the dental fitness of the members of the Scheme and to maintain a system of peer review of dental services provided to members under the scheme.

Other (Income)/Expenditure and Accounting Adjustments

There are some items of expenditure consolidated into these financial statements that are outside of the scope of the budgeting boundary but don't form part of a Special Fund. One example is actuarial movements in pension liabilities, which is a non-cash accounting adjustment.

In 2014 the value of Pension Liabilities increased by £37.9 million, due to an increase of £37.9 million in the PECRS past service liability and an increase of £3.3 million in the JTSF past service liability offset by a decrease in other schemes liabilities of £3.3 million. £0.6 million of actuarial gains were recognised in Other Comprehensive Income rather than expenditure, giving total net expenditure relating to Pension Liabilities of £38.5 million. More details on these amounts are given in Note 9.30 – Past Service Liabilities and Note 9.31 – Defined Benefit Pension Schemes Recognised on the Statement of Financial Position.

Accounting Standards also require that all transactions and balances between entities within the States of Jersey are eliminated in the consolidated accounts. More details of consolidation adjustments are given in Note 9.4 – Segmental Analysis. Table 11 below shows only the impact on the SoCNE. This is not zero as there is also an impact on the SoFP which is not seen in this table.

TABLE 11 – OTHER INCOME/EXPENDITURE AND ACCOUNTING ADJUSTMENTS

Restated 2013 Actual £'000		2014 Actual £'000
(4,651)	Pension liabilities	38,504
(810)	Other (Income)/Expenditure	1,835
(5)	Consolidation Adjustments	735
(5,466)	**Other (Income)/Expenditure and Accounting Adjustments**	**41,074**

Reconciliation of Reported Figures to Consolidated Income and Expenditure

The figures reported in the previous sections are based on the States of Jersey budgeting framework. The Financial Statements are prepared in line with the Jersey Financial Reporting Manual (JFReM), which includes for example definitions of Income and Expenditure. This means that income and expenditure amounts are reported for General Revenue Income and Departmental Expenditure, even though the States budgets are for the Net Amounts. Table 12 shows how these reported figures split into income and expenditure, tying into the reports reported in the Financial Statements.

TABLE 12 – RECONCILIATION OF REPORTED FIGURES TO CONSOLIDATED INCOME AND EXPENDITURE

	Table	Reported Figure £'000	Income £'000	Expenditure £'000
Net General Revenue Income	2	(648,967)	(652,683)	3,716
Departmental Net Revenue Expenditure (Near Cash)	4	674,163	(132,922)	807,085
Departmental Non-Cash Expenditure	5	78,589	302	78,287
Trading Operations Net Revenue Income	6	(2,446)	(56,906)	54,460
Special Funds Net Revenue Income	7	(48,469)	(89,119)	40,650
Social Security Funds Net Revenue Income	7	(107,058)	(373,400)	266,342
SOJDC Net Revenue Expenditure	7	307	(2,196)	2,503
Andium Net Revenue Expenditure	7	6,385	(22,278)	28,663
Other (Income)/Expenditure	11	40,339	(3,549)	43,888
Gross (Income)/Expenditure		**(7,157)**	**(1,332,751)**	**1,325,594**
Consolidation Adjustments	11	735	174,443	(173,708)
Total Consolidated (Income)/Expenditure		**(6,422)**	**(1,158,308)**	**1,151,886**

2.7 Capital Expenditure

Consolidated Fund – the Capital Programme

The Budget 2014 included a capital expenditure allocation from the Consolidated Fund of £88.9 million. After removing allocations relating to the Housing Department and making other adjustments such as transfers to revenue budgets, there was an effective capital approval of up to £54.3 million. £6.4 million was returned to the Consolidated Fund and there were also £101.1 million of unspent approvals from previous years.

During 2014 actual capital expenditure from the Consolidated Fund amounted to a total of £51.7 million. The table below gives details of this expenditure against approvals. Further detail, including budget movements can be found in Section 10.

TABLE 13 – CONSOLIDATED FUND CAPITAL PROGRAMME

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Computer Development Vote	20	1,312	2,200	888
E Government	908	1,427	1,777	350
Upgrade Microsoft Desktop Tech	165	1,005	1,415	410
Web Development	182	969	1,025	56
T&R JDE System	–	395	771	376
Application Compatibility to Windows 8	166	166	500	334
Enterprise Systems Development	(124)	22	420	398
HR Transform (Change Team Transformation)	–	–	77	77
Chief Minister's Department Total	**1,317**	**5,296**	**8,185**	**2,889**
Education, Sport & Culture				
Le Rocquier	40	22,587	22,700	113
Sports Strategy Infrastructure	1,021	1,021	1,500	479
School ICT	–	–	778	778
ESC Minor Capital/AUCC	39	360	625	265
ESC ICT Strategy Phase 3	142	395	538	143
Victoria College	39	48	400	352
Education, Sport & Culture Total	**1,281**	**24,411**	**26,541**	**2,130**
Department of the Environment				
Central Environmental Management	–	933	1,038	105
Equipment, Maintenance, Minor	40	525	629	104
Fisheries Vessel Mid Year Refit	80	414	426	12
Met Radar Refurbishment	79	79	350	271
Urban Renewal 2006	–	315	327	12
Automatic Weather Station	36	212	265	53
Countryside Infrastructure	70	70	193	123
Department of the Environment Total	**305**	**2,548**	**3,228**	**680**

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Health & Social Services				
Equipment, Maintenance & Minor Capital	2,655	9,674	12,197	2,523
Laundry Batch Washer – Planning	29	43	500	457
PSA Oxygenators	263	295	380	85
Tube System Upgrade – Planning	(7)	97	104	7
Health & Social Services Total	**2,940**	**10,109**	**13,181**	**3,072**
Home Affairs				
Minor Capital	904	2,408	4,830	2,422
Tetra Radio Replacement	75	2,031	2,483	452
Prison Control Room	45	1,661	1,839	178
Biometric Passports	87	477	1,183	706
Prison Security Measures	–	877	943	66
Prison Cell Call System	(3)	101	200	99
Joint Emergency Control Room	(21)	163	163	–
Prison IS Strategy Implement	(2)	153	153	–
Fire Service Building Repairs	80	89	90	1
Prison 2009 Minor Capital	–	33	51	18
Home Affairs Total	**1,165**	**7,993**	**11,935**	**3,942**
Housing				
Housing Rolling Vote	8,672	59,780	59,780	–
Housing Total	**8,672**	**59,780**	**59,780**	**–**
Transport and Technical Services				
EFW Plant La Collette	(724)	118,424	119,189	765
Infrastructure	8,776	37,158	41,274	4,116
South La Collette Reclamation	10	26,582	26,600	18
Sludge Thickener Project	6,289	11,849	14,284	2,435
Town park	(85)	12,109	12,118	9
Liquid Waste Strategy	1,802	2,020	10,100	8,080
Phillips Street Shaft	1,172	5,081	5,600	519
Fire Fighting System	58	4,306	4,371	65
Waste: Ash Pit La Collette	58	2,642	3,699	1,057
In-Vessel Composting	–	2,055	2,062	7
New Public Recycling Centre	303	362	2,050	1,688
Replacement Assets	282	689	1,747	1,058
Bottom Ash Recycling	–	–	1,538	1,538
Fiscal Stimulus Parish Project	543	588	1,252	664
EFW Replacement Assets	786	786	1,136	350
Scrap Yard Infrastructure	63	115	1,025	910
Clinical Waste Refurbishment	154	331	1,000	669
Eastern Cycle Network	4	252	582	330
Asbestos Waste Disposal	46	47	447	400
Contingency Infrastructure Maintenance	–	137	145	8
Transport and Technical Services Total	**19,537**	**225,533**	**250,219**	**24,686**

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Treasury and Resources				
On behalf of Education, Sport and Culture				
Additional Primary School Accommodation	1,312	1,395	8,188	6,793
St Martin	3,498	5,052	7,732	2,680
T&R Grainville Phase 4a	50	4,521	4,558	37
Youth Service Works – Various	1,418	1,936	3,028	1,092
Victoria College Capital Project	389	1,162	1,299	137
Crabbe Silver Jubilee Works	924	924	926	2
FB Fields Running Track	766	766	810	44
Les Quennevais Artificial Pitch	649	649	650	1
Les Quennevais Rep School	196	198	320	122
On behalf of Health and Social Services				
Future Hospital	1,315	1,315	10,114	8,799
Main Theatre Upgrade	254	416	6,483	6,067
Adult Care Homes	46	64	4,000	3,936
Oncology Extension & Refurbishment	719	2,868	3,332	464
Clinique Pinel Upgrade	1,054	2,839	2,868	29
Intensive Care Unit Upgrade	79	2,301	2,500	199
Children's Homes	777	996	2,075	1,079
A&E/Radiology Extension (Phase 2)	7	1,961	1,982	21
Rosewood House Refurbishment	32	1,936	1,936	–
Autism Support	337	338	1,066	728
Replace General Hospital – Planning	–	–	500	500
Integrated Assessment & IM Care	22	22	500	478
Replacement Hospital – Feasibility	(216)	1	350	349
Mental Health Facilities – Overdale – Feasibility	–	–	350	350
Relocate Ambulance and Fire Station – Feasibility	3	5	100	95
Limes Upgrade	(37)	38	38	–
Refurbishment Sandybrook	–	–	–	–
On behalf of Home Affairs				
Police Relocation (Phase 1)	1,746	3,353	23,589	20,236
Prison Improvement Phase 4	463	9,769	9,881	112
Other projects				
Office Rationalisation	18	1,604	1,719	115
Public Markets Maintenance	37	1,957	3,462	1,505
Green St Car Park Extension	64	88	1,500	1,412
ITAX Development – Taxes Office	279	1,208	1,208	–
Tax Transformation Programme & IT System	433	742	1,200	458
Demolition Fort Regent Pool	–	–	750	750
Integrated Property System	–	227	305	78
Relocation of Sea Cadets	(193)	–	107	107
Fiscal Stimulus and Parish Projects	–	–	–	–
Treasury and Resources Total	**16,441**	**50,651**	**109,426**	**58,775**
Non Ministerial States Funded				
Magistrates Court	–	9,170	9,289	119
Non Mins – Minor Capital	77	236	1,202	966
Court Management System	–	35	43	8
Non Ministerial States Funded Total	**77**	**9,441**	**10,534**	**1,093**
Total	**51,735**	**395,762**	**493,029**	**97,267**

The most significant projects incurring expenditure in 2014 included:

Sludge Thickener Project: The sludge thickener project began in 2011 to replace the existing sludge thickener plant at Bellozanne which had reached the end of its useful life. The enabling works were completed during 2012 and phase 2 of the project began on schedule. However, due to the current economic climate the main contractor experienced financial difficulties and went into administration. Transport and Technical Services appointed a new contractor in December 2013 to complete this project. It is anticipated that the project will near completion by 2016.

Future Hospital: The project will meet the requirement in The Redesign of Health and Social Services (P.82/2012) for the Council of Ministers to bring forward proposals for a new or refurbished hospital including manpower and financial implications. Currently a Site Options Appraisal is being undertaken at the request of the Council of Ministers to assess on a like-for-like basis whether one of three single sites outperform the previously preferred dual site. The site options appraisal work will complete in Q2 2015 and the preferred site will be lodged for the consideration of the States Assembly prior to the summer recess. Depending on the preferred site option the resulting delivery of the feasibility study and subsequent construction programmes vary.
The four site options under consideration are:

» Option A – Dual Site (Out-patients at Overdale and In-patients at the Gloucester Street hospital) Part refurbishment.
» Option B – Overdale Hospital Single Site – 100% New Build.
» Option C – Gloucester Street Hospital. Single Site – 100% New Build.
» Option D – Waterfront Site (south of Route de Liberation) Single Site – 100% New Build.

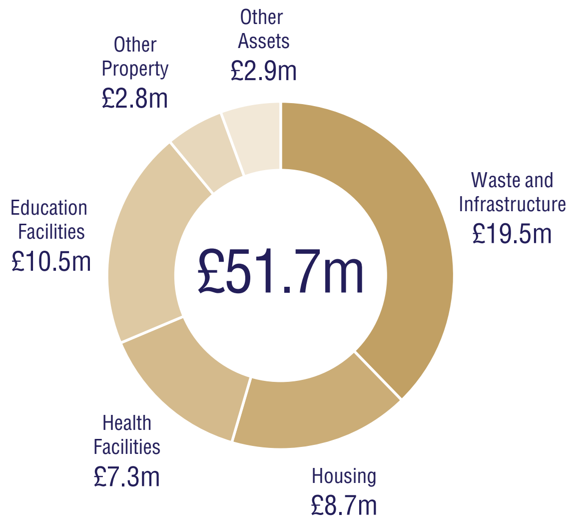
St Martin School: The £5.3 million contract with Marett Construction commenced in August 2013 and is due to finish this May. Migration will take place in the summer term with the new 180 place Primary School plus the new 30 place nursery due to open this September. The new building, which has photo voltaic solar panels, rainwater harvesting and grey water toilet flushing, will replace the ageing parish school building which does not comply with the current standards.

Oncology: Previously, care for cancer patients was delivered across two sites at opposite ends of the Hospital. The upgrade enables the department to function as one designated unit, enabling the highly skilled and dedicated team of doctors and nurses to work more effectively in caring for oncology and haematology patients on a single designated site. The Department has now been divided into two clinical areas, that includes, four clinic rooms, a large open plan treatment area and two single side room. The new Oncology-Haematology Department at the General Hospital, was officially opened on 16th September 2014 by the then Health Minister Deputy Anne Pryke.

Police Relocation: This capital scheme will provide the Island's first purpose built Police Headquarters, replacing facilities which have long been regarded as inadequate, of poor quality and not fit for the delivery of modern policing. In September 2014, Rok-Regal construction Limited was appointed as contractor and a construction programme began in October 2014 and is expected to be completed in December 2016.
The scheme, which includes a 64 space extension to Green Street car park, has a total budget of £24.37 million.

Prison Improvement Phase 4: A combined new Workshop/Stores building, steel frame, overclad with insulated metal panels, an insulated metal panel roof. The heating for the building is via underfloor pipework within the concrete slab.
This will provide new workshops for the Engineering staff, with offices above. Also new storage areas for incoming items delivered to the prison, with an office. Both areas have kitchen and restroom facilities.
During the works the perimeter security fence had to be adjusted to provide large delivery vehicle access around the building, whilst maintaining secure areas.

FIGURE 5 – CAPITAL PROJECTS



Trading Operations Capital Expenditure

During 2014 actual capital expenditure from Trading Funds amounted to a total of £13.7 million. The table below gives details of this expenditure against approvals. Further detail, including budget movements can be found in Section 10.

TABLE 14 – TRADING OPERATIONS CAPITAL EXPENDITURE

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Engineering/ARFFS Building	1,311	1,497	8,737	7,240
Arrivals/Pier/Forecourt	–	575	4,764	4,189
ATC Equipment	–	3,306	3,446	140
Primary Radar Les Platons	40	2,766	3,001	235
Regulatory Compliance 2010	566	1,046	2,990	1,944
Minor Capital Assets	552	1,179	1,623	444
Fuel Farm	935	935	1,500	565
Regulatory Compliance	–	300	1,300	1,000
X-Rays for Hand Baggage	–	–	518	518
Public Address/Fire Alarm	22	58	398	340
Instrument Runway Visual Range	–	–	363	363
Airfield Stop Bars	280	280	350	70
Departures Hall Access Lobby	–	–	300	300
CCTV Airport Wide	51	63	300	237
CCTV Checkpoints	–	162	200	38
Les Platons UPS	41	154	154	–
Fire Pump Replacement	4	4	125	121
Touch Down Wind	–	–	100	100
Jersey Airport Total	**3,802**	**12,325**	**30,169**	**17,844**
Jersey Harbours				
Elizabeth Harbour EB/WB Walkways	2,552	5,716	5,716	–
St Helier Marina	1,384	1,499	3,801	2,302
Gorey Pierhead	944	1,200	3,000	1,800
MCA	263	1,482	2,353	871
Port Crane	293	823	1,803	980
Elizabeth Harbour Trailer Park	1,191	1,769	1,769	–
Marine Ops Refurbishment	143	143	1,100	957
Replace Pilot Vessel	–	–	922	922
Sub Station Upgrades NNQ	268	438	500	62
St Helier Marina Gate Replacement	–	–	450	450
Elizabeth Pontoon Fingers	–	–	240	240
Offshore Beacons	44	208	208	–
CCTV Upgrade	20	78	200	122
Warehouse Development	–	–	200	200
CCTV (Phase II)	3	3	150	147
Jersey Harbours Total	**7,105**	**13,359**	**22,412**	**9,053**

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Car Parking				
Anne Court Car Park	20	339	9,000	8,661
Car Park Maintenance and Refurbishment	1,086	2,508	3,217	709
Automated Charging System	21	165	1,000	835
Jersey Car Parking Total	**1,127**	**3,012**	**13,217**	**10,205**
Jersey Fleet Management				
Vehicle and Plant Replacement	1,715	7,952	9,957	2,005
Jersey Fleet Management Total	**1,715**	**7,952**	**9,957**	**2,005**
Total	**13,749**	**36,648**	**75,755**	**39,107**

The most significant projects incurring expenditure in 2014 were:

Engineering/ARFS Building: The new Airport Engineering Building is currently under construction, in conjunction with the new Airport Cargo Centre facility on the south side of the airfield. A single new building will house both facilities. The construction of a new Cargo Centre will free up land at the existing Cargo Centre site for another aviation business development. Local contractor Hacquoil & Cook was appointed in 2014 to deliver the new building, which it is anticipated will be ready for occupation during Q3 2015.

Elizabeth Harbour EB/WB Walkways: The replacement of the western link span at Elizabeth Harbour provides a new vehicle and walkway access for ferries and replaces an asset that had reached the end of its economic life. As part of the new installation, the opportunity was taken to enhance the pedestrian access to the terminal buildings, with the provision of a new connecting walkway between the new link span and the existing tunnel, thus improving access for less able foot passengers to reach the terminal without negotiating stairs.

St Helier Marina: The removal of the old Bailey bridge link span in the south western corner of St Helier Marina was identified as a critical project to safeguard use of the marina and to remove a significant maintenance liability for the Ports of Jersey. The removal of the bridge in 2014 also enabled repairs to the marina wall to be completed to ensure continued safe operation of the marina facility. Working in close liaison with the Marine Leisure team, the RNLI and the marina users, a new access and pontoon system has been installed, with commissioning of the complete new system planned for Q2 2015.

States of Jersey

2.8 The States Balance Sheet

Key Movements in Assets and Liabilities

During the year Andium Homes Limited (formerly the Housing Department) was incorporated. The company has been consolidated on the basis of the control exerted by the States of Jersey. Consequently, their assets continue to be included in the States of Jersey balance sheet.

In the year, including Andium and other entities, £76.9 million was spent on additions to Property, Plant and Equipment and £75.5 million of depreciation was charged. Impairment reviews were carried out in line with the States accounting policies and the requirements of the Jersey Financial Reporting Manual (JFReM). Impairments on Property, Plant, Equipment and Non-Current Assets Held for Sale totalling £43.9 million were incurred in 2014, of which £20.6 million were reversals of previous revaluation gains, and £23.3 million were recognised through Net Revenue Expenditure, mainly due to proposed demolitions in Social Housing and a review of Energy from Waste Plant assets (2013: £1.3 million). More details of movements in the value of Property, Plant and Machinery are set out in Note 9.14.

Overall the value of Strategic Investments increased by £3.9 million. Further details on the valuations are given in Note 9.18.

The States held more cash at the end of 2014 than at the end of 2013, due to variations in the cash requirements of the organisation between the two years. The total value of non-strategic investments increased by £329.1 million. This was due to a number of factors, including investment of the States of Jersey Issued Bond. In addition, investment returns were achieved from the Common Investment Fund and other Legacy Investments including the Social Security (Reserve) Fund contributing to the remaining increase which is net of drawings.

The most significant increase in liabilities comes from the inclusion of the States of Jersey Bond which was successfully issued in 2014. The proceeds from the Bond issuance are being used to lend money to affordable housing providers in the Island, in particular, Andium Homes Limited in order to finance a comprehensive programme of investment in affordable homes for Jersey's future. Further information on the Bond is given in Note 9.25.

Pensions liabilities relating to past service liabilities have increased by £37.9 million, as set out in Note 9.30. The PECRS pre-87 debt increased by £37.9 million, whilst the provision for JTSF pre 2006 debt increased by £3.3 million with other schemes liabilities decreasing by £3.3 million. The value of both liabilities is calculated by the Scheme Actuaries, and details of the assumptions are given in Note 9.30.

Figure 6 illustrates the balance of assets against liabilities on the States' Statement of Financial Position. The States has total assets of £6.6 billion compared to total liabilities of £0.9 billion. The majority of the States assets consist of Property, Plant and Equipment of £3.4 billion and Investments of £2.5 billion.

The largest liabilities held by the States relate to the pension liabilities totalling £0.4 billion, and the external bond taken out this year of £0.2 billion. As per IAS 19, only the pension liabilities of the States of Jersey are included as pension liabilities.

WHERE CAN I READ MORE?

8.2 Statement of Financial Position and the Notes to the Accounts give more details of the States Assets and Liabilities.

FIGURE 6 – STATES ASSETS AND LIABILITIES

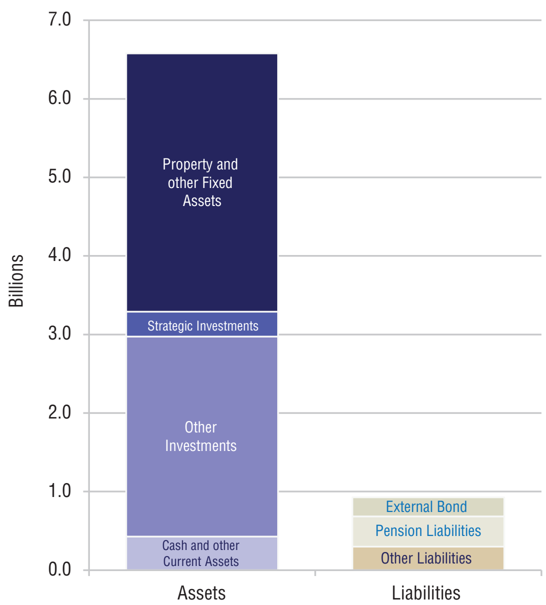
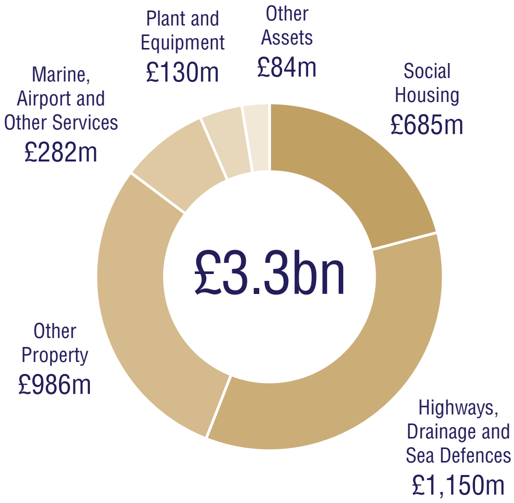


FIGURE 7 – BREAKDOWN OF PROPERTY AND OTHER FIXED ASSETS



Performance of States Investments

The States Investment Holdings are now predominantly invested via the Common Investment Fund (CIF), facilitating improved risk management, greater diversification across asset classes and investment managers as well as reduction of cost through economies of scale.

The total value of the CIF as at the 31 December 2014 was £2.9 billion, up from £2.4 billion at the close of 2013. This represents both investment returns but also the transfer into the CIF of additional funds previously invested outside.

A relatively small proportion of the States Investment portfolio is maintained outside the CIF, this includes the infrastructure investments made by the Currency Fund and part of the Social Security (Reserve) portfolio which is invested within funds passively managed by Legal and General. The Funds invested with Legal and General are being transferred into the CIF as capacity allow, these funds are expected to be fully invested in the CIF by 2016.

By the end of the year the value of assets held outside the CIF amounted to £167.5 million; £157.5 million remained invested with Legal and General down from £266.3 million at the end of the prior year and £10.0 million invested in infrastructure investments, down from £14.9 million in 2013.

During the year the CIF, as a whole, generated returns of £207 million, a rate of return, net of fees, in excess of 8%. This represented both positive market conditions and performance of the underlying investment managers.

In considering performance each CIF manager is monitored relative to their own market benchmark; active managers are expected to outperform the market net of their fees, while passive managers should mirror the benchmark. Performance is best measured over a long investment horizon and managers and can be expected to exhibit volatility when considered over short timeframes. The mandate of most managers requires them to seek to perform over a complete market cycle, making a three year performance figure more appropriate for assessment than one year performance, though both are still monitored.

In the current year the total CIF performance was in line with the apportioned benchmark of the underlying pools, while the three year performance figure remains well in excess of benchmark. Performance can be seen more clearly illustrated in Figure 8.

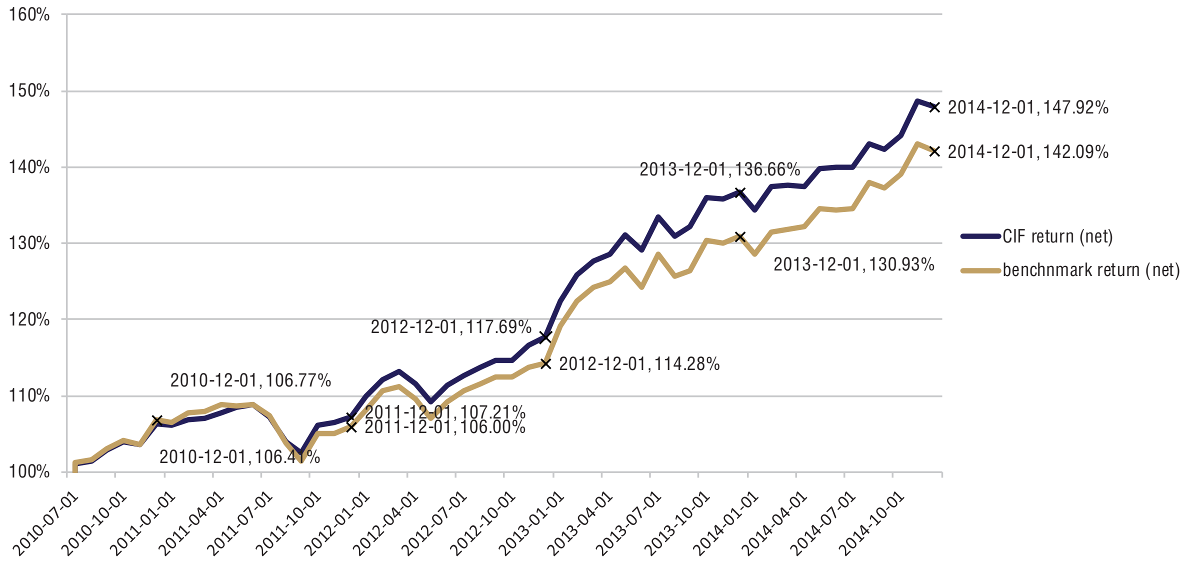
2014 saw the equity class investments make the largest contribution to the overall rate of return of the CIF, generating a return of around 10.2% and around 0.6% in excess of the class's relative benchmark. Equity represents the largest allocation of the CIF making up 62% of the overall fund value as at the year end.

Equity investments are spread across seven managers covering a range of strategies and regions. The number of equity managers was expanded during the year with the appointment of an emerging market manager.

The next largest asset class is bond type assets, split between UK Government bond pools, the UK corporate bond pool and the global absolute return bond ('ARB') pool. These pools make up £0.75 billion or 26% of the CIF as at the year end; during the year these pools generated a net return of around 4.4%, a performance 1.6% below benchmark. This underperformance reflects two key factors, firstly one of the two ARB managers was removed during the year following a downgrading by Aon Hewitt, the States Investment Advisor. The removal of the manager led to a large increase in cash holding until new managers could be appointed, this cash holding resulted in a large drag on relative performance. Two new ARB managers were appointed to replace the removed manager in early 2015. The second factor impacting performance was continuation of the low interest environment and further contraction in yields which has made the target return of the ARB pool (LIBOR+4%) increasingly difficult to achieve.

The asset classes of property and cash make up the remaining proportion of the CIF; the cash asset class has continued to generate returns in excess of the market benchmark, however has suffered low returns attributable to the prevailing low interest rate environment. The property class stands at £141.6 million but the position is continuing to be built as units with the preferred managers become available. Although generating strongly positive returns, the costs of building the property position have a negative impact relative to benchmark in the short term although these short term costs are expected to be compensated in the long run.

FIGURE 8 – CIF PERFORMANCE COMPARED TO BENCHMARK



Financial Position of States Funds

The key results relating to the position of significant funds are highlighted below.

Consolidated Fund

At the end of 2014, the unallocated Consolidated Fund Balance was £4.7 million. The 2014 Budget Statement forecast an unallocated balance in the Consolidated Fund of £5.4 million. This was revised in the 2015 budget to £14.2 million after considering the 'Proposed measures to balance the Consolidated Fund'. More details can be found in the 2015 Budget Statement.

The actual balance was £9.5 million less than expected. This difference is primarily as a result of lower than expected General Revenue Income (£3.3 million), and transactions not finalised by the year end such as proposed measures to transfer £6.1 million from the Housing Development Fund and £1.0 million from re-phasing capital projects and lower than budgeted property receipts (£1.6 million). This was offset by the earlier than anticipated return of £2.7 million from the Restructuring Provision and other smaller differences.

Trading Operations

The total balance in the Trading Funds decreased by £0.2 million during 2014, with Jersey Airport and Jersey Fleet Management balances increasing by £3.6 million and £1.2 million respectively, and Jersey Harbours and Jersey Car Parking decreasing by £2.6 million and £2.4 million respectively. A significant amount of these balances have been earmarked for future projects, as detailed in the relevant pages in the Annex to the accounts.

Special Funds

The balance in the Strategic Reserve increased by £43.4 million during the year, and now holds over £786.5 million. This increase was net of a £10.2 million drawing, transferred to the Consolidated Fund for the planning and creation of new hospital services in the Island as agreed in the 2014 Budget Statement (P122/2013). The gains were made from investment returns generated from the Funds holdings in the Common Investment Fund.

Other Funds saw smaller movements in their fund balances, and details are given in their individual pages in the Annex to the Accounts.

Social Security Funds

The balances of the four Social Security Funds increased in 2014, most notably the Social Security (Reserve) Fund which grew by £95.5 million to £1.3 billion. The increase was generated by investment returns primarily through those held in the Common Investment Fund with additional contributions from investments held directly.

WHERE CAN I READ MORE?

The relevant pages in the Annex give more information about the performance and position of the funds. Annually, the Social Security Minister publishes a report of the activities and costs of the Social Security Department.

Assessment of Liquidity

The States of Jersey's fiscal policy is to operate budget surpluses during periods of economic growth with an objective of transferring surpluses to the Stabilisation Fund in order to help fund any deficits that arise in periods of economic decline. In their pre-MTFP report published in January 2015, the Fiscal Policy Panel (FPP), the States independent fiscal experts, made an assessment of the economic outlook for Jersey and recommended that the States should develop a plan that will address any structural deficit by 2018/2019. The FPP stressed that care should be taken to ensure that the timing and range of any measures minimise the risks to the economic recovery, which, in the early stages, may involve the use of States reserves. The States will consider a range of measures in the development of the MTFP for 2016–2019.

The Stabilisation Fund was used in the 2009–2011 period to provide fiscal stimulus funding and the current balance is just over £6,000. It is intended that this Fund will be rebuilt once the economy recovers sufficiently.

The Strategic Reserve is maintained as a permanent reserve, where the capital value can be used in exceptional circumstances to insulate the Island's economy from severe structural decline. The Strategic Reserve Balance is £786.5 million. The policy for the Strategic Reserve was amended as part of the 2015 Budget to allow the further use of the investment returns for the New Hospital Project while protecting the value of the Reserve in real terms. Further consideration of the policy for the Strategic Reserve and monitoring its desired size relative to the value of the economy will be considered as part of the Fiscal Framework, which is to be presented alongside the next MTFP in June 2015.

The unallocated Consolidated Fund balance at the end of 2014 was £4.7 million. Historically, the FPP have recommended that a working balance of £20 million be maintained where possible on the Consolidated Fund. However the MTFP 2013–2015 introduced central Contingency Allocations which have increased the flexibility of the States to address funding pressures. The MTFP forecast, as updated by the 2015 Budget Statement also shows that a balance of £20 million will not be achieved in 2015 with a balance of £2.8 million forecast after considering a number of proposed measures to balance the fund. The position of the Consolidated Fund is being monitored during 2015 and further measures will be proposed as required. The next MTFP will consider the forecast Consolidated Fund Balance from 2016.

The balances held in the Social Security Funds are not currently required for in-year benefit expenditure. The balances held in the Social Security (Reserve) Fund have been set aside for the future provision of pension benefits for those in employment so as to reduce the impact of pensions on future generations, as well as to smooth contributions for Social Security benefits over time. The balances in the Social Security Fund, Health Insurance Fund and Long Term Care Fund will be used to pay benefits under the relevant laws.

The sufficiency of the Social Security Fund and Social Security (Reserve) Fund (the combined funds) is assessed in the Government Actuary's Department (GAD) report on the condition of the fund, which is required under the law to be carried out at least every three years. The last published report assessed the condition of the fund as at 31 December 2012, and is available on www.gov.je. This report includes estimates for when the balance in the combined funds will fall to zero at existing contribution rates, and using a range of relevant assumptions. The various scenarios considered give a range from 2033 to 2057.

Financing, Treasury and other policies

Financing

States expenditure is substantially funded through accumulated and current year revenues rather than borrowing. Comparatively small amounts of borrowings exist for specific assets in the form of Finance Leases.

In the Budget Statement 2014 the States agreed that a maximum of £250 million could be borrowed by the States for housing purposes. The Budget proposed that a public bond issue would be the most suitable form of borrowing; a £250 million public bond was issued in 2014.

Significant Treasury Policies

The States of Jersey regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the States of Jersey.

The States of Jersey acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. The Treasurer of the States is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Estate management Strategy

The States aims to provide safe and appropriate accommodation for all States departments whilst striving to maximise asset values and minimise property operating costs. The States' estate management policy has four main aspects.

Maintaining a legally compliant Estate

A fundamental requirement of the Estates Management function is to implement the policy of maintaining a legally compliant estate for staff, users of facilities and the general public. Jersey Property Holdings (JPH) undertakes an ongoing assessment of the statutory compliance levels for buildings under its management. In 2014 compliance of 96% was achieved as an average throughout the year on properties within the direct management of JPH, this is an increase of 7% on the 2013 reported figure and is in the higher percentage of the industry standard average of between 90% and 98%. Each test or inspection is certified as complete by competent contractors and is not confirmed as compliant until the inspection certification has been received by JPH.

Backlog Maintenance and Improvement Works

2014 saw the continuation of a programme of backlog maintenance and improvement projects to address deficiencies in the property portfolio, based on the following prioritisation criteria:

1. Committed funding (e.g. the continuation of existing phased works or those identified as linked with carry forward funds)

2. Urgent works that address a Health and Safety need

3. Urgent Operational Continuity/Building Fabric Works ('Wind and Watertight')

4. Other Essential Improvement Works

The total Budget available for backlog maintenance projects, improvement works and mandatory and cyclical maintenance activities for 2014 was £8.2 million that provided for a programme comprising some 100 individual projects.

The budget was utilised in part to address deficiencies within the Health Estates, ranging from large scale projects such as Phase 2 of the Gwyneth Huelin Wing outpatient internal refurbishment (£520,000) to the Bartlett Ward refurbishment (£885,000) and small scale projects of asbestos removal and minor upgrades within the General Hospital.

On the JPH portfolio, the budget was expended on a mix of large scale projects, such as the repair and re-surfacing of the Clos Des Sables footpaths (£250,000) prior to transfer to the Parish of St Brelade for ongoing maintenance responsibilities, and minor works such as the upgrading and replacing Building Management Systems (BMS) to assist in energy monitoring.

Seventeen projects relate to the Health and Social Services estate, being a mix of the General and Acute

Hospital and outlying properties, with a programmed cost estimate of £2.1 million.

44 projects relate directly to the Property Holdings property portfolio with an approximate expenditure of £3.6 million, with the remaining budget of £2.5 million being utilised for Mandatory and Cyclical maintenance works (£1.0 million combined) and reactive works (£1.5 million).

Review of operational property

The States is also committed to reviewing the appropriateness of its operational properties. A review of the operational portfolios of the Education estates was completed in 2011 from which an action plan has been developed and is continuing to be delivered in 2014 and into 2015.

A similar review has commenced in respect of the Health and Social Services estate. This is more complex as it involves harmonization with the requirements of the Health modernisation process, key to which is the provision of the Future Hospital requirements. The focus in 2014 was the development of outline proposals for the Future Hospital to achieve approval in the 2014 budget. Having secured funding, the Future Hospital project has moved into feasibility study phase and a corresponding review of the other Health and Social Services facilities has commenced.

Throughout 2014 JPH has undertaken the development of an office modernisation strategy and supporting implementation plan. On the basis of extensive engagement with departments in scope, a Target Operating Model for Office Modernisation was identified in September 2014. Further work to identify phasing and funding options has been undertaken and the programme is expected to be finalised in the second quarter of 2015 and identify a way forward which meets both the strategic priories of the States and the current financial context. The key aims of this work remain to develop a strategy which will consolidate the office estate, reduce its size and provide a modern working environment for the future.

This is also likely to lead to a rationalisation of the portfolios through better utilisation of buildings with opportunities to dispose of buildings with alternative use value.

The phased programme of reviewing States of Jersey offices which began in 2011 has been concluded with a full office modernisation strategy and implementation plan developed in 2014. The report identifies areas of property portfolio efficiencies that can be realised from amalgamating services within the same property but through the implementation of modern space utilisation standards to maximise the usage of the existing estate.

The report has delivered its objectives by providing evidence based data to support the consolidation of the office estate, reduce its size and provide a modern working environment whilst allowing surplus properties to be sold and realise the income back into the Consolidated Fund.

Disposals of surplus assets

The States has a policy of disposing of assets which are surplus to requirements, reducing the States' property portfolio to a size which is more affordable and efficient, and releasing capital proceeds to fund the States capital investment programme within the MTFP. Larger sites, such as the former Jersey College for Girls, have been transferred to the States of Jersey Development Company for development, with JPH disposing of surplus small sites and parcels of land directly to the market. In 2014, disposal receipts of £2.9 million were achieved.

Review of the Pension Schemes

The States two main public sector pension schemes are extremely important to the Island, with around 1 in 3 Jersey households having some reliance on a public sector pension scheme. The pension schemes are an important tool in attracting key public sector workers, and funded public sector schemes reduce the reliance on social security benefits.

Life expectancy has improved greatly in recent years which is impacting on the affordability of public service pensions. In addition, expectations of how much money will be earned over the long term from the investments have been reducing and are now significantly lower than when the schemes were established. The long term sustainability of public sector pension schemes has been the subject of the Hutton report in the UK, and the States of Jersey has recognised the need to consider its own schemes.

A Technical Working Group (TWG) was formed in August 2011, with terms of reference to "Develop and prepare a report on possible options for changes to Public Employees Contributory Retirement Scheme (PECRS) to ensure its viability and sustainability for the future." The key principles are that the scheme must be Sustainable, Affordable and Fair for the long term.

In March 2013 the States Employment Board agreed the TWG report and committed to making changes to PECRS that included;-

- introducing a Career Average Revalued Earnings (CARE) Scheme
- linking the normal retirement age to the Jersey state pension age
- introducing a higher employee contribution rate (average increase in UK 3% of pay)
- delivering equity and fairness – treat all employees fairly
- clearly defined risk sharing between employer and employees
- introducing a contribution cap for employees, employers and tax-payers

During 2014 a final offer was made to the Joint Negotiating Group (JNG), a co-ordinating group dealing with pension negotiations on behalf of its constituent Unions and Staff Associations. The three largest unions voted by majority to accept the proposals.

The enabling Law which will facilitate changes to the Scheme and the new regulations was lodged in March 2014 and was passed by the Privy Council in July 2014. In March 2015, it was announced that the revised implementation date for a CARE scheme would be 1st January 2016 for new employees and 1st January 2019 for existing employees. Draft regulations are being prepared for consultation and debate in the States during 2015.

It is anticipated that the Jersey Teachers Superannuation Scheme (JTSF) will be considered at a later stage.

Pension Schemes not recognised on the Statement of Financial Position

In addition to the defined benefit schemes outlined in Note 9.31, the States of Jersey operates two further pension schemes: the Public Employees Contributory Retirement Scheme (PECRS) and the Jersey Teachers' Superannuation Fund (JTSF).

The PECRS and JTSF are both final salary schemes, but are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States' responsibility as employer, the scheme deficit in each case is disclosed below but not recognised in the States Accounts.

The information presented in relation to the PECRS and JTSF schemes on pages 44 to 49 has not been audited.

The Public Employees Contributory Retirement Scheme (PECRS)

The PECRS is open to all public sector employees (excluding teachers) over 20 years of age, and membership is obligatory for all employees on a permanent contract. The Scheme is managed by a Committee of Management and five sub-committees.

The figures include the admitted bodies of the PECRS other than JT Group Limited and Jersey Post International Limited.

The market value of the Scheme's assets as at 31st December 2014 was £1.7 billion (2013: £1.5 billion).

The results of the most recent actuarial valuation as at 31st December 2013 indicated that the Scheme has an actuarial surplus of £92.7 million. This surplus was treated in accordance with the terms of the Scheme's Regulations and was used to reimburse members who in the past had their pension increases reduced. After this reimbursement the surplus was £54.6 million. The actuarial valuation report also confirmed that the contributions being paid into the Scheme are insufficient to fund the benefits being promised and that this needs to be addressed.

The States in agreeing P190/2005 on September 2005 confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. More details of the agreement are set out in Note 9.1, Accounting Policy 17.15. This liability amounted to £280.3 million at 31 December 2014 (2013: £242.4 million), and more details are given in Note 9.30. The past service liability was originally intended to be repaid over 82 years (from 2002), after which the employers' contribution rate will revert to 15.16% of members' salaries. In the MTFP 2013–2015 additional payments were agreed to accelerate the repayment of the debt, meaning the liability will now be settled by 2053. The payment relating to this liability made in 2014 was £7.2 million (2013: £5.2 million).

The Jersey Teachers Superannuation Fund (JTSF)

Membership of the JTSF is compulsory for all teachers in full-time employment and optional for those in part-time employment. The Fund is managed by a Board of Management which has established sub-committees to investigate and report on complex and technical issues.

The figures include Non-Provided Schools that qualify as Accepted Schools under the law. The market value of the Fund's Assets as at 31 December 2014 was £421.3 million (2013: £386.1 million).

The JTSF was restructured with effect from 1 April 2007 and now generally mirrors the PECRS. A provision for the past service liability, similar to the PECRS Pre-1987 past service liability has been recognised although this has not yet been agreed with the Scheme's Board of Management. The employer's contribution rate rose to 16.4%.

The results of the actuarial valuation as at 31 December 2013 concluded that there was a surplus of £7.4 million in the scheme after taking account of the States of Jersey's expected future payments to cover the past service debt. In January 2015, the States Employment Board agreed that the terms of the repayment should be developed into Orders. The details and timing of the expected future payments are currently being developed.

The 2013 actuarial valuation also highlighted that the current contributions being paid into the Scheme are insufficient to pay for the current benefits being promised and that the situation had worsened over the preceding 3 years.

The figures below are prepared using the methodology set out in IAS 19, which differ from those used to assess the long-term sustainability of the funds. IAS 19 requires more conservative assumptions to be used to value Scheme assets and liabilities than are used under an actuarial valuation. This produces deficits in the Schemes when actuarial valuations may be showing a surplus. The States is required to report under IAS 19 whilst acknowledging that it is the actuarial valuations that provide a more accurate assessment of the funding position of the public sector pension schemes.

Financial Assumptions

The main financial assumptions made by the actuary where applicable were:

	2012 % p.a.	2013 % p.a.	2014 % p.a.
Jersey Price Inflation	3.20	3.70	3.00
Rate of general long-term increase in salaries	3.90	4.40	4.00
Discount rate for scheme liabilities	4.30	4.40	3.50
Rate of increase to pensions in payment payable by PECRS	3.05	3.55	3.00
Rate of increase to pensions in payment payable by JTSF	3.20	3.70	3.00

The States of Jersey employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

The Public Employees Contributory Retirement Scheme (PECRS)

DEMOGRAPHIC ASSUMPTIONS

The principal demographic assumptions (Post retirement mortality assumptions) made by the actuary to calculate the liabilities under IAS 19 were:

	2013	2014
Males		
Future lifetime from aged 63 (currently aged 63)	25 years	25 years
Future lifetime from aged 63 (currently aged 45)	27 years	27 years
Females		
Future lifetime from aged 63 (currently aged 63)	28 years	28 years
Future lifetime from aged 63 (currently aged 45)	29 years	29 years
Commutation		
	Each member assumed to exchange 21% of their pension entitlements	

ASSETS OF THE SCHEME AND THE WEIGHTED AVERAGE EXPECTED RATE OF RETURN ON ASSETS

	2013		2014	
	Long-term rate of return expected % p.a.	Value £'000	Long-term rate of return expected % p.a.	Value £'000
Equities	7.50	1,042,410	6.80	669,310
Property	7.00	106,451	6.30	168,331
Fixed Interest Gilts	3.60	7	2.40	–
Index-Linked Gilts	3.40	–	2.10	–
Corporate Bonds	4.10	109,142	3.00	175,084
Cash	0.90	80,963	1.00	100,034
Other	7.70	197,322	6.80	550,143
Total market value of assets		**1,536,295**		**1,662,902**
Present value of scheme liabilities		(2,303,206)		(2,563,024)
Net pension liability		**(766,911)**		**(900,122)**

Note: Values shown are at bid value. "Other" includes Hedge Funds.

CHANGES TO THE PRESENT VALUE OF THE SCHEME LIABILITIES DURING THE YEAR

	2013 £'000	2014 £'000
1 January	**2,081,084**	**2,303,206**
Current service cost	60,873	62,280
Past service cost	170	59,711
Interest cost	89,852	101,646
Actuarial loss on scheme liabilities	118,672	84,906
Contributions by scheme participants	12,871	13,692
Net benefits paid out	(60,316)	(62,417)
31 December	**2,303,206**	**2,563,024**

CHANGES TO THE FAIR VALUE OF THE SCHEME ASSETS DURING THE YEAR

	2013 £'000	2014 £'000
1 January	**1,314,267**	**1,536,295**
Expected return on scheme assets	93,304	103,358
Actuarial gains on scheme assets	137,874	29,365
Contributions paid by the employer	38,295	42,609
Contributions by scheme participants	12,871	13,692
Net benefits paid out	(60,316)	(62,417)
Settlements	–	–
31 December	**1,536,295**	**1,662,902**

The scheme assets generated a gain of £132.7 million in the year (2013: gain of £231.2 million).

AMOUNTS FOR CURRENT PERIOD AND PREVIOUS FOUR PERIODS

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
Scheme assets	1,265,584	1,182,414	1,314,267	1,536,295	1,662,902
Defined benefit obligation	(1,791,829)	(1,880,420)	(2,081,084)	(2,303,206)	(2,563,024)
Deficit	(526,245)	(698,006)	(766,817)	(766,911)	(900,122)
Experience gains/(losses) on scheme assets	63,342	(171,956)	55,022	137,874	29,365
Experience gains/(losses) on scheme liabilities *	47,676	13,731	14,283	40,034	(23,794)

* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

The IAS 19 valuation at 31 December 2014 showed an increase in the scheme deficit from £766.9 million to £900.1 million.

The Jersey Teachers Superannuation Fund (JTSF)

DEMOGRAPHIC ASSUMPTIONS

The principal demographic assumptions (Post retirement mortality assumptions) made by the actuary to calculate the liabilities under IAS 19 were:

	2013	2014
Males		
Future lifetime from aged 65 (currently aged 65)	27 years	23 years
Future lifetime from aged 65 (currently aged 45)	29 years	26 years
Females		
Future lifetime from aged 65 (currently aged 65)	30 years	26 years
Future lifetime from aged 65 (currently aged 45)	31 years	28 years
Commutation		
	Members who joined the Scheme after 31 March 2007 assumed to exchange 16.67% of their pension entitlements. Nil for other members.	

ASSETS OF THE SCHEME AND THE WEIGHTED AVERAGE EXPECTED RATE OF RETURN ON ASSETS

	2013		2014	
	Long-term rate of return expected % p.a.	Value £'000	Long-term rate of return expected % p.a.	Value £'000
Equities	7.50	321,297	6.80	319,521
Property	7.00	35,886	6.30	60,121
Fixed Interest Gilts	3.60	–	2.40	–
Index-Linked Gilts	3.40	25,341	2.10	16
Corporate Bonds	4.10	–	3.00	38,835
Other	0.90	3,555	1.00	2,762
Total market value of assets		**386,079**		**421,255**
Present value of scheme liabilities		(685,141)		(725,403)
Net pension liability		**(299,062)**		**(304,148)**

Note: Values shown are at bid value.

CHANGES TO THE PRESENT VALUE OF THE SCHEME LIABILITIES DURING THE YEAR

	2013 £'000	2014 £'000
1 January	**624,842**	**685,141**
Current service cost	11,695	12,185
Interest cost	26,799	30,085
Actuarial loss on scheme liabilities*	36,739	13,007
Contributions by scheme participants	2,571	2,628
Net benefits paid out	(17,505)	(17,643)
31 December	**685,141**	**725,403**

* Includes changes to the actuarial assumptions.

CHANGES TO THE FAIR VALUE OF THE SCHEME ASSETS DURING THE YEAR

	2013 £'000	2014 £'000
1 January	**326,852**	**386,079**
Expected return on scheme assets	23,447	26,496
Actuarial gains on scheme assets	43,459	16,157
Contributions paid by the employer	7,255	7,538
Contributions by scheme participants	2,571	2,628
Net benefits paid out	(17,505)	(17,643)
Settlements	–	–
31 December	**386,079**	**421,255**

The scheme assets generated a gain of £42.6 million in the year (2013: gain of £66.9 million).

AMOUNTS FOR CURRENT PERIOD AND PREVIOUS FOUR PERIODS

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
Scheme assets	319,362	301,850	326,852	386,079	421,255
Defined benefit obligation	(561,106)	(569,772)	(624,842)	(685,141)	(725,403)
Deficit	(241,744)	(267,922)	(297,990)	(299,062)	(304,148)
Experience gains/(losses) on scheme assets	27,765	(36,989)	8,798	43,459	16,157
Experience gains/(losses) on scheme liabilities *	14,643	14,253	(31,453)	12,804	23,067

* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

The IAS 19 valuation at 31 December 2014 showed an increase in the scheme deficit from £299.1 million to £304.1 million.

2.9 Explanation of the Structure of the States of Jersey

Principal Activities of the States of Jersey

The States Assembly raises taxes and other levies to fund the provision of a wide range of public services including Health Care, Education, Social Security and the administration of Justice. These functions are primarily carried out by Departments, both Ministerial and Non Ministerial.

The States of Jersey Accounting Boundary

The entities included within the States of Jersey Accounting Boundary are shown on the following page. More information on specific entities is given in the next section.

Consolidated Fund

The Consolidated Fund is governed by the Public Finances (Jersey) Law 2005 and is the fund through which the majority of the States' income and expenditure is managed, including General Revenue Income and departmental income and expenditure.

Trading Operations

Under the Public Finances (Jersey) Law 2005, the States can designate any distinct area of operation as a States Trading Operation. Estimates for Trading Operations are approved in the Annual Business Plan.

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names four Special Funds – the Strategic Reserve, the Stabilisation Fund, the Currency Fund and the Insurance Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds (also known as Separately Constituted Funds) for specific purposes. These are usually established by legislation or a States decision, and more detail is given in Table 8 in section 2.5.

Social Security Funds

In 2013 the Accounting Boundary was expanded to include the Social Security Fund, Social Security (Reserve) Fund and Health Insurance Fund, which were previously specifically excluded by the JFReM. The Jersey Dental Scheme was also included in this category. Previous years' figures have also been restated to include these funds in the comparative year's figures. Details of the purpose of the funds are given in section 2.5, and the reasons for the change in the Accounting Boundary are set out more fully in Section 6.1.

Incorporation of Housing

The incorporation of the Housing department into a separate legal entity (a company limited by guarantee other than the Strategic Housing Policy Unit, which was retained by the States) was approved by the States under P.63/2013. The transfer into the new company was effective from the 1st July 2014. The 2013 Financial Report and Accounts were prepared on the assumption that the newly formed housing company would fall outside of the direct control of the States of Jersey and so would not be consolidated. On that basis, they were treated as a discontinuing operation as per IFRS 5, with a view to being treated the same way as the other Strategic Investments.

Following the agreement of the Memorandum of Understanding for Andium Homes, further consideration was given to whether this was appropriate as the governance framework in place for Andium Homes resulted in a more significant involvement of the States of Jersey in decision making than was the case for the other Strategic Investments. By virtue of those arrangements, it was deemed that the States appeared to operate direct control of Andium Homes.

To reflect this change the results of the Housing Department and Andium Homes are now shown within the consolidated financial statements and a prior period adjustment has been made to unwind the treatment of the Housing Department in the 2013 accounts as a discontinued operation. See Note 9.3 for further details.

Further Incorporation

The incorporation of the Ports of Jersey (Jersey Airport and Jersey Harbours) is currently planned for the second half of 2015, subject to States Assembly approval. The enabling legislation has not yet been approved by the States, and so no firm date for incorporation has been agreed, and as a consequence the Ports have not been shown separately in the Accounts.

STATES OF JERSEY GROUP					
CONSOLIDATED FUND	TRADING OPERATIONS	SPECIAL FUNDS NAMED IN THE PFL	SPECIAL FUNDS FOR SPECIFIC PURPOSES	SOCIAL SECURITY FUNDS	WHOLLY OWNED COMPANIES
Ministerial Departments Non-Ministerial Departments (including Jersey Overseas Aid Commission) General Revenue Income	Harbours Airport Fleet Management Car Parking	Strategic Reserve Stabilisation Fund Currency Fund Insurance Fund	Loans Funds Tourism Development Fund CI Lottery Fund Housing Development Fund Confiscation Funds Ecology Fund	Social Security Fund Social Security (Reserve) Fund Health Insurance Fund Long Term Care Fund Jersey Dental Scheme	States of Jersey Development Company Ltd [Formerly Waterfront Enterprise Board Ltd] Andium Homes Ltd

Public Sector Bodies Outside of the Accounting Boundary

Some functions of Government are carried out by Public Sector Bodies that are outside of the Accounting Boundary (and so not included in these accounts). These include:

PARISHES

The Parishes perform various Government Functions, including Refuse Collection, Provision of Parks and Gardens and issue of Licenses. Details of the functions of individual parishes can be found on the Parishes Websites. http://www.parish.gov.je/

TRUST AND BEQUEST FUNDS

The States administers a number of Trust and Bequest Funds. These funds commonly set defined purposes for the use of their assets, and so are not controlled by the States directly.

STRATEGIC INVESTMENTS

The States owns controlling investments in these utility companies, but as it does not exert direct control as defined by the JFReM these are accounted for as Strategic Investments in the Accounts.

- Jersey Electricity plc
- Jersey New Waterworks Company
- Jersey Telecom Group Limited
- Jersey Post International Limited

More information about the valuation of these companies is given in Note 9.18.

INDEPENDENT BODIES

Independent bodies, including for example the Channel Island Competition Regulation Authority and the Jersey Financial Services Commission, mainly provide supervisory and regulatory functions, and are established by legislation to be independent from the States of Jersey.

COMMON INVESTMENT FUND

The States of Jersey – Common Investment Fund (CIF) is only open to States Funds (including Special Funds, Trust Funds and Bequest Funds), and allows them to benefit from greater investment opportunities and economies of scale. Investments in the CIF and associated transactions are included in these Accounts to the extent that they relate to entities within the Accounting Boundary. More details on the operation of CIF are given in Note 9.35.

2.10 Sustainability

Introduction

The States of Jersey recognises its environmental responsibilities and the impacts of its many and varied operations upon the environment.

This Sustainability Report is the second to be included in the Financial Report and Accounts in line with the States of Jersey Financial Reporting Manual (JFReM). The JFReM is based on the UK version of the same document (with a one year delay), which is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board.

The Report includes information on key areas of environmental performance, such as emissions and finite resource consumption. The States will look to develop and enhance this information in future years.

A key environmental initiative is the Eco-Active States (EAS) programme which has been developed to assist the States of Jersey in managing its environmental performance and resource management with consequent efficiency savings. The programme was endorsed by the Corporate Management Board in February 2011 and a renewed commitment was made in October 2012. Further information on the EAS programme can be found in the Eco-Active States Annual Report, including achievements during the year[1].

Greenhouse gas emissions

Greenhouse gas emissions result from the heating and lighting of all States of Jersey properties, running IT systems and use of fleet vehicles.

The focus for electricity usage reduction has been on 65 buildings on the maximum demand tariff. Monthly dashboards are used to monitor usage for these buildings, and a reduction of 11% has been achieved since 2009. It is important to note that this does not correspond to a similar reduction in greenhouse gas emissions due to the low carbon intensity of the electricity in Jersey, as explained over the page. The majority of emissions result from the use of oil and gas for heating purposes and petrol and diesel for transport.

A heating oil meter programme is also being rolled out to enable accurate reporting of consumption by building. This formed part of an original programme of invest to save measures undertaken back in 2011/12 through the CSR programme and delivered by Jersey Property Holdings. This roll out has continued and to date oil meters have been installed in 50 properties and oil consumption monitoring data will be added to the energy dashboards in 2015 for distribution to the relevant property users.

The States of Jersey vehicle fleet is made up of low emission lease-hire cars, including a small number of electric vehicles and owned vehicles which are kept for their full economic life. During 2014 the number of departments using Jersey Fleet Management (JFM) to provide fuel has increased, and the increase in fuel usage reflects this change.

The table below gives information on energy consumption were usage data is available, with equivalent CO_2 emissions[2].

1. http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1235

2. Baseline information has been converted into carbon dioxide equivalents (CO_2e) in tonnes using the conversion factors that have been supplied by the Carbon Trust.

Greenhouse Gas (GHG) Emissions		2013	2014
Energy Consumption	Electricity (millions of kWh)	68.8	66.9
	Heating Oil (millions of litres)	4.5	3.8
	Fleet Vehicle Fuel (thousands of litres)	522	564
	Gas (millions of kWh)	8.5	7.2
Equivalent Emissions	Electricity (tCO_2e)	6,300	6,200
	Heating Oil (tCO_2e)	11,200	9,400
	Fleet Vehicle Fuel (tCO_2e)	1,400	1,500
	Gas (tCO_2e)	1,300	1,200
Financial Indicators	Total energy expenditure (Electricity, Gas, Heating Oil and Vehicle Fuel) (£m)	12.4	12.0

Finite Resource Consumption – Water

Total water consumption by the States of Jersey includes all the public toilets and schools, plus the airport and hospital and all other States of Jersey activities. Consequently, it is not possible to compare our overall performance against recognised good practise benchmarks. In addition, the installation of new meters in 2014 to enable the migration to metered accounts means that metered consumption is not directly comparable between years.

Under the EAS programme, monitoring of water usage focuses on key States buildings. Current office usage is estimated to be in excess of 9m³ per person per year in some premises, compared to UK government benchmark of 4m³.

A priority of the EAS programme is to reduce water usage. In reducing water consumption, there is potential for significant cost savings, as well as a reduction in energy that is used to collect, process, clean and transport potable water to the workplace.

Finite Resource Consumption – Water		2013	2014
Non-Financial Indicators	Metered Water Consumption (thousands of m³)	448	455
	Metered Water Costs as % of total Water Supply Costs	53%	55%
Financial Indicators	Water Supply Costs (£m)	2.0	2.0

Finite Resource Consumption – Paper

The Managed Print Service project has rationalised the use of printers and copiers across all States departments from over 2,600 to fewer than 1,100. The new printers also consume less power in operation and have sleep and deep sleep modes to further improve energy conservation. The States Corporate Management Board has supported the introduction of system configuration controls, for example default double sided mono printing thus resulting in more control and visibility over printing jobs and pages actually printed. The pull print functionality has also saved the States printing 1.5 million pages that would have otherwise been printed.

In addition, during 2014 the Corporate Management Board endorsed a policy of using recycled white A4 paper where possible.

Finite Resource Consumption – Paper		2013	2014
Non-Financial Indicators	Reams of paper purchased	54,540	64,520
	% Recycled paper purchased	11%	41%

Waste

Jersey's Solid Waste Strategy (2005) provides a set of waste reduction and recycling targets for the island and follows the internationally recognised Waste Hierarchy which prioritises waste prevention and minimisation ahead of reuse which is prioritised above recycling.

The Solid Waste Strategy is currently under review and a new strategy is being prepared. The new strategy will give waste reduction and recycling targets for the next ten years (2015–2025) and will enable the States to increase its focus on managing waste upwards though the Waste Hierarchy and measure results in terms of tonnage and environmental impact.

The focus in 2014 has been to raise staff awareness about the importance of separating materials that should not be throw away with general waste such as glass, batteries, metals and electrical items and to promote an understanding of what waste each department generates and what processes are in place to manage the different waste streams.

Climate change adaptation and mitigation

Jersey has lower carbon emissions per capita than other jurisdictions because the Island has little manufacturing or on-island power generation. The Island's emissions originate principally from the space heating and cooling of residential, commercial and institutional premises as well as from road transport.

By becoming a signatory, through the UK, to the Kyoto Protocol, Jersey has committed to take a challenging and pro-active approach to reducing its carbon emissions. The UK and the EU have adopted a Kyoto target of an 80% reduction in emissions from 1990 to 2050. The Pathway 2050: Energy Plan for Jersey[3], which was adopted by the States Assembly in May 2014, outlines how Jersey can mitigate some of the impacts of climate change, and meet the 80% emissions reduction requirement by working towards a low carbon future.

The States of Jersey published Turning Point in 2009, explaining both the science and possible impacts of climate change for Jersey; in 2014 the development of climate change adaptation strategy commenced.

3. http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1039

Biodiversity and the natural environment

The Biodiversity strategy was produced in 2008, and identifies habitats and species to be protected. Jersey is a signatory to a number of multi-lateral environmental agreements (MEA's) on biodiversity which are implemented through local legislation, policies and education/awareness raising programmes. The Department of the Environment natural environment team are responsible for implementing these MEA's.

The biodiversity strategy has established the Jersey Biodiversity Partnership and a network of species and habitat Champions.

Full details of the Biodiversity Strategy and international commitments are available on www.gov.je.

In addition to reducing water use, the EAS programme has a priority action to ensure that pollutants do not enter the water course. This includes a requirement for a pollution prevention plan to be produced for all buildings in order to reduce the risk of pollution occurring and any breaches in the Water Resources (Jersey) Law.

Sustainable procurement

The States of Jersey is committed to the principles of sustainable procurement. The EAS commitment requires all departments to ensure that sustainability is considered as part of the procurement process.

Some examples are included below:-

- Supplier Questionnaire and Pre-Qualification Questionnaires used by Corporate Procurement in 2014 included section seeking detail of suppliers Environmental/Sustainability policies and consideration of these formed part of evaluation process where appropriate.
- Office Furniture – Tender called for suppliers to follow best practice in their upstream sourcing to maximise use of recycled and renewable materials and meet all UK/EU sustainability standards.
- Hospital Laundry Refurbishment – Tender specification included requirement for new machinery to have a high level of heat and water recovery, to be energy efficiency and have variable water and power consumption modes.

Appendix – Data Sources

The sustainability report above, which has not been audited, uses the following data sources.

Electricity Usage – based on information provided by the Jersey Electricity Company.

Heating Oil Usage – based on information provided by central procurement and relates to the total deliveries received rather than use.

Vehicle Fuel Usage – based on information provided by Jersey Fleet Management (JFM) on fuel purchases for lease cars made through JFM.

Gas Usage – based on information provided by the Jersey Gas.

Water Usage – based on information provided by the Jersey New Water Works Company.

Paper Usage – based on information provided by the States Corporate Supplier for Stationary.

Relevant amounts have been converted into emissions information using standard conversation factors provided by the Carbon Trust and as advised by the Department for the Environment.

The States of Jersey would like to thank all the companies and departments that have provided information to support the drafting of the 2014 Sustainability report.

2.11 Corporate Social Responsibility

Employee Engagement

The States of Jersey consults with its employees on matters that affect their working lives and seeks to maintain an appropriate environment for the delivery of high quality public services. In doing so, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the workforce for the purposes of collective bargaining and consultation. Formal meetings take place throughout the year, or as required and States Departments also maintain local arrangements for meeting their accredited representatives to discuss matters of local interest.

The Public Sector Reform programme is actively utilising the talents of employees to develop and implement new working practices which contribute to the improvement of services throughout the island. As part of Public Sector Reform the Workforce Modernisation is working in partnership with trade unions and associations to design and develop a unified, equality-proofed, affordable and sustainable reward framework and terms and conditions for its workforce.

Employment of Disabled People

At all times there are employees with individual employment needs undertaking a wide variety of paid, therapeutic and unpaid roles across all Departments and occupational groups. The States of Jersey adopts a flexible and equitable approach to the employment and retention of people who have or develop an individual employment need. The States of Jersey will provide a guaranteed interview for a candidate who has a recognised disability.

Payment of Suppliers

The States has a policy of paying suppliers 30 days after invoice date, with exceptions only where the States receives a clear benefit from early payment. During the year the average payment period was 34 days (2013: 30 days).

Personal Data Related Incidents

During 2014 there were 25 Personal Data Related Incidents (2013: 20). This included one incident of unauthorised disclosure of personal data information, 6 incidents where inadequately protected pieces of electronic storage or paper documents containing personal data were lost, and 18 other incidents. Each incident has been reported and investigated in line with States policy.

2.12 Conclusions

The 2014 Financial Statements for the States of Jersey including the results of Andium Homes Limited, Social Security and Special Funds show a total net surplus of £6.4 million, compared to one of £279 million in 2013, after considering non-cash expenses like depreciation and impairments and movements in employee pension scheme liabilities. The movement between 2013 and 2014 is largely due to the substantial investment gains in 2013.

Excluding those entities whose income and expenditure is not subject to States Assembly approvals, the States ended the year with an operating deficit of £25 million, in the face of challenging economic climate – with cash spent by departments providing day-to-day services exceeding General Revenue Income such as Income Tax and Duties. After depreciation, the deficit amounted to £82 million, up from £51 million in 2013.

General Revenue Income has increased by £12.3 million compared to 2013, although it was also £38.1 million less than the budget set in the 2014 Budget. Departmental Expenditure was £28.3 million less than the amounts approved for Departments to spend. There was a balance of £22.1 million within contingency and restructuring funding at the end of the year. However, £7.8 million of the contingency balance relates to funds transferred from other areas returned to the Consolidated Fund at the end of the year as part of the measures identified in the 2015 Budget to balance the Consolidated Fund. £8.0 million was carried forward to provide funding for items already known to require funding in 2015 and beyond.

Departments have also spent £51.7 million maintaining and improving our fixed asset base through capital projects, which will help ensure that the States is able to provide services effectively in years to come.

Although substantially down from the exceptional gains experienced in 2013, the last year has been another good year for investment performance. During the year the Common Investment Fund generated a rate of return, net of fees, in excess of 8%. This represented both positive market conditions and performance of the underlying investment managers. The investment performance in 2014 continues the strong relative investment performance that the States has achieved on its investments in recent years. Investment returns on the Strategic Reserve in 2013 and 2014 have enabled £146 million to be reserved within the Strategic Reserve for the funding of the Future Hospital Project.

Even after the funding shortfalls of 2014, the States Balance Sheet is in a strong position. This strength would still be robust but less so if it were not for any current service liabilities of the main employee pension schemes resting with the schemes and their members, rather than the employer. Past Service liabilities of the employer are reflected in these Accounts.

Everyone living longer is good news, however the future impacts of an ageing population are not only a challenge for Health and Social Security spending but also for the costs of future pensions to both employees and the employer. To address this, work has progressed to develop proposals for changes to the Public Employees Contributory Retirement Scheme (PECRS) to ensure that pensions for public sector workers are sustainable, affordable and fair for the long term. In March 2015, it was announced that the revised implementation date for a CARE scheme would be 1st January 2016 for new employees and 1st January 2019 for existing employees. Draft regulations will be prepared for consultation and debate in the States during 2015. Increased repayments for the Pre-1987 Debt have continued in 2014 which will reduce the long term costs of repaying this liability, albeit at a lower level than agreed in the MTFP following the measures to balance the consolidated fund in the 2015 Budget.

2014 saw the successful incorporation of the Housing Department into Andium Homes Limited. For the 2014 Accounts, the States of Jersey has included Andium Homes Limited in the Financial Report and Accounts as a consolidated subsidiary company. In order to fund the social housing programme, a public bond for £250 million was successfully issued in 2014 and Jersey's international credit rating by Standard & Poor's was re-affirmed in November 2014 and in May 2015 at AA+.

The Treasury has been working to make further improvements to the reporting framework and has responded to recommendations from both the Comptroller and Auditor General and the Fiscal Policy Panel to include a greater analysis of outturn against States Assembly approvals in Section 10 and to redefine the boundary of departmental expenditure to include depreciation in order to draw more complete conclusions of financial performance. It is intended to develop this further in the coming year.

The Treasury is also committed to making the Accounts more accessible to all so will again be publishing a summary document to explain the main points from the Accounts.

Whilst the States of Jersey has experienced a difficult year in terms of balancing the books and faces further challenges in the coming years, the balance sheet of the States remains robust and growing in value again. This considerable strength has allowed the States to pursue a strategy of maintaining spending in support of the local economy and also allows for a well planned return to balanced budgets in the future.

Richard Bell
TREASURER OF THE STATES
Date: 28th May 2015

3 Statement of Responsibilities for the Financial Report and Accounts

The Treasurer of the States is required by the Public Finances (Jersey) Law 2005 to prepare the annual Accounts and financial statements of the States of Jersey. The annual financial statements must be prepared in accordance with Generally Accepted Accounting Practice, and accounting standards prescribed by an Order issued by the Treasurer of the States with the approval of the Minister for Treasury and Resources.

Under the Social Security (Jersey) Law 1974 and Health Insurance (Jersey) Law 1967, accounts of the relevant Funds are be prepared in such form, manner and at such times as the Minister for Social Security may determine. The Minister considers the consolidation of the Funds into the States of Jersey Accounts sufficient for statutory reporting requirements, and so for 2014 will prepare an Annual Performance Report for the Funds that reports upon the performance of the Funds with reference to the relevant statements in these Accounts, rather than a separate set of Accounts.

Under the Public Finances (Jersey) Law 2005, Accounting Officers are responsible for ensuring that the body keeps proper accounts of all its financial transactions and proper records of those accounts, and that the records of the body are promptly provided when required by the Treasurer for the production of the annual financial statements. The statutory responsibilities of Accounting Officers are set out in full in the States of Jersey Governance Statement.

In preparing the accounts, detailed in the following pages, the Treasurer has:

- applied the going-concern principle to all entities included within the accounts;
- applied appropriate accounting policies in a consistent manner; and
- made reasonable and prudent judgements and estimates.

The Treasurer confirms that, so far as he is aware, there is no relevant audit information of which the States' auditors are unaware; and he has taken all steps that he ought to have taken as Treasurer to make himself aware of any relevant audit information and to establish that the States' auditors are aware of that information.

Richard Bell
Treasurer of the States
Date: 28th May 2015

4 Remuneration Report

4.1 Remuneration Policy

Remuneration policy for all States of Jersey employees is determined by the States Employment Board (SEB). The level of overall pay revisions are agreed by the States Assembly as part of the Medium Term Financial Plan, and any pay awards must be made within this envelope. On behalf of the SEB, the Employment Relations Section negotiates with the main pay group's Trade Unions and Associations. There are currently over 20 such groups. As part of these negotiations, the economic environment (on and off Island), States of Jersey budget affordability and the pay claims made from individual pay groups are considered. The pay revision in 2014 represented the third year of a three year arrangement:

- 2012, 1% non-consolidated award paid as one off lump sum, with effect from 1st January 2012;
- 2013, 1% consolidated pay award plus 1% non-consolidated award paid as a one off lump sum, with effect from 1st January 2013. The Nursing pay group was awarded a 4% consolidated award (instead of the 1%) as part of the employers commitment to resolve outstanding pay anomalies;
- 2014, 4% consolidated pay award with effect from 1st January 2014 in return for a modernisation agreement; and
- a guarantee of no compulsory redundancies until the end of 2014.

A non-consolidated amount is a one-off payment that is not incorporated into basic pay.

4.2 Council of Ministers

As elected members of the States of Jersey, members of the Council of Ministers are entitled to remuneration in line with recommendations of the States Members' Remuneration Review Body. For 2014 States Members were each entitled to remuneration of £46,600, which includes a sum of £4,000 for expenses (2013: £46,000 with £4,000 expenses).

Although States members are treated as being self-employed for Social Security purposes the States also cover an equivalent amount to an employer's social security liability (up to 6.5% of the Social Security standard earnings limit) on behalf of the Members. This may not apply to all States Members, for example Members who are claiming a social security pension or those who chose to exercise the married woman's election may not have a social security liability.

4.3 Accounting Officers

Salaries and allowances

The table below gives details of the salaries and allowances of appointed Accounting Officers. No taxable benefits-in-kind were received by the Officers below during 2014.

	2013 Salary £'000	2014 Salary £'000
Chief Executive		
Mr J Richardson	200–205	205–210
Chief Officer – Economic Development		
Mr M King	135–140	140–145
Chief Officer – Education, Sport and Culture		
Mr M Lundy (to 31 Aug 14)	135–140	90–95
Full year equivalent salary		*140–145*
Mr J Donovan (from 01 Sep 14)		40–45
Full year equivalent salary		*125–130*
Chief Officer – Department of the Environment		
Mr A Scate	120–125	125–130
Chief Officer – Health and Social Services		
Mrs J Garbutt	175–180	180–185
Chief Officer – Home Affairs		
Mr S Austin-Vautier	115–120	120–125
Chief Officer – Housing		
Mr I Gallichan (to 30 Jun 2014)	115–120	55–60
Full year equivalent salary		*115–120*
Chief Officer – Social Security		
Mr R Bell (to 10 Aug 2014)	115–120	75–80
Full year equivalent salary		*125–130*
Interim Chief Officer – Social Security		
Mr I Burns (from 11 Aug 2014)		45–50
Full year equivalent salary		*120–125*
Chief Officer – States of Jersey Police		
Mr M Bowron	135–140	135–140

	2013 Salary £'000	2014 Salary £'000
Chief Officer – Transport and Technical Services		
Mr J Rogers	130–135	135–140
Treasurer of the States		
Ms L Rowley (to 10 Aug 2014)	145–150	90–95
Full year equivalent salary		*150–155*
Interim Treasurer of the States		
Mr R Bell (from 11 Aug 2014)		60–65
Full year equivalent salary		*150–155*
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	80–85	85–90
Advocate – Law Officers' Department		
Ms S Roberts (Interim Accounting Officer from 15 Aug 2013 to 30 Nov 2014)	25–30	95–100
Full year equivalent salary	*75–80*	*95–100*
Practice Manager and Director of Administration – Law Officers' Department		
Mr A Le Sueur (from 01 Dec 2014)		5–10
Full year equivalent salary		*80–85*
Judicial Greffier and Viscount		
Mr M Wilkins	140–145	145–150
Chief Probation Officer		
Mr B Heath	90–95	95–100
Greffier of the States		
Mr M De La Haye	110–115	115–120
Group Chief Executive Officer – Airport and Harbours		
Mr D Bannister	130–135	135–140

Pension benefits

	Total Accrued Pension at Retirement as at 31 Dec 2014 [1] £'000		CETV at 31 Dec 2013 (or date of Appointment) [2] £'000	CETV at 31 Dec 2014 (or date of Cessation) [2] £'000	Real Increase or (Decrease) in CETV [3] £'000
Mr J Richardson	Pension *Increase of*	105–110 *2.5–5*	2,275	2,453	165
Mr M King	Pension *Increase of*	15–20 *0–2.5*	297	356	52
Mr M Lundy (to 31 Aug 14)	Pension *Increase of*	– –	1,420	1,457	31
Mr J Donovan (from 01 Sep 14)	Pension *Increase of*	0–5 *0–2.5*	9	18	5
Mr A Scate	Pension *Increase of*	10–15 *0–2.5*	89	113	18
Mrs J Garbutt	Pension *Increase of*	95–100 *5–7.5*	1,410	1,544	125
Mr S Austin-Vautier	Pension *Increase of*	30–35 *2.5–5*	719	761	35
Mr I Gallichan (to 30 Jun 2014)	Pension *Increase of*	30–35 *0–2.5*	621	666	42
Mr R Bell	Pension *Increase of*	20–25 *2.5–5*	339	398	53
Mr I Burns (from 11 Aug 2014)	Pension *Increase of*	5–10 *0–2.5*	55	62	5
Mr M Bowron	Pension *Increase of*	5–10 *2.5–5*	148	211	56
Mr J Rogers	Pension *Increase of*	15–20 *0–2.5*	287	337	44
Ms L Rowley (to 10 Aug 2014)	Pension *Increase of*	5–10 *0–2.5*	89	114	20
Mr D Filipponi	Pension *Increase of*	15–20 *0–2.5*	298	341	38
Ms S Roberts (Interim Accounting Officer from 15 Aug 2013 to 30 Nov 2014)	Pension *Increase of*	25–30 *0–2.5*	327	363	31
Mr A Le Sueur (from 01 Dec 2014)	Pension *Increase of*	5–10 *0–2.5*	143	144	1
Mr M Wilkins	Pension *Increase of*	90–95 *5–7.5*	1,649	1,698	40
Mr B Heath	Pension *Increase of*	45–50 *2.5–5*	1,027	1,137	103
Mr M De La Haye	Pension *Increase of*	55–60 *2.5–5*	1,124	1,248	116
Mr D Bannister	Pension *Increase of*	5–10 *0–2.5*	53	79	19

Notes

1. Members of PECRS can choose to exchange up to 25% of their pension for a lump sum upon retirement. For every £1 of annual pension given up members will receive a cash sum of £13.50. As each individual may choose to exchange a different proportion, individual lump sums are not shown. Members of the JTSF (that joined the scheme prior to 1 April 2007) receive an automatic lump sum on retirement and this is included in the table.

2. The Cash Equivalent Transfer Value (CETV) represents the value of rights accrued in the scheme, and is calculated based on a transfer to a private pension scheme. Transfer values payable from PECRS are subject to a market adjustment factor which is derived from the yield on government bonds. The general increases in transfer values shown above are due to an additional year of service increasing accrued benefits within the scheme. Comparative figures have been restated to use the same market factors as those applied in the 2014 calculation in order to allow proper comparison between the two figures.

3. This increase/(decrease) in CETV is shown after deducting contributions by the individual, including any transfers into the scheme. It therefore reflects the increase in CETV that is not paid for by the employee, representative of the benefit that they have received in the year relating to pensions. This may differ from the contribution made by the States (normally 13.6% of salary), but the States has no further liability under the scheme rules.

Compensation Payments

Compensation payments made to former senior managers are disclosed in the accounts, unless publication would:

- Prejudice the rights, freedom of legitimate interests of the individual; or
- Cause or be likely to cause substantial damage or substantial distress to the individual or another, and that damage or distress would be unwarranted.

During 2014, Ms L Rowley received payments of £169,375 relating to her resignation as Treasurer of the States.

4.4 Segmental Analysis of Staff

The tables below give details of the numbers of staff whose total remuneration exceeds £100,000, split by department and then by Pay Group. Remuneration includes salaries and wages, benefits and pension contributions paid by the States.

There were 108 individuals (2013: 97) who received basic salary payments in excess of £100,000 (this may include more than one role).

SEGMENTAL ANALYSIS OF REMUNERATION IN EXCESS OF £100,000 BY DEPARTMENT

Remuneration	Chief Minister's Department	Economic Development Department	Education, Sport & Culture Department	Department of the Environment	Health & Social Services Department	Home Affairs Department	Social Security Department	Transport and Technical Services Department	Treasury and Resources Department	Non-Ministerial Bodies	Ports of Jersey	2014 Total	2013 Total
100,000 – 109,999	6	1	9	1	15	9	2	1	3	2	12	**61**	45
110,000 – 119,999	1		1		10	3	1	1	5	4	3	**29**	25
120,000 – 129,999	10		1		16	1				2		**30**	27
130,000 – 139,999	2				21					8		**31**	32
140,000 – 149,999	2			1	15	1			1	4		**24**	19
150,000 – 159,999			1		12	1	1	1	1	1	1	**19**	18
160,000 – 169,999		1			9					2		**12**	12
170,000 – 179,999					7					1		**8**	2
180,000 – 189,999					2					1		**3**	4
190,000 – 199,999					5							**5**	4
200,000 – 209,999					2							**2**	2
210,000 – 219,999	1											**1**	–
220,000 – 229,999												**–**	2
230,000 – 239,999	1				1							**2**	–
240,000 – 249,999					1							**1**	1
250,000 – 259,999										1		**1**	–
260,000 – 269,999												**–**	–
270,000 – 279,999												**–**	1
280,000 – 289,999									1	1		**2**	–
290,000 – 299,999												**–**	–
300,000 – 309,999												**–**	1
310,000 – 319,999										1		**1**	–
Total	**23**	**2**	**12**	**2**	**116**	**15**	**4**	**3**	**11**	**28**	**16**	**232**	**195**

SEGMENTAL ANALYSIS OF REMUNERATION IN EXCESS OF £100,000 BY PAY GROUP

Remuneration			Accounting Officers	Civil Service A Grades	Civil Servants	Heads & Deputy Heads, Highlands Managers	Doctors and Consultants	Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	Law Officers	Air Traffic Controllers	Police Service	2014 Total	2013 Total
100,000	–	109,999	3	13	14	4	11	1		9	6	**61**	45
110,000	–	119,999	1	11	2	1	9	3	1		1	**29**	25
120,000	–	129,999		4	2	1	15	6	2			**30**	27
130,000	–	139,999		2			20	5	4			**31**	32
140,000	–	149,999	3	4	1		12	1	3			**24**	19
150,000	–	159,999	4	2		1	11	1				**19**	18
160,000	–	169,999	1				9	1	1			**12**	12
170,000	–	179,999					7		1			**8**	2
180,000	–	189,999					2	1				**3**	4
190,000	–	199,999					5					**5**	4
200,000	–	209,999	1				1					**2**	2
210,000	–	219,999		1								**1**	–
220,000	–	229,999										**–**	2
230,000	–	239,999	1				1					**2**	–
240,000	–	249,999			1							**1**	1
250,000	–	259,999						1				**1**	–
260,000	–	269,999										**–**	–
270,000	–	279,999										**–**	1
280,000	–	289,999	1					1				**2**	–
290,000	–	299,999										**–**	–
300,000	–	309,999										**–**	1
310,000	–	319,999						1				**1**	–
Total			**15**	**37**	**20**	**7**	**103**	**22**	**12**	**9**	**7**	**232**	**195**

4.5 Median Remuneration

The Median Remuneration is a form of average, representing the individual that half of employees earned more than, and half earned less than. The calculation below is based on the full time equivalent annual salary for individuals holding contracts (permanent or fixed term) at the end of the relevant year. Individuals who do not have a fixed working pattern (Zero Hours contracts) are not included.[4]

	2013 (Restated)	2014
Highest Paid Employee Band	300,000 – 309,999	310,000 – 319,999
Median Remuneration	41,417	43,274
Remuneration Ratio	7.3	7.2

Signed:

Richard Bell
Treasurer of the States
Date: 28th May 2015

4. The 2013 Accounts included a median calculated based on actual amounts paid, and the 2013 comparative figure has been restated to be on a consistent basis.

5 Governance Statement

5.1 Scope of Responsibility

Under the Public Finances (Jersey) Law 2005 (hereafter referred to as “the Law”), an Accounting Officer has been designated for all States funded bodies. The Accounting Officer usually holds the post of Chief Officer of a department. The Law permits the appointment of an additional Accounting Officer for a States funded body.

Each Accounting Officer is personally accountable for the proper financial management of the resources under their control in accordance with the Law, any sub-ordinate legislation and Financial Directions. Accounting Officers must ensure that public money is safeguarded and properly accounted for, and used only for those purposes approved by the States and economically, efficiently and effectively.

The same financial responsibility extends to the financial resources of the special funds for which an Accounting Officer is also responsible.

In discharging their financial responsibilities, Accounting Officers must ensure that robust governance arrangements are in place, which include a sound system of internal control and arrangements for the management of risk.

Each Accounting Officer has formally recorded in a Governance Statement the basis upon which they believe their duties have been properly discharged during 2014 for their area(s) of responsibility.

The States of Jersey Governance Statement summarises the high level arrangements, and considers controls, risks and mitigation measures from a States wide perspective.

5.2 The Purpose of the Governance Framework

The Framework of Corporate Governance comprises the systems, policies and procedures through which the States of Jersey as a whole organisation is directed and controlled. Furthermore, the Governance Framework includes routes through which the organisation engages with and is accountable to local people. This Framework enables the organisation to monitor the delivery of its strategic objectives and reflect on whether services have been provided in a cost effective way.

The system of internal control is a significant part of that Framework and is designed to manage risk to a reasonable level. The system is intended to support the achievement of departmental and strategic objectives; it cannot eliminate all risk of failure and therefore only provides a reasonable and not absolute assurance of effectiveness.

5.3 Governance Framework and Structures

The key elements of the Governance Framework within the States of Jersey are explained below.

The States of Jersey Vision and Purpose

Strategic planning

The States of Jersey strategic and financial planning process is used to set priorities and objectives and then to allocate resources.

Each new Council of Ministers (CoM) must produce ‘a statement of its common strategic policy’ – generally referred to as the Strategic Plan – within 4 months of taking office so that it can be approved by the States.

The purpose of the Strategic Plan is to identify the Council’s key priorities for their term of office, set strategic direction for detailed delivery plans and frame the development of the Medium Term Financial Plan. The 2015–18 Plan is available on the States Website:

http://www.gov.je/Government/PlanningPerformance/StrategicPlanning/Pages/StrategicPlan.aspx

The current Plan highlights four priorities where the Council believe significant change will make the biggest difference to Jersey’s future – health, education, economic growth and the regeneration of our town, St Helier. It also shows how these priorities address two of Jersey’s other key challenges; social inclusion and population. The Plan also commits to increase the pace of public sector reform in order to achieve savings and deliver shared services that are fundamentally better – in terms of results, value for money and efficiency.

During 2015, the Council will create a new long term vision for the Island that provides clarity about Jersey’s future direction and ensures that all aspects of our social, economic and environmental wellbeing are addressed in a coherent way. This will be developed using a new planning framework, supported by an integrated performance management system and processes designed to promote convergence and alignment of delivery strategies. The Island Vision will provide the context for 4-year Strategic Policy documents (equivalent to the current Strategic Plan) as required by law and progress will be reviewed through Strategic Assessments produced in line with the election cycle.

Financial planning

The financial implications of implementing the Strategic Plan are covered more fully in the States of Jersey Medium Term Financial Plan (MTFP) and Budget Statement.

The States approved changes to the Law in July 2011 to introduce longer term financial planning and the approval of a 3-year MTFP from 2013.

Under the new process a MTFP is approved in the place of an Annual Business Plan. The MTFP extends the States budgeting period from one to 3–4 years, and fits with the existing political cycle, where each Council of Ministers is elected for a 3–4 year term.

The key changes are:

- States income targets for the period
- States overall spending limits will be set for the length of a CoM term of office.
- Minimum department spending limits will be set for the same time period.
- There will be central allocations created for growth and contingency spend.

The Council of Ministers will be presenting the next MTFP to the States in 2015 for the period 2016–2019. This will be an opportunity to review the lessons learned from the first 3 year MTFP and consider any refinements to the process.

The MTFP encourages longer term planning horizons, gives greater certainty and flexibility for departments to plan ahead and delivers improved value for money within an overall States spending limit.

An allocation for growth allows the States to be responsive to changing needs without exceeding the agreed limits, and Allocations of Contingency funding provide confidence that unforeseen events can be managed without additional unplanned calls on the public purse.

The Annual Budget continues to propose tax and funding measures as well as the detailed allocations to heads of expenditure from the amounts set aside for growth and capital expenditure. All the Annual Budget expenditure allocations are variations within overall limits.

The MTFP 2013–2015 authorised Near-Cash Net Revenue Expenditure of £626,223,800 for 2014. During the financial year, budgets can be varied in certain circumstances and these revised amounts will be used for monitoring purposes:

- Carry forward of unspent revenue expenditure budgets voted in the previous year, approved by the Minister for Treasury and Resources.
- Amounts allocated from the Allocations of Contingency.
- Amounts transferred between capital and revenue budgets, approved by the Minister for Treasury and Resources.
- Service transfers across departments, although the overall total will not vary.

A summary of the MTFP planning process is set out in Figure 9. This will be reviewed in 2015.

Each department has established its own management structure and processes to set key objectives. These objectives, which are currently for three years and are linked to the States of Jersey strategic priorities, are set out in the Annex to the MTFP 2013–15 and are used to manage performance. A structured process is in place to measure progress against these objectives and the States Strategic Plan and this is used to inform the planning and decision making processes.

The Treasury have developed Long Term Capital Planning (LTCP), in conjunction with all States departments, identifying the priorities for capital allocations over the next 25 years, on which the detailed 3 year programme for the MTFP was based. Extending planning horizons is a recurrent theme within the States with work underway with Accounting Officers on sustainable long term planning and the development of Long Term Revenue Planning (LTRP) to cover a period of at least 2 MTFPs.

The Council of Ministers is also developing a Fiscal Framework to sit alongside the Finance Law and Financial Directions. This will review:

- The use of Fiscal Rules
- The role of the Fiscal Policy Panel
- The Medium and Long Term budgetary framework including the Strategic Reserve, Stabilisation Fund and other funds of the States
- Ways to improve the budgetary framework in relation to information provided within the MTFP and annual Budgets.

Performance management

Performance reports that cover both revenue and capital are taken to the CoM on a quarterly basis. A mid-year report was published to the States for the first time in 2012, based on the second quarter position, to further improve accessibility to States of Jersey financial performance information. The increase in information provided has been well received by the Council and allows Ministers an opportunity to ask questions that they may have around key service pressures. The same information is also presented to the Corporate Management Board (CMB) on a monthly basis. In addition to this a report is taken to the States Assembly every six months to inform them of any budget movements approved in accordance with the Law and Ministerial Scheme of Delegation.

There continues to be considerable effort made to continue to improve financial management across the States of Jersey by means of training and development offered to both finance staff and budget holders, including Managing Finance workshops for primary and lower level budget holders. Budget holders have access to the financial reporting system which provides them with reports on actuals, budgets and variances in order for them to effectively manage their area(s). Regular meetings are held between departments and Treasury which allows departmental financial positions to be understood in-year and gives the Treasury the overall position for the States which is reported to CMB and CoM.

FIGURE 9 – MTFP PLANNING PROCESS

	Year 1	Year 2	Year 3
December January	Develop Strategic Plan and Draft MTFP	Chief Minister's Department / Treasury and Resources Department	
February/March	Lodge Strategic Plan in Accordance with SoJ Law		
July	Lodge Medium Term Financial Plan	Review priorities and allocate new growth funding	Review priorities and allocate new growth funding
October	Debate Medium Term Financial Plan	Present alongside annual Budget proposals for tax and funding in October	Present alongside annual Budget proposals for tax and funding in October
October	Lodge Budget	Lodge Budget	Lodge Budget
December	Debate Budget	Debate Budget	Debate Budget

Note: This process will be reviewed in 2015.

Roles and Responsibilities

The States Assembly

The States Assembly is the highest decision-making authority of the Island and makes decisions about new laws or major policy changes. The principal functions of the States Assembly are:

a) To pass laws (which require the sanction of Her Majesty in Council) and regulations on all domestic matters.

b) To approve estimates of public expenditure (revenue and capital) and income.

c) To appoint a CoM charged with responsibility for the different aspects of public business.

d) To appoint a Public Accounts Committee (PAC) and Scrutiny Panels to hold the Executive to account.

e) To determine policy on propositions presented by Ministers, scrutiny panels and other bodies or individual members, and executive matters such as compulsory purchases.

f) To debate and decide issues of public importance.

g) To consider petitions for the redress of grievances.

h) To represent the people of Jersey.

Thus the States Assembly exhibits all the usual characteristics of a parliament – legislature and debating chamber – while at the same time taking executive decisions on a wide range of issues.

The constitution of the States and all general provisions governing procedure, are set out in the States of Jersey Law 2005, and in the Standing Orders of the States of Jersey made under that law. The present composition of the States, as determined by the States of Jersey Law 2005, is shown in Table 15.

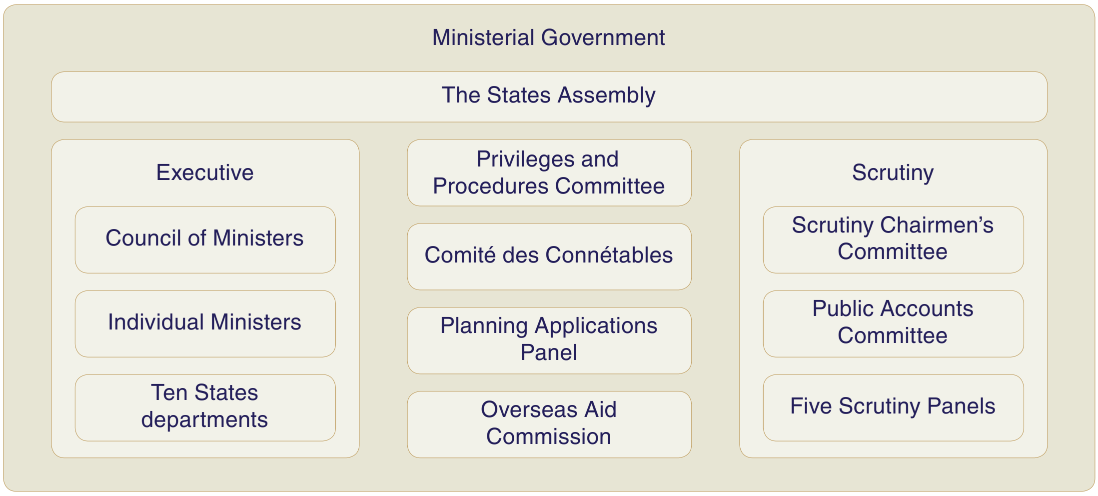
Only the Elected Members have voting rights.

TABLE 15 – COMPOSITION OF THE STATES

Elected Members	• 8 Senators (10 until 3rd November 2014) • 12 Connétables • 29 Deputies
Non-Elected Members	• The Bailiff • The Lieutenant-Governor • The Dean of Jersey • The Attorney General • The Solicitor General
Officers	• The Greffier of the States, who is the clerk of the States • The Deputy Greffier of the States, who is the clerk-assistant of the States • The Viscount, who is the executive officer of the States

The Ministerial System of Government

In 2005 Jersey adopted a Ministerial system of government. A CoM works alongside Scrutiny Panels. Of the 49 States Members with voting rights, a maximum of 21 Members (until 3rd November 2014: 22) are in ministerial positions either as Ministers (11 Members) or Assistant Ministers (up to 10 Members (until 3rd November 2014: 11)). States Members who are not Ministers or Assistant Ministers can sit on the Scrutiny Panels and the PAC.



The Council of Ministers

The CoM is made up of a Chief Minister and ten other Ministers, who are chosen individually on a vote by all States Members. Each Minister is legally and politically accountable for their area of government, whilst the responsibility for taking general policy decisions (e.g. those affecting more than one ministry), and for the overall policy aim of departments, rests with the CoM.

The 11 Ministers during 2014 are shown in Table 16.

The CoM is responsible for producing Jersey's Strategic Plan. Once the Plan is approved by the States Assembly, the Council ensure that the Strategic Plan is properly carried out throughout the public service.

Under this system, a team of politicians operates as the 'Executive' branch of government. The CoM is supported by the Chief Executive who is the head of the public service and a CMB that is made up of the Chief Officers of the main departments.

TABLE 16 – MINISTERS DURING 2014

Department	Minister	Appointment Date
Chief Minister's	Senator Ian Gorst	14/11/2011
Economic Development	Senator Alan Maclean Senator Lyndon Farnham	12/12/2008 to 06/11/2014 06/11/2014
Education, Sport and Culture	Deputy Patrick Ryan Deputy Rod Bryans	18/11/2011 to 06/11/2014 06/11/2014
Department of the Environment	Deputy Robert Duhamel Deputy Steve Luce	12/07/2011 to 06/11/2014 06/11/2014
External Relations	Senator Sir Philip Bailhache	24/09/2013
Home Affairs	Senator Ian Le Marquand Deputy Kristina Moore	12/12/2008 to 06/11/2014 06/11/2014
Health and Social Services	Deputy Anne Pryke Senator Andrew Green	28/04/2009 to 06/11/2014 06/11/2014
Housing	Deputy Andrew Green Deputy Anne Pryke	18/11/2011 to 06/11/2014 06/11/2014
Social Security	Senator Francis Le Gresley Deputy Susie Pinel	18/11/2011 to 06/11/2014 06/11/2014
Transport and Technical Services	Deputy Kevin Lewis Deputy Eddie Noel	18/11/2011 to 06/11/2014 06/11/2014
Treasury and Resources	Senator Philip Ozouf Senator Alan Maclean	12/12/2008 to 06/11/2014 06/11/2014

Accounting Officers

The following individuals held the post of Accounting Officer for all or part of 2014:

States Body/Fund	Position	Accounting Officer	Appointment Date
Ministerial Departments			
Chief Minister's Department (includes Legislation Advisory Board, Human Resources and Information Services, but excludes International Affairs)	Chief Executive	John Richardson	18/05/2011
Chief Minister's Department (International Affairs)	Director International Affairs	Tom Walker	20/05/2011
Economic Development (excludes Financial Services Industry)	Chief Officer	Mike King	01/01/2006
Economic Development (Financial Services Industry)	Director of Financial Services	Joe Moynihan	01/01/2013
Education, Sport and Culture	Chief Officer	Mario Lundy	01/01/2008 to 31/08/2014
		Justin Donovan	01/09/2014
Department of the Environment	Chief Officer	Andrew Scate	26/08/2008
Health and Social Services	Chief Officer	Julie Garbutt	01/06/2010
Home Affairs (excluding States of Jersey Police)	Chief Officer	Steven Austin-Vautier	01/01/2006
States of Jersey Police	Chief Officer	Michael Bowron	01/01/2012
Housing	Chief Officer	Ian Gallichan	01/01/2006 to 30/06/14
Social Security[2]	Chief Officer	Richard Bell	01/06/2006 to 10/08/14
	Interim Chief Officer	Ian Burns	11/08/14
Transport and Technical Services	Chief Officer	John Rogers	17/04/2009
Treasury Department[2](including Treasury, Taxes Office, Property Holdings and Procurement)	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014

States Body/Fund	Position	Accounting Officer	Appointment Date
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department	Senior Legal Advisor	Sylvia Roberts	15/08/2013 to 30/11/2014
	Practice Manager and Director of Administration	Alec le Sueur	01/12/2014
Judicial Greffe	Judicial Greffier	Michael Wilkins	01/01/2006
Viscount's Department	Viscount	Michael Wilkins	01/01/2006
Official Analyst	Official Analyst	Nick Hubbard	01/01/2006
Office of the Lieutenant Governor	Secretary and Aide de Camp	Charles Woodrow	01/01/2006 to 16/10/2014
		Justin Oldridge	17/10/2014
Data Protection Commission	Data Protection Registrar	Emma Martins	01/01/2006
Probation and After-care Services	Chief Probation Officer	Brian Heath	01/01/2006
Jersey Overseas Aid Commission[3]	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
States Assembly (including States Greffe, Scrutiny panels and Public Accounts Committee)	Greffier of the States	Michael De La Haye	01/01/2006
Trading Operations			
Jersey Airport	Group Chief Executive Officer – Airport and Harbours	Douglas Bannister	01/07/2011
Jersey Harbours	Group Chief Executive Officer – Airport and Harbours	Douglas Bannister	01/07/2011
Jersey Car Parking	Chief Officer – TTS	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer – TTS	John Rogers	17/04/2009

States Body/Fund	Position	Accounting Officer	Appointment Date
Special Funds			
Strategic Reserve	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Stabilisation Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Jersey Currency Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Insurance Fund	Treasurer of the States	Laura Rowley	22/11/2013 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Tourism Development Fund	Chief Officer – EDD	Mike King	01/01/2006
Channel Islands Lottery (Jersey) Fund	Chief Officer – EDD	Mike King	01/01/2006
Jersey Innovation Fund	Chief Officer – EDD	Mike King	01/05/2013
Agricultural Loans Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Dwelling House Loan Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Assisted House Purchase Scheme	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Housing Development Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
99 Year Leaseholders Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Criminal Offences Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Drug Trafficking Confiscation Fund [1]	Treasurer of the States	Laura Rowley	01/01/2011 to 04/08/2014

States Body/Fund	Position	Accounting Officer	Appointment Date
Civil Asset Recovery Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014
Social Security Fund	Chief Officer – SSD	Richard Bell	01/06/2006 to 10/08/2014
	Interim Chief Officer – SSD	Ian Burns	11/08/2014
Health Insurance Fund	Chief Officer – SSD	Richard Bell	01/06/2006 to 10/08/2014
	Interim Chief Officer – SSD	Ian Burns	11/08/2014
Long Term Care Fund	Chief Officer – SSD	Richard Bell	12/12/2013 to 10/08/2014
	Interim Chief Officer – SSD	Ian Burns	11/08/2014
Social Security (Reserve) Fund	Treasurer of the States	Laura Rowley	01/01/2011 to 10/08/2014
	Interim Treasurer of the States	Richard Bell	11/08/2014

Notes

1. Under the terms of the Proceeds of Crime and Terrorism (Miscellaneous Provisions)(Jersey) Law 2014, which came into effect on 4th August, 2014, the previous legislation governing the Drug Trafficking Confiscation Fund was repealed and the Fund was closed with any monies in the Fund being transferred to the Criminal Offences Confiscation Fund.

2. These appointments have been made permanent in 2015

3. Legal advice is currently being sought to establish the exceptions to the Accounting Officers responsibilities as set in the Public Finances (Jersey) Law 2005.

4. Karen McConnell was re-appointed as Comptroller and Auditor General with effect from 1st May 2015 and until 31st December 2019 (P.99/2014). The C&AG is accountable for the budget and spending decisions of the Jersey Audit Office.

In 2013, the principal Law was amended to extend the Accounting Officer role by empowering the Minister for Treasury and Resources to appoint an Accounting Officer who will be personally accountable for the proper financial management for all non-departmental States Income and Special Funds.
The role of CMB is to provide corporate leadership in order to deliver policies and services efficiently and effectively as decided by the States, the CoM and Ministers. The Board meets fortnightly.

Jersey's Fiscal Policy Panel Annual Report

The Fiscal Policy Panel (FPP) makes recommendations in its Annual Report to the Minister for Treasury and Resources and the States on Jersey's fiscal policy and on additions to or subtractions from the Stabilisation Fund and the Strategic Reserve. The FPP provides an important independent safeguard for the planning of States finances.

Standards of Conduct

Legal Framework

The Public Finances (Jersey) Law 2005 sets out the procedures that govern the administration of the States' finances.

The Law was amended in 2011 to align with the move by the States of Jersey to medium term financial planning. Further changes were approved by the States Assembly in September 2013. These strengthened a number of areas including:

- Establishment of the States' Insurance Fund;
- Medium Term Financial Plan and Heads of Expenditure;
- Role and Remit of the Treasurer;
- Extending the Accounting Officer role; and
- Formalisation of the Fiscal Policy Panel.

P.133/2013, approved in January 2014, amended the Law to extend the States' lending limits to reflect the approval in the Budget 2014 of proposals to borrow up to £250 million to lend to Housing Trusts, Associations, Companies or other bodies with the same purpose registered in Jersey in order that they can provide housing for islanders.

Further changes to this Law were made in 2014 following discussion with the new Comptroller and Auditor General about audit arrangements. The Comptroller and Auditor General (Jersey) Law 2014 was adopted by the States on 3rd July 2014.

Further changes to the Law will be considered in 2015 to address any lessons learned from the first MTFP.

Financial Directions

Financial Directions help ensure the proper stewardship and administration of the Law and of the public finances of Jersey. Accounting Officers are required to comply with the Financial Directions and other key controls, including departmental risk management measures, and resource management policies issued by Corporate Human Resources and, where appropriate, the Information Services Department.

Work on ensuring that the framework of Financial Directions is fit for purpose continues in consultation with key stakeholders. During 2014 one new Financial Direction was issued by the Treasurer and a further two were re-issued as a result of part of the process of continual improvement. The Chief Internal Auditor is consulted with on the issue and re-issue of all Financial Directions and regular meetings ensure that relevant points or matters arising from Internal Audit reviews are addressed. The Comptroller and Auditor General has undertaken a review of compliance with a sample of Financial Directions. She has made recommendations on the format of Financial Directions, which will be taken on board for a review to be carried out in 2015. That work on the framework will continue throughout the year.

Departmental Governance Statements must be supported by a Compliance Return, which includes a declaration by Accounting Officers of known or suspected instances of non-compliance i.e. Financial Direction breaches.

Codes of Conduct

In 2006, the CoM agreed on a Code of Conduct for Ministers. The Code is based on the Code of Conduct for Elected Members and offers additional guidance to Ministers on matters which relate to the discharge of their obligations to the States, the CoM and the public of Jersey.

The States of Jersey Human Resources Department Code of Conduct provides guidance on how States of Jersey employees should behave in their day-to-day work.

Ministerial decision-making

Each department is required to comply with the Guidelines for Recording Ministerial Decisions issued by the Chief Minister's Department so as to ensure that all Ministerial Decisions are properly and accurately recorded.

Register of Interests

Under the Standing Orders of the States of Jersey, States Members are required to declare their interests in the Register of Members' Interests at the States Greffe. Details of significant interests of members of the CoM are therefore available publicly as part of this register. The Register of Interests is used to identify parties related to the States of Jersey through senior management for the purpose of preparing disclosure of related party transactions in the States of Jersey Financial Report and Accounts (FR&A).

The Chief Executive Officer is required to maintain a Register of Accounting Officers' Interests in which all interests within or outside of Jersey should be declared. The Register of Interests is monitored as part of the year end process to identify significant interests of senior management and related party transactions.

There may be a conflict of interest where an Accounting Officer holds a Board position of an organisation external to the States, to whom the States awards grant funding to or contracts with. Work is being undertaken to consider the options formally for managing any such conflicts.

Gifts and Hospitality Register

All departments are required to maintain a Gifts and Hospitality Register in which entries are made of gifts and hospitality received by departmental officers that have been approved in line with the department's Scheme of Delegation. The Registers are subject to review by Internal Audit and a review of Registers forms part of the 2015 Internal Audit Plan.

Internal Audit service

Public Sector Internal Audit Standards (PSIAS) were issued by HM Treasury from 1 April 2013. The PSIAS provide guidance and a benchmark against which the quality of Internal Audit in local government is assessed. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). As required under the standards the Internal Audit function has an Internal Audit Quality Assurance Improvement Programme (QAIP). The QAIP provides a stepped timetable to drive towards compliance with the PSIAS and is currently being independently assessed. The objective is for the function to be compliant with the standards and the function will continue to deliver on the QAIP in 2015 in driving towards compliance.

Scrutiny and Risk Management

Audit Committee

The Audit Committee is an independent, standalone body that provides oversight, advice and support to Accounting Officers to help them discharge their responsibilities for monitoring and reviewing governance, risk and control processes within their individual area(s) of responsibility. The Audit Committee also provides independent oversight of the States of Jersey Internal Audit Service. In 2014 the Committee's remit has also provided challenge of States strategic investments and the provision of advice to the Minister for Treasury and Resources on matters relating to the financial statements.

Membership of the Audit Committee comprises an independent Chairman, two other independent members and a representative from the CMB. A minimum of two independent members need to be present for a meeting to be deemed quorate. The Chief Executive Officer, the Treasurer of the States, the Chief Internal Auditor and the Partner (Outsourced Internal Audit Team) are required to attend each meeting, and external audit and the Comptroller and Auditor General are given an open invitation to attend.

The cycle of the work programme of the Audit Committee is timed so that the last Committee meeting of the year corresponds with the signing of the States of Jersey annual Financial Report and Accounts and the issue of an opinion by the external auditors in May.

The Audit Committee met five times in 2014 and Committee activity addressed five main themes, as follows:

- The States of Jersey Financial Report and Accounts and the external audit plan
- The States of Jersey Internal Audit service and the outcome of audits
- Internal financial controls
- Whistleblowing and anti-fraud arrangements
- States of Jersey corporate risk management

In terms of continuing to strengthen corporate governance 2014 was an important year for the Audit Committee. As part of the Audit Committee's role, a workshop was held in July 2014 and facilitated by PwC with a view to assessing the Committee's effectiveness and subsequently agreeing any necessary changes to the Committee's Terms of Reference in line with best practice tailored to Jersey. As a result, the Terms of Reference have been updated to reflect greater scrutiny by the Audit Committee in the following areas:

- The process for the preparation of the financial statements, including proposed changes to the Jersey Financial Reporting Manual and independence of external audit.
- The process for the preparation of the States of Jersey Governance Statement, including work done by Internal Audit.
- The States of Jersey risk management framework, including policies and procedures and the assessment and mitigation of significant corporate risks.

Internal Audit

The Internal Audit function adds value through the provision of an independent, objective assurance and advisory service to assist management in improving the organisation's business performance and to give assurance to the Corporate Management Board that the States of Jersey's financial and operational controls designed to manage the organisation's risks and achieve the organisation's objectives are operating in an efficient, effective and ethical manner.

The States of Jersey Internal Audit service is provided by means of a co-sourced service, led by the Chief Internal Auditor. The internal resource has been enhanced during the year and consists of the Chief Internal Auditor, a Head of Projects, an Internal Audit and Risk Contractor, a Capital Expenditure Manager, 3 Senior Internal Auditors and an Administrator. The services provided by the external Internal Audit services provider, BDO Alto, remain key to the successful delivery of an effective and efficient Internal Audit function.

During 2014, the Chief Internal Auditor continued to strengthen the Internal Audit governance framework in order to deliver a more efficient and effective Internal Audit service. An Internal Audit Manual was issued in July 2014, which is driving best practice. Under Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor should maintain a Quality Assurance Improvement Programme (QAIP). The Chief Internal Auditor has requested an independent review to be done of the QAIP in February 2015 in driving towards compliance with the PSIAS. The objective is in 2016 to have a full Quality Review when it is the intention that Internal Audit will be PSIAS compliant.

Internal Audit activity encompasses the review of key financial and non-financial policies and operations in deriving the annual Internal Audit Plan, which uses a risk-based methodology. In forming Internal Audit Plan the Chief Internal Auditor assesses programmes and activities of the States of Jersey, together with associated entities as provided for in relevant business agreements, memoranda of understanding or contracts. An assessment is then made on key cyclical audits and other reviews to be done over the period on a risk-based approach. The 2015 Internal Audit Plan was presented to the Audit Committee in December 2014 for scrutiny prior to approval by the Treasurer in accordance with the Public Finances (Jersey) Law 2005. Internal Audit continues to present a quarterly progress report to the Audit Committee, the Treasurer and the Chief Executive.

Scrutiny

The Scrutiny function is an integral part of the States system and ensures democratic accountability and rigorous questioning of proposals at an early stage. In short, the Executive makes decisions about and on behalf of Jersey. Scrutiny works to ensure that the decisions taken are the best of the possible options.

Scrutiny is made up of the following elements:

- **The Chairmen's Committee** – co-ordinates Scrutiny and ensures that it is effective and well run. It maintains regular contact with the CoM and acts as the link between Scrutiny and the Executive. The Committee is formed by the Chairmen of the Scrutiny Panels and the PAC Chairman.
- **The Public Accounts Committee** – reviews all public expenditure. PAC works with the C&AG and looks for value for money and elimination of waste. Membership includes non-States Members.
- **Five Scrutiny Panels** – are able to scrutinise new laws, existing and proposed new policies, international agreements that might be extended to Jersey and the MTFP and Budget. Each Scrutiny Panel is free to choose which issues it works on and may also accept suggestions from the public.

The remits of the five Scrutiny Panels are shown in Table 17.

The PAC and the five Scrutiny Panels have extensive powers to require witnesses to give evidence or to supply relevant documents. These powers ensure that Scrutiny can operate effectively.

TABLE 17 – REMIT OF THE SCRUNITY PANELS

Panel	Remit – looks at:
Corporate Services	Corporate services, corporate policies, external relations and property holdings.
Environment	Planning and Environment and Transport and Technical Services, including waste, public transport and infrastructure.
Economic Affairs	Economic affairs and development.
Education and Home Affairs	Education, Sport and Culture including the Youth Service, and Home Affairs which includes Fire and Police services, Customs and Immigration and Registrar.
Health, Social Security and Housing	Health and Social Services, Social Security and Housing.

The Comptroller and Auditor General (C&AG) – Jersey Audit Office

The Office of the C&AG is responsible for public audit in Jersey.

The Law requires the C&AG to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Law.

The responsibilities of the C&AG, fulfilled through the Jersey Audit Office (JAO), relate to the Accounts of the States of Jersey (on which an opinion is given) and wider aspects on the use of public funds. In relation to public funds, the C&AG has a duty to consider and report on:

- General corporate governance arrangements;
- Economy, efficiency and effectiveness in the way resources are used i.e. value for money; and
- Effectiveness of internal controls.

Under the leadership of the C&AG the JAO Team provide specialist knowledge and experience where required. The Team's programme is formalised in an Audit Plan, which provides both an annual audit timetable as well as an indicative audit plan for the next 3 years.

The JAO follows a 'Code of Audit Practice'. The Code is an important means by which Stakeholders can secure a common understanding of what the C&AG and audit firms appointed by the C&AG will do, what they will not do, how they will operate and how they will interact.

External Auditor

The financial statements for the States of Jersey are audited by PricewaterhouseCoopers LLP, who are appointed by the C&AG under the Law. The Report of the auditor on the accounts is included with the accounts.

The external auditors make recommendations for improvement based on their annual audit of the States of Jersey FR&A. The agreed actions are then reported in a communication to the Minister for Treasury and Resources. Progress against implementation is monitored and routinely reported to the Audit Committee. Any outstanding recommendations are picked up by the external auditors as part of the audit for the following year. Reference can be made to the Auditors' Report in the 2014 FR&A for further information on the responsibilities of the external auditors.

The C&AG will be retendering for the appointment of External Auditors during 2015.

Management of risk

CAPACITY TO HANDLE RISK

The CMB Risk sub-group supports the Board in their responsibilities for monitoring and reviewing risk management, processes and good governance within the States funded bodies and advises them on the adequacy and effectiveness of risk management arrangements. The sub-group members include the Chief of Police, the Chief Fire Officer, the Deputy Chief of Police, the Senior Project Manager and the Senior Management Insurance Accountant; in addition the Chief Internal Auditor attends all meetings, although this is not mandatory. The Executive Support Officer is responsible for developing the administration of the risk management framework.

The States of Jersey approach to risk management is set out in a Financial Direction. The requirements of the Direction cover identifying, evaluating and assessing risks, identifying responses to risk, and monitoring and reviewing progress. The objective for 2015 is to continue to develop the Corporate Risk Register; and to further develop its corporate risk management framework and continue to maintain good departmental risk management.

RISK ASSESSMENT AND RISK MANAGEMENT

The CMB needs to be confident that their governance arrangements are operating effectively. They have to know that they will identify, manage and minimise the risks inherent in the provision of public services and that they will be able to achieve their strategic objectives.

The Chief Internal Auditor meets with Departments to assess their risk at least annually and this is part of forming the risk based audit plan.

The assurance framework as endorsed by the Audit Committee was taken to the CMB Risk sub-group for them to facilitate its adoption across the States of Jersey via the CMB. This assurance framework provides the organisation with a simple but comprehensive method for effectively managing the principal risks to meeting its objectives. It also provides a structure for acquiring and examining the evidence to support this Governance Statement. By contributing to more pertinent reporting and the prioritisation of action plans, the framework will, in turn, allow for more effective performance management. In addition as requested by PAC, a copy of the framework has been sent to PAC.

The obligation is for Accounting Officers to sign an annual Governance Statement (which now replaces the Statement on Internal Control), and this heightens the need for the CMB to be able to demonstrate that they have been properly informed about the totality of their risks, whether in the provision of public services or public safety or in organisational matters. To do this they need to be able to show – to give "assurance" – that they have systematically identified their objectives, managed the principal risks to achieving them and identified any significant weaknesses that need to be overcome. It is the responsibility of the Accounting Officer to ensure adequate risk management systems and controls.

CMB has continued to put significant emphasis on health and safety in 2014 and progress has also been made on business continuity planning through the cross departmental Risk and Insurance Sub-Group.

Departments continue to maintain and improve their departmental risk management strategies and control framework. These pieces of work will be used to feed into the overarching Risk Register. Further work has started on the States of Jersey Risk Register, which includes looking at other existing risk registers such as the Community Risk Register, to ensure there is no duplication of effort.

Internal Audit reviewed all departmental risk registers in 2013 and it is acknowledged and understood that operational risk management is stronger at a departmental level and that more needs to be done at strategic level. Marsh Consultancy were appointed by the Treasury and Resources Department to review current risk management policies and to support driving a framework to deliver risk management.

Business continuity

Prior to the risk management project in 2014, Marsh Risk Consulting was appointed to work with departments to conduct an external evaluation of the current business continuity management arrangements across a range of States departments. This process involved a desktop review of business continuity documentation and a series of focused workshops. Marsh has provided the States of Jersey with a set of categorised recommendations which will help the organisation to develop a realistic action plan to improve its organisational resilience where appropriate.

In addition in 2014, Treasury and Resources recruited a Business Continuity Officer which is resourced via a reduction in risk premium payment from the Insurance Fund.

Emergency planning

The 'Emergencies Council', chaired by the Chief Minister is the responsible body under the Emergency Powers and Planning (Jersey) Law 1990 for emergency planning in Jersey. The Emergencies Council is supported at a strategic level by the Emergency Planning Board, chaired by the Chief Executive of the Council of Ministers who leads a programme of improvements to emergency planning, training and exercising of plans.

A Community Risk Register has been developed to provide an overview of the potential risks in Jersey which could result in a major incident. This is used to prioritise plans and training to prevent, reduce, control, mitigate and take other actions in the event of an emergency.

The Emergency Planning Board and Emergencies Council are supported by the Chief Fire Officers who manage the emergency planning function and the Emergency Planning Officer who is responsible for developing and implementing emergency plans, policies and training to ensure the Island is well placed to respond to major emergencies or crisis.

Insurance arrangements

Insurance arrangements are administered centrally through the Insurance Deductible Fund (the 'IDF', renamed in 2014 as the Insurance Fund [IF]), a ring fenced allocation of money providing insurance arrangements to States departments and other participating bodies. The participants in the IF are recharged a premium as calculated by Treasury and Resources, the IF in turn pays insurance premiums to the States Insurer. During 2013 insurance arrangements of the IF were formalised and in 2014 the insurance arrangements will operate through the Insurance Fund which was established in law.

Counterparty risk, the risk the insurance counterparty is unable to meet insurance claims as they fall due, is managed centrally by the IF. Other insurance risk, such as the risk that insufficient insurance coverage is managed at a departmental level; insurance declarations are made annually to ensure adequate coverage by the States Insurance Provider. Adequacy of ongoing coverage is monitored through controls such as those operating over asset registers.

Health and Safety

Under the States of Jersey Employees (Jersey) Law 2005 the States' Employment Board has delegated the executive function and authority for corporate health and safety to the Chief Executive Officer of the States of Jersey and to the CMB. In turn, each member of the CMB, Chief Officer and Head of Administration for non-executive departments is accountable for the implementation of corporate health and safety policy within their own departments.

Arrangements for health and safety are embedded through the Corporate Health and Safety Policy. The Policy establishes the roles and responsibilities of employees at all levels, sets corporate standards for the management of health and safety and establishes the corporate arrangements for consultation over health and safety issues. It also includes information on managing the risks to health and safety as well as details on providing safe workplaces and safe systems of work. Each department is required to appoint a member of SMT to implement the requirements of the Corporate Policy. The Chief Executive Officer receives quarterly reports on the H&S performance within departments, including updates on current and developing risks. These are used to develop the H&S risk management strategy and set polices and standards for implementation within departments.

Anti-Fraud and Corruption Policy

The Audit Committee approved the Anti-Fraud and Corruption Policy in November 2013 and this was subsequently presented to the Chairman and members of PAC in December 2013 for consultation. This will be rolled out to the States of Jersey replacing the existing policy and included as part of the corporate induction programme all new employees attend. The States of Jersey's commitment to the prevention, detection and investigation of fraud and corruption is set out within the new Policy. Fraud, theft and corruption within the States of Jersey are deemed as unacceptable, and all States of Jersey staff are expected to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. This is also in line with the States of Jersey Code of Conduct.

The policy summarises the responsibilities of management and employees of the States of Jersey and outlines the procedures to be followed where suspicion of financial irregularity is suspected.

Anti Money Laundering

Although the States of Jersey is not regulated by the Jersey Financial Services Commission it still needs to comply with Anti Money Laundry (AML) Laws and strives to comply with best practice. There has been no known money laundering within the States of Jersey, however, in addition to the serious concerns and whistleblowing policy, as recommended by Internal Audit and the C&AG and the Treasury and Resources Department are currently developing an AML policy which includes knowing source of funds for significant cash receipts and further cash handling procedures which goes further than the FD 2.4 Cash Handling. This was presented to the Audit Committee in April 2015 and will be rolled out to the States of Jersey. The States of Jersey has a zero tolerance to breaches of money laundering Legislation.

Capacity of Officers

An Executive Leadership Programme, delivered by Ashridge Business School, and focussing on strategic direction and leadership in the context of Reform was introduced in 2013. Members of the CMB have taken part in the Programme, elements of which have also included the CoM. The Programme has also been extended to Directors and other senior staff across the organisation.

The Modern Manager Programme (MMP) is a modular programme of leadership and development that has been designed specifically to equip States of Jersey managers to deliver an effective service in a modernised public sector. The Programme, which aligns to professional qualifications through the Chartered Management Institute has been on offer to middle and first line managers since 2006 and has been extended to senior managers with effect from 2013. The Programme is reviewed on a regular basis to ensure that it aligns with current and future organisational needs.

In order to support public sector reform, Lean training and development has been rolled out across all States departments. The Lean methodology will enable the States of Jersey to build a culture of continuous improvement and empower staff to lead change and improve the performance of our services for the customer. Departments are implementing their Lean training individually in five progressive levels, with the object of 2% of staff attending a one week course to learn more complex Lean methodology and being provided with coaching support to deliver prioritised improvement projects.

Ongoing training is provided through the States of Jersey Learning and Development programme. Training needs are identified through the Performance Review and Appraisal (PRA) system. Research is underway with the aim of further development of the learning provision offered to States employees to incorporate a blended learning approach, which will offer a range of online learning interventions to include e-learning, webinars, toolkits and learning resources. This will allow employees choice in the way they learn and enable integration with operational workload demands. It will also support Continuing Professional Development (CPD). Induction training is currently offered to all employees, but this will be developed further through an online provision.

Engaging with stakeholders

Government engages widely with many groups all with the objective of reaching as many people as possible with information about policy and initiatives. As well as using traditional media outlets to distribute information, government is increasingly reaching individuals and new audiences through its own social media feeds and www.gov.je and continues to target specific interest groups when appropriate. Public consultations form a key part of that engagement, as do public awareness campaigns. Internal communications with States employees recognise the diversity of the workforce and include an active intranet site, MyStates, a quarterly newsletter, Changing States, and workshops and training days on specific projects.

The Communications Unit is responsible for setting and monitoring the standards governing public consultation. It has developed a public consultation area on www.gov.je on which all written States consultations must be published. It has also put together a register of people and organisations that have asked to be consulted on major items of interest.

All States of Jersey consultations should follow this guide and conform to the Code of Practice on Consultation.

5.4 Review of Effectiveness

All Accounting Officers have confirmed in their Governance Statements that, to their knowledge, governance arrangements operated adequately in their area(s) of responsibility during 2014 and/or steps are being taken to address known areas of weakness. In addition the review of effectiveness is informed by the work of Internal Audit, Scrutiny, the C&AG, the PAC and External Audit.

Internal Audit

The role of Internal Audit is not to provide absolute assurance but to provide assurance based on a risk-based audit plan. It is the responsibility of Accounting Officers to maintain adequate systems and controls and comply with the relevant legislation, Financial Directions and policies.

During 2014, 51 Internal Audit Reports were issued. A summary of the Reports can be found below.

	2014	2013
Number of compliance reports	29	22
Number of advisory reports	22	20
Total	**51**	**42**

Of the 29 compliance reports, 9 had at least one recommendation graded as 'High', and of the 22 advisory reports, 4 had at least one recommendation graded 'High' as shown in Figure 10. These Internal Audit exceptions on assurance of financial and non-financial systems and controls have been tabled at Audit Committee as well as the Treasurer and Chief Executive Officer being informed. In addition the Chief Internal Auditor raised exceptions in regards to certain departments and functions to the Chief Executive, Treasurer and Chairman of the Audit Committee. These exceptions are being monitored by the Chief Executive and Internal Audit will do a formal follow up in 2015.

Figure 11 shows the direction of travel for reports completed in 2014 with comparatives from 2011 in order to provide users with a view of the way management intend to deliver the recommendations and progress the issues raised. It must be noted that reports that are given a control environment rating of '4 – Performing Well' are not allocated a direction of travel.

Following the reviews all report recipients are asked to complete an action plan showing whether they agree with the recommendations made and how they plan to implement them within agreed timescales. Each recommendation is classified as high, medium or low risk which assists management in focusing their attention on priority actions.

Management is responsible for implementing Internal Audit recommendations within agreed timescales and in a number of departments this is achieved by senior management teams monitoring and considering outstanding recommendations routinely at their meetings. From 2014 Internal Audit are monitoring the implementation of audit recommendations and declarations will be sample tested periodically. This is a requirement arising from driving towards compliance of PSIAS. Accounting Officers have been asked to confirm any outstanding Internal Audit recommendations in their 2014 Governance Statement.

In 2015 there will be a focus by Internal Audit to continue to follow up on recommendations and feedback to departments when policies or procedures are not fit for purpose to consider amending the policy or procedure to ensure it mitigates the risk but with Lean management principles. In addition Internal Audit will continue to drive the programme towards PSIAS compliance. Currently there is a high level of capital expenditure notably the new hospital, sewage treatment works and the police relocation and it is vital that Internal Audit is involved in these projects to provide independent assurance on compliance with policies and procedures. Grants continue to be an area of focus for Internal Audit and will be reviewed in 2015 in addition to key systems such as payroll. The 2015 Audit Plan has been done on a risk based assessment and all reports will continue to be issued to the departments, the C&AG, external audit and the Chairman of the Audit Committee; in addition any high level recommendations are also informed to the Treasurer and the Chief Executive.

FIGURE 10 – INTERNAL AUDIT COMPLIANCE REPORT CONTROL ENVIRONMENT RATINGS

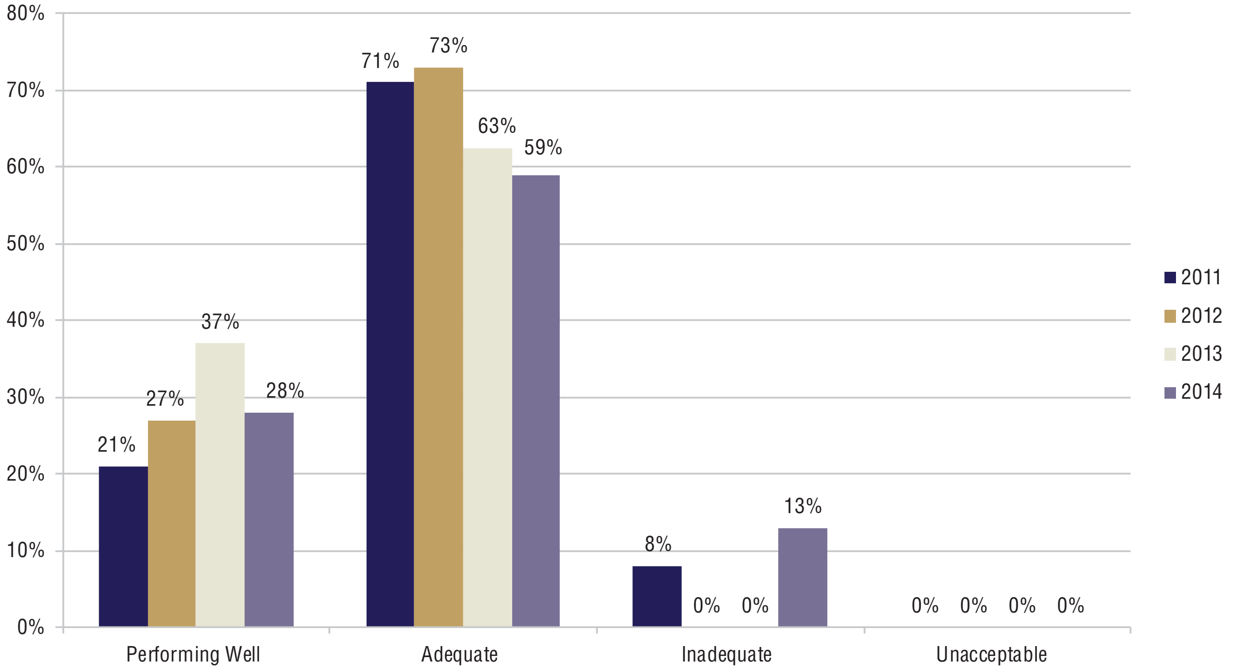


FIGURE 11 – INTERNAL AUDIT DIRECTION OF TRAVEL RATINGS

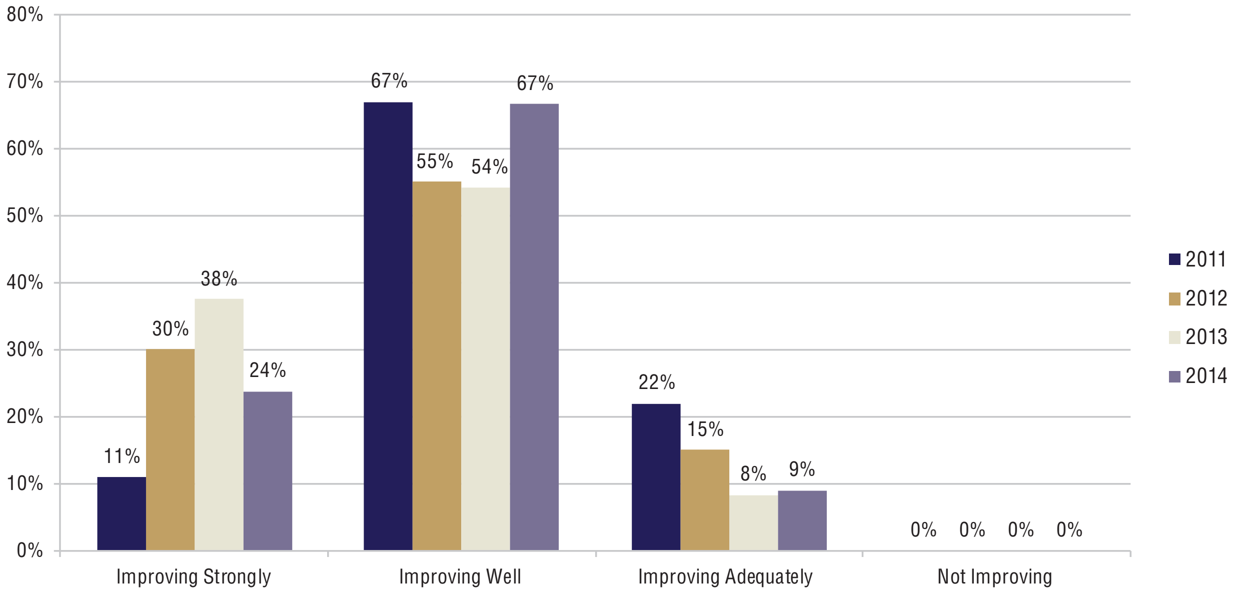


Figure 12 shows the areas covered by Internal Audit and reported in 2014 and includes both compliance and advisory reviews.

In summary the Internal Audit Function has issued 51 reports in 2014 covering the States of Jersey. The increase in the number of high level findings in 2014 is due to an increased focus on compliance testing and the 2014 Audit Plan focusing on areas that have been reported or raised on a risk based approach; this has resulted exceptions raised during 2014 on financial and non-financial systems and controls which is reflected in the Chief Internal Auditors opinion. These have been tabled at Audit Committee and to the Treasurer and Chief Executive. Internal Audit will conduct a follow up of recommendations in 2015 and report the outcomes to the Chief Executive, Treasurer and the Audit Committee. The Internal Audit Function are currently driving towards compliance with PSIAS and a number of positive initiatives have been put in place in 2014 and will continue to be in 2015 in line with the Quality Assurance Improvement Programme. Internal Audit would like to thank the support of the Audit Committee, the Treasurer and the Chief Executive during 2014 as well as the co-operation of departments.

Scrutiny Panels

The role of the Scrutiny Panels is to protect the public interest by examining policy decisions. Scrutiny reports acknowledge good practice and, where necessary, recommend change and improvement to services or government policies. A summary of 2014 Scrutiny Panel publications is shown in Table 18. Scrutiny reports are followed up by the relevant panel to establish whether recommendations have been implemented.

Departments have continued to build productive working relationships with the Scrutiny Panels during 2014. A number of hearings and briefings took place between the Corporate Services Scrutiny Panel (CSSP) and Treasury and Resources during the year, the details of which are summarised in Table 19.

FIGURE 12 – AREAS COVERED BY INTERNAL AUDIT

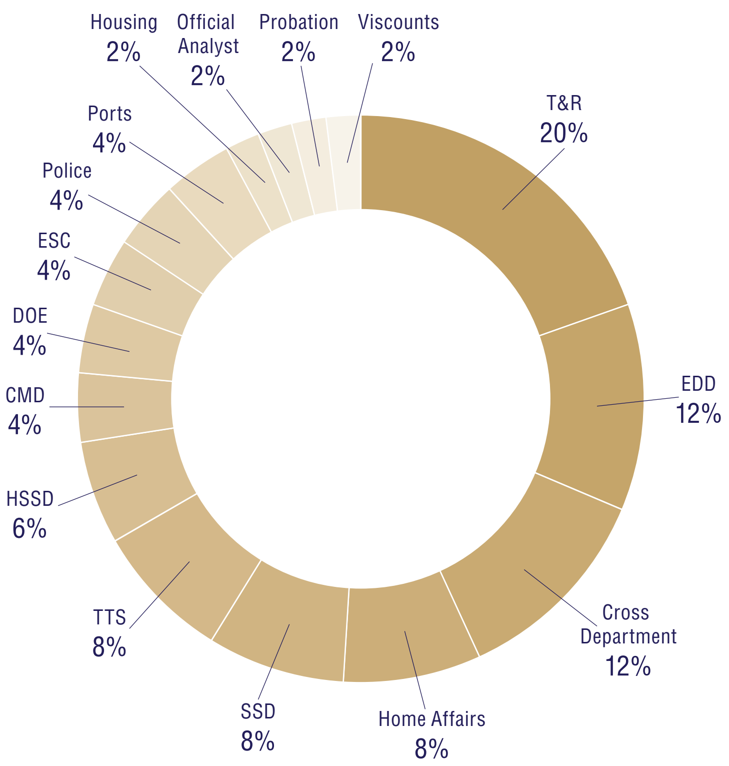


TABLE 18 – SCRUTINY PANEL PUBLICATIONS DURING 2014

Scrutiny Panel	Review date and title
Corporate Services	• Draft Budget 2015 – Report (September 2014) • Draft Charities (Jersey) Law, 2014 – Report (July 2014) • Public Sector Pension Reform – Report (May 2014) • Interim Population Policy – Report (April 2014) • Implementation of European Union Legislation – Report (April 2014)
Economic Affairs	• Digital Skills – Report (August 2014) • Retail Policy – Report (June 2014)
Education and Home Affairs	• Trackers Apprenticeship Programme – Report (July 2014) • Camera Surveillance in Jersey – Report (Jan 2014)
Environment	• Radon – Report (September 2014) • Compulsory Wearing of Cycle Helmets – Report (July 2014) • Waste Water Strategy — AECOM – Report (April 2014)
Health, Social Security and Housing	• Redesign of Health and Social Services – Report (September 2014) • Child and Adolescent Mental Health Service (CAMHS) – Report (June 2014)
Chairmen's Committee	• Legacy Report – Report (September 2014)

TABLE 19 – CSSP HEARINGS AND BRIEFINGS WITH TREASURY AND RESOURCES DURING 2014

Hearings and briefings	Topic areas covered
CSSP Quarterly Hearing (13 January 2014)	A number of areas were covered.
CSSP/Public Accounts Committee Briefing (21 February 2014)	Briefing of Corporate Services Scrutiny Panel and Public Accounts Committee on PECRS.
CSSP Quarterly Hearing (26 February 2014)	Hearing on the General Hospital
Briefing to CSSP/HSSH Sub Panel (10 March 2014)	Briefing on the General Hospital
Briefing to CSSP/EASP sub Panel (13 March 2014)	Briefing on Retail Policy.
CSSP Quarterly Hearing (13 March 2014)	A number of areas were covered.
CSSP Briefing (15 April 2014)	Meeting with Advisers on PECRS.
CSSP/HSSH Sub Panel (2 May 2013)	Hearing on the General Hospital.
Briefing to CSSP/HSSH Sub Panel (16 May 2014)	Briefing on the General Hospital.
CSSP/PAC Hearing (2 June 2014)	Internal Audit.
CSSP Briefing (13 June 2014)	Briefing on Draft Budget Statement 2015.
CSSP/HSSH Sub Panel Hearing (13 June 2014)	Hearing on General Hospital.

Hearings and briefings	Topic areas covered
CSSP Quarterly Hearing (20 June 2014)	A number of areas were covered.
CSSP Briefing (10 July 2014)	Briefing on Draft Budget Statement 2015.
CSSP Hearing (13 July 2014)	Hearing on Draft Budget Statement 2015.
CSSP Briefing (31 July 2014)	Briefing on Draft Budget Statement 2015.
CSSP Briefing (2 September 2014)	Private meeting with Minister for Treasury and Resources.

Public Accounts Committee

Reports published by the PAC in 2014 include;

- Film Grant (March 2014),
- Integrated Care Records (July 2014),
- Internal Audit (September 2014).

Comptroller and Auditor General – Jersey Audit Office

In addition to the 2014 Audit Plan, 6 reports were published by the C&AG in 2014 and include;

- Internal Audit (March 2014),
- Procurement (March 2014),
- Governance of the States of Jersey Pension schemes (June 2014),
- Management information for operating theatres (July 2014),
- Jersey Telecom: the States as a shareholder (July 2014),
- Financial Directions (August 2014).

A report on the 2013 Accounts was also published and a revised Code of Practice was issued in November 2014 following the adoption of the Comptroller and Auditor General (Jersey) Law 2014.

Departmental processes

Accounting Officers also rely on mechanisms implemented at departmental level to gain comfort over the effectiveness of governance arrangements within their department, for example compliance/sample testing, internal reviews by senior management teams, external reviews, dedicated compliance teams and the completion of Assurance Statements by key budget holders.

5.5 Significant Governance issues

The Treasurer of the States and the Chief Executive Officer have determined the most significant governance issues to include in this Governance Statement, based on their awareness of the major issues facing the organisation. The significant issues that have arisen in 2014 are shown in Table 20 below.

TABLE 20 – SIGNIFICANT ISSUES IDENTIFIED IN 2014

Issue	Potential Risk	Action(s)
The Historical Abuse Committee of Inquiry Costs The Committee of Inquiry into Historical Abuse (known as the 'Independent Jersey Care Inquiry') was established with an original budget of £6 million, subsequently augmented by an additional £3 million for Contingency, approved by the Council of Ministers. The accounting officer for the Panel for the Inquiry is the Greffier of the States. The totally independent nature of the inquiry from the States meant that the Greffier's ability as Accounting Officer to control expenditure was extremely limited as the panel must make its own decisions on spending without interference from the States. It was nevertheless clear as 2014 progressed that the panel would not be able to complete its work in the manner it had structured the inquiry and support team within the total budget allocated by the States. The Greffier raised his concerns on a number of occasions with the Chairman and members of the inquiry and wrote to the Minister for Treasury and Resources on 15th December 2014 to formally draw his concerns to his attention. In addition, the relevant States Departments who provide information for the Committee of Inquiry had been allocated a total of £2.6 million (from the additional £3 million) as follows;- Chief Minister's £1.5 million Education, Sport and Culture £300,000 Health and Social Services £209,000 Home Affairs – SOJ Police £322,000 Law Officers £275,000 The Chief Executive Officer has expressed his concerns, by letter to the C&AG, about the escalating costs of the Panel and the Inquiry.	*That expenditure on the Inquiry continues to escalate without an identified source of funding.*	On 25th March 2015 the States Assembly adopted P.20/2015 Committee of Inquiry: Historical Child Abuse – additional funding. This requires the Minister for Treasury and Resources to bring a further proposition identifying up to £14 million of additional funding, from the Strategic Reserve if necessary. This action accommodates the forecast expenditure as at the end of March 2015. The Treasury and Chief Minister's Department are exploring means to improve control and accountability for spend and will improve reporting on costs.

Issue	Potential Risk	Action(s)
Grants		
Concerns were raised over the issue of grants and any other non compliance matters are being proactively addressed by the Chief Executive with the relevant Accounting Officer. Both Internal Audit & PAC raised governance concerns in 2013 in regards to the issue of Canbedone film grant. The audited accounts of Canbedone are still to be received.	*The governance process applied to the management of grants is not appropriately robust.*	Internal Audit continue to review a sample of grants issued and any non compliance with policies or procedures have been raised to the Audit Committee, Chief Executive and Treasurer. The Economic Development Department have agreed to fund the preparation of audited accounts for Canbedone Limited and they are in the process of being prepared.
States of Jersey Utilities Shareholdings:		
A number of governance-related issues have been identified during a 2014 review by the Comptroller and Auditor General and Internal Audit on the States of Jersey governance over the utilities as a shareholder. Although the reviews were in regard to specific Utility companies, the points raised are relevant to the overall Shareholding function. The reviews also considered action taken to implement the recommendations made in Deloitte's 2010 report. Key recommendations arising from the reviews include: review and revision of individual Memoranda of Understanding (MoU) for relevance and to strengthen governance generally; keeping the objectives of ownership under review to ensure that they remain relevant and are being achieved; ensuring that management information includes KPIs that link directly to ownership objectives; and, consider the resourcing of the shareholder function given the increasing complexity of the function to undertake proper due diligence and governance.	*The MoU are out of date and may not be fit for purpose; shareholding objectives are not relevant and their achievement is not monitored; and, there is insufficient expertise within the shareholder function to deal with the additional work that the function needs to do.*	The Deloitte report was tabled to the Treasurer and a number of points have been implemented. Under the new Treasurer this report will be reviewed and an action plan for management agreed. Internal Audit will undertake a follow up review in 2015, and management will have an action plan to address the points raised in a timely manner. A growth bid has been included in MTFP2 to provide additional support for the Shareholding function.
Jersey Overseas Aid Commission		
There are some ambiguities regarding the legal structure of the Jersey Overseas Aid Commission (JOAC). In addition there has been concerns raised over the adequacy of governance and diligence processes.	*There is a risk that the JOAC is operating without an appropriate and robust governance structure in place.*	The JOAC has recognised that there are legal and governance issues that need to be addressed and the Commission is working with officers to resolve these matters.
Anti-Money Laundering		
Whilst the States of Jersey is not regulated by the JFSC it needs to comply with best practice it has been identified that it is necessary to implement an Anti-Money Laundering Policy to supplement the existing Serious Concerns and Whistleblowing Policy and meet best practice requirements.	*The lack of an Anti-Money Laundering Policy increases the risk that the States of Jersey inadvertently launders money.*	An Anti-Money Laundering Policy will be developed and implemented in 2015.

Progress made against the significant issues identified in the 2013 Governance Statement and the 2012 Statement on Internal Control that were still on going in 2014 are shown in Tables 21 and 22 below.

TABLE 21 – PROGRESS ON 2013 SIGNIFICANT ISSUES

Issue	Action(s)
New and additional import conditions imposed by the UK governing the trade in live bovine animals: The change in import conditions mean that future exports of live cattle to the UK require individual herds to undergo repeated testing for 3 notifiable diseases of cattle.	Funding is being addressed as part of consideration of the MTFP 2016–2019. There remains a risk if funding is unavailable.
Implementation of Gigabit Jersey: In November 2012, JT made commitments for the implementation of Gigabit Jersey. However, there have been some issues with delivery.	The States of Jersey has continued to monitor the delivery of Gigabit Jersey throughout 2014. JT executives have laid out progress to date and explained the challenges they have faced. It has been important to give JT the appropriate time to work the issues through with the contractor whilst keeping States of Jersey fully informed. JT are currently undertaking a review to be completed in June 2015.
States Grant to the Jersey International Air Display A.R.L.: A number of issues had arisen in 2013 in relation to the grant awarded by EDD to the Jersey International Air Display (JIAD), including the validity of the company's ability to continue as a going concern, lack of governance arrangements for related party transactions and documentation of arms' length transactions, and non-compliance with the terms of the grant. EDD took action in 2014 to regularise the position.	For the 2014 season, EDD entered into an agreement with Jersey Airport wherein the grant to deliver the Jersey International Air Display was transferred to Jersey Airport who then managed the relationship with JIAD. This arrangement, that delivered a successful event in 2014, will be repeated in future years.
Public Employees Contributory Retirement Scheme (PECRS) contribution rates: It has been identified that the employer and employee contributions into PECRS are insufficient to fund the benefits being accumulated. Over the last year the Scheme Actuary has identified that this underfunding has increased for both new entrants and existing members.	The SEB instigated a review of PECRS in 2011 and established a Technical Working Group (TWG) to consider the issues. The TWG presented proposals in March 2013 that were agreed by the SEB which aim to ensure the Scheme is sustainable, affordable and fair for the long term During 2014 a final offer was made to the Joint Negotiating Group (JNG) and the three largest unions have voted by majority to accept the proposals. In March 2015, it was announced that the revised implementation date for a Career Average Revalued Earnings (CARE) Pensions Scheme would be 1st January 2016 for new employees and 1st January 2019 for existing employees. This will address the underfunding of new entrant and existing member benefits. The enabling Law was been approved by the Privy Council in 2014. Draft regulations prepared for consultation and debate in the States during 2015.
Housing Transformation Programme – assumption to return to the States Rent Policy: The Housing Transformation Programme is in progress. The new company (Andium Homes) will deliver the landlord function for States social housing properties. Andium Homes will be required to pay a significant ongoing Annual Return to the States. This sum is incorporated into the MTFP.	The States acting through the Minister for Treasury and Resources (the Guarantor) on 22nd July 2014 signed a Transfer Agreement with Andium Homes Limited. This sets out the respective contractual commitments of the Guarantor and Andium Homes and under which Andium Homes agrees to pay to the Guarantor the Annual Return. The Agreement sets out the basis on which the Annual Return is calculated and the quarterly dates on which it is to be paid. The first payment by Andium Homes related to the period from 1st July 2014 to 30th September 2014.

Issue	Action(s)
Ports Incorporation Programme. The States have agreed "in principle" to incorporate the Ports of Jersey, P70/2012. A full business case is being produced by the Ports to set out the benefits of incorporation. This will also identify the assets that would be transferred to the new Ports Company in support of that business case.	Work is ongoing by the Ports, EDD and Treasury and Resources to work with Scrutiny in order to provide relevant information to them on a timely basis. Governance and Risk issues have been reviewed in light of the incorporation project by both the Executive Team and Shadow Board. An audit and risk committee has been established as an initial action to ensure the Ports of Jersey are aware of any governance issues and have a mechanism in place to asses and mitigate risks as they are identified. The proposition is due to be debated in the States Assembly in June 2015.
Storage of asbestos: Asbestos removed from the Island's buildings is stored above ground in steel containers at La Collette.	Following the imposition of conditions on the planning permission received in 2014, the department continued to research alternative means of disposal of the legacy asbestos waste stored at La Collette. A Duly Reasoned Request will be submitted to the UK in early 2015 to export the legacy waste for treatment and disposal in the UK. Construction of a new asbestos reception site is also planned for 2015 to store new waste in specialist facilities at La Collette.
Discharge from the current sewage treatment plant: Has failed to meet the regulator requirements in terms of nitrogen levels dispersed into the Bay.	In May 2014 the States adopted P39/2014 "Waste Water Strategy" which set out the long term strategy for treatment of waste water in the Island. It included proposals to replace the current Sewage Treatment Works at Bellozanne using a phased approach with the aim of minimising the risk of building a new plant in a confined area adjacent to the existing operational works and to provide sufficient expansion capacity for further treatment should this prove necessary in the long term. The Strategy proposed engaging a contractor during 2015 to work with the department to further develop the outline plans and tender process for the construction works to commence during 2016, subject to available finance.
The EU Directive to regulate Alternative Investment Fund Managers operating or marketing in the EU. AIFMD – the EU introduced the Alternative Investment Fund Managers Directive to regulate Alternative Investment Fund Managers operating or marketing in the EU. It was vital that Jersey implement the Directive into its own legal and regulatory framework to ensure that Jersey structures may continue to be marketed into the EEA to professional investors. The implementation of AIFMD into Jersey's legal and regulatory framework was achieved following a significant collective effort by the regulator, industry and government. Jersey has now signed AIFMD cooperation agreements with 27 jurisdictions in the EEA. Potential Risk The continuation of national private placement rules is imperative in providing EEA professional investors market access to Jersey managers and Jersey AIFs up until such time as the AIFMD passport is made available. Jersey's ability to access EEA investors may be shut down if the European Council decides that passporting should not be available for third countries, such as Jersey. AIFMD is being introduced on a phased basis and in the event that the rules change further challenges may emerge.	The evolving situation will be monitored closely particularly by Government, the JFSC and the Channel Islands Brussels Office. Good relationships have been established at regulatory level and these will be maintained into the future.

Issue	Action(s)
International focus on the exchange of tax information: Following the confirmation by the G20 in 2013 of a new global standard for the automatic exchange of information for tax purposes, information will be exchanged automatically with the US under FATCA in 2015, with the UK under the UK intergovernmental agreement in 2016 and with the signatories to the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the associated Multilateral Competent Authority Agreement in 2017. Failure to comply would have negative implications for Jersey's reputation as a quality international finance centre, with repercussions for Jersey businesses. Exchange of information on request in accordance with current international standards is being progressed through the negotiation, signing and ratification of Tax Information Exchange Agreements and the response to requests received from partner jurisdictions.	Jersey has continued to take steps to comply with international standards on the automatic exchange of tax information, including: – Ratification by the States in June 2014 of the Taxation (Implementation) (International Tax Compliance) (United States of America) (Jersey) Regulations 2014, putting in place the legislative framework for compliance with FATCA, and the Taxation (Implementation) (International Tax Compliance) (United Kingdome) (Jersey) Regulations 2014 for compliance with the UK intergovernmental agreement. – Development of information systems infrastructure to permit Jersey financial intermediaries to report client information to the Jersey authorities for onward transmission to the IRS by the deadline of September 2015 and to HMRC by the deadline of September 2016. – A US Internal Revenue Service team (IRS) visited the Taxes Office in Jersey on 13th November 2014, resulting in formal confirmation of the adequacy of Jersey's data safeguards and infrastructure from the US competent authority. – Development of guidance notes, together with the Isle of Man and Guernsey, to assist financial intermediaries with compliance with the intergovernmental agreements with the UK and the US. – The bringing into force of the Multilateral Convention in Jersey with effect from 1 June 2014. – The signing of a multilateral competent authority agreement on 29 October 2014 as part of the Early Adopters Group as a first step in the implementation of the new global Common Reporting Standard on automatic exchange of information. – Jersey is a vice-chair of the Global Forum Working Group which, at the request of the G20, will monitor the implementation of the Common Reporting Standard. – Jersey is giving its support to the OECD Action Plans on Base Erosion and Profit Shifting (BEPS). Jersey has joined with the G20 in seeking to ensure that law enforcement and tax authorities have timely access to adequate, accurate and up-to-date information on the beneficial ownership of companies.

TABLE 22 – PROGRESS ON 2012 SIGNIFICANT ISSUES

Issue	Action(s)
Legal action by Harcourt Developments: Legal action is being taken against the States of Jersey Development Company by Harcourt Developments in relation to their claim that terms within a Development Agreement were not negotiated in good faith and with due diligence. Unexpectedly, the Minister for Treasury and Resources from 2008 was joined in to the action at a late stage. The Solicitor General sought to get the first Order of Justice struck out but an adjournment was granted which resulted in a further Order of Justice being presented. The latest draft, the third involving the Minister, is currently out for comment.	The action against the Minister for Treasury and Resources was struck out by the courts in 2014. The action against States of Jersey Development Company remains.
The current General Hospital: The current General Hospital is no longer fit for purpose or capable of sustaining the general and acute care requirements for the population and one that is embedded in the proposed new system for health and social care. Proposition P82 / 2012, as approved by the States, makes clear that a new hospital will be required within 10 years.	WS Atkins International Limited (a highly experienced hospital planning consultant) was appointed in May 2012 to undertake a Pre-feasibility Spatial Assessment Project to identify the most appropriate location for the General and Acute Hospital, taking into consideration its needs and requirements both now and in the future. The project has now moved forward following approvals for funding from the Strategic Reserve investment returns included within the 2014 Budget based upon a two-site solution. Procurement of expert advisors is underway. A site options appraisal is being carried out by external advisers and a decision will be taken by the States Assembly in 2015. The Treasurer, as Chief Officer for Jersey Property Holdings, has been appointed Accounting Officer for the project. A clear governance structure for the project is in place and key advisers are being appointed to support the project.
The use of compromise agreements and the position of the States Human Resources function: The key issues identified by the PAC during the follow up review on compromise agreements include a lack of a recognised and structured succession planning strategy for all senior positions, a need to act on all serious concerns relating to behaviour promptly, a deficiency in the Code of Conduct for Ministers which offers no sanctions for transgressions. In addition, the current States HR function is not fit for purpose in terms of delivering modern day HR requirements for the public service in the 21st Century.	– A succession planning process has been developed for senior positions. – The policy on Reporting Serious Concerns has been updated as part of the States wide Policies Review. The refreshed procedure has been approved by the Audit Committee. – A draft statement of principles for a new Ministerial Code of Conduct has been drafted for consideration by the CoM. – Funding for the HR Fit for Purpose programme has been included in the MTFP to assist the HR function meet the demands of a modern service. Further requests have been made as part of the LTRP 2016 Growth Bids to strengthen key aspects of the service. – A new senior HR management structure has now been put in place under Phase 1.

5.6 Closing Statement

To the best of my knowledge, the governance arrangements in place during 2014 have been effective, with the exception of the governance issues identified above and in individual departmental 2014 Governance Statements.

Signed:

John Richardson
CHIEF EXECUTIVE OFFICER
Date: 28th May 2015

Richard Bell
TREASURER OF THE STATES
Date: 28th May 2015

6 Introduction to the Accounts

6.1 Changes in Accounting Standards

Accounting Standards evolve over time, and the Minister for Treasury and Resources therefore decided to update the accounting standards adopted by the States on an annual basis. The JFReM is based on the UK version of the same document, which prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board. From 2012 the JFReM has followed standards adopted by the UK Government with a one year delay.

The 2013 Financial Report and Accounts were prepared on the assumption that the newly formed housing company would fall outside of the direct control of the States of Jersey and so would not be consolidated. On that basis, they were treated as a discontinuing operation as per IFRS 5, with a view to being treated the same way as the other Strategic Investments.

Following the agreement of the Memorandum of Understanding for Andium Homes on 22nd July 2014, further consideration was given to whether this was appropriate as the governance framework in place for Andium Homes resulted in a more significant involvement of the States of Jersey in decision making than was the case for the other Strategic Investments. By virtue of those arrangements, it was deemed that the States appeared to operate direct control of Andium Homes.

To reflect this change the results of the Housing Department and Andium Homes are now shown within the consolidated financial statements.

Note 9.3 of the Accounts gives details of the impact of accounting differences between the 2013 JFReM and the 2014 JFReM and restates in detail the previous years' financial statements.

Future Developments

Following the Minister's new policy of following the standards adopted by the UK Government with a one-year delay, the 2015 JFReM will be based on UK FReM for the year ending 31 March 2014. Estimates of effects of the changes in the 2015 JFReM are given in Note 9.1 – Accounting Policies, but are not expected to have a significant impact on the Accounts.

6.2 Explanation of the contents of the Accounts

The main statements included in the accounts are explained below along with an explanation of their purpose.

Consolidated Statement of Comprehensive Net Expenditure (SoCNE) (previously the Operating Cost Statement (OCS) and Statement of Total Recognised Gains and Losses (STRGL))

The SoCNE provides an informative analysis of the States income and expenditure, highlighting income raised by the States of Jersey, such as taxation and States expenditure on social benefits, staff costs, grants and subsidies and other expenditure.

It encompasses all the entities that comprise the States of Jersey, and income and expenditure are shown net of amounts resulting from charges within the States of Jersey.

This statement also provides a summary of financial gains and losses which are not recorded in Income and Expenditure under the heading “Other Comprehensive Income”. These are generally unrealised gains and losses, such as those resulting from the revaluation of Property, Plant and Equipment, Investments or Pension Liabilities.

Consolidated Statement of Financial Position (SoFP) (previously the Balance Sheet)

The SoFP provides a snapshot of the States of Jersey’s financial position as at 31 December. It sets out what the States owns, what the States owes and what is owed to the States at that point in time. The figures shown exclude any amounts due between entities included in the States of Jersey.

Consolidated Statement of Cash Flows (SoCF)

Both the SoCNE and SoFP are prepared in accordance with the Jersey Financial Reporting Manual (which interprets IFRS for the States of Jersey), and are therefore prepared on an “accruals” basis, whereby income and expenditure are matched to the period to which they relate, not the period in which a movement of cash occurs.

In contrast the SoCF summarises the actual movements in cash balances that have occurred in the year.

Consolidated Statement of Changes in Taxpayers’ Equity (SoCiTE) (previously the Reserves Note)

The SoCiTE gives details of the movements in “Taxpayers’ Equity”, which represents the taxpayers’ interest in the States of Jersey, and equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years.

Notes to the Accounts

The accounts also include a set of notes that provide further analysis of the figures contained within the main statements.

Note 9.1 sets out the Accounting Policy used by the States when preparing the Accounts, and Note 9.2 details any key assumptions made when making estimates and the effect of uncertainty in these estimates.

Note 9.3 is a detailed restatement of previous years statements, showing the changes resulting from the move to IFRS.

Note 9.4 gives a Segmental Analysis of both the SoCNE and SoFP, giving further details of how these numbers are made up.

Notes 9.5 to 9.13 give further information about the figures included in the SoCNE; and Notes 9.14 to 9.31, the SoFP.

The remaining notes give additional disclosures and information about various items included in the Accounts.

Statement of Outturn against Approvals (SoOaA)

The SoOaA is the States’ accountability statement. It shows a comparison of outturn against the approval for each head of expenditure for both net revenue expenditure and capital expenditure, a reconciliation of the revenue outturn to net revenue expenditure disclosed in the SoCNE and a statement showing the unallocated consolidated fund balance at the end of the financial year.

Annex to the Accounts

The Annex to the accounts primarily gives further information about the entities included within the States of Jersey Accounts. This includes a SoCNE, a SoFP and other information about the performance of Departments, Trading Operations, Reserves and Special Funds. Additional information about General Revenue Income received is also included.

It also provides further information about the changes from the MTFP which were agreed by the States or by Ministerial Decision, and gives details of all grants paid to organisations (other than those included in Note 9.12). A Glossary is also included which provides an explanation of the terminology used in this report and accounts.

The Annex to the Accounts is not audited.

7 Auditor’s Report

7.1 Independent Auditors' Report to the Minister for Treasury and Resources of the States of Jersey

Report on the annual financial statement in respect of the accounts of the States of Jersey

Our opinion

In our opinion the accounts, defined below:

- give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the States of Jersey's affairs as at 31 December 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual;
- properly represent the activities of the States; and
- have been prepared in accordance with the requirements of the Public Finances (Jersey) Law 2005.

What we have audited

The annual financial statement in respect of the accounts (the "accounts"), which are prepared by the States of Jersey, comprise:

- the Consolidated Statement of Financial Position as at 31 December 2014;
- the Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year then ended;
- the Consolidated Statement of Changes in Taxpayers' Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual.

In applying the financial reporting framework, the Treasurer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the Treasurer has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the States of Jersey's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer; and
- the overall presentation of the accounts.

We primarily focus our work in these areas by assessing the Treasurer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter

In our opinion, the information given in the Minister's Report, the Treasurer's Report, the Remuneration Report, the Governance Statement and the Annex for the financial year for which the accounts are prepared is consistent with the Accounts.

Other matters on which we are required to report by exception

Propriety of accounting records and information and explanations received and adherence to law

We have nothing to report in respect of the following matters where the Comptroller and Auditor General requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from States' funded bodies not visited by us; or
- the States' Consolidated Statement of Comprehensive Net Expenditure, or the Consolidated Statement of Financial Position are not in agreement with the accounting records and returns; or
- we have identified any evidence in the course of our normal audit work that suggests that proper practice and the requirements of the Public Finances (Jersey) Law 2005 may not have been followed by any of the Accounting Officers; or
- we have not received all the information and explanations we require for our audit.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities for the Financial Report and Accounts set out on page 59, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Minister for Treasury and Resources in accordance with section 47(1) of the Public Finances (Jersey) Law 2005 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Julian Rickett

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

London

29th May 2015

(a) The maintenance and integrity of the States of Jersey website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

(b) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

7.2 Report of the Comptroller and Auditor General to the States Assembly

In accordance with Article 12(1) of the Comptroller and Auditor General (Jersey) Law 2014, I have ensured that an audit of the financial statements of the States for the year ended 31 December 2014 has been completed. I have no matters to which I wish to draw the States' attention in accordance with Article 12(3) of the Comptroller and Auditor General (Jersey) Law 2014.

Karen McConnell

Karen McConnell
COMPTROLLER AND AUDITOR GENERAL

Jersey Audit Office
Lincoln Chambers (1st Floor)
31 Broad Street
St Helier, Jersey
JE2 3RR

Date: 29th May 2015

8 Primary Statements

8.1 States of Jersey Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year ended 31 December 2014

	Notes	2013 Restated £'000	2014 £'000
Revenue			
Levied by the States of Jersey			
Taxation revenue	5	(534,474)	(518,134)
Social Security Contributions	5	(167,768)	(171,520)
Island rates, duties, fees, fines and penalties	5	(92,334)	(101,428)
Total Revenue Levied by the States of Jersey		**(794,576)**	**(791,082)**
Earned through Operations			
Sales of goods and services	5	(145,308)	(154,435)
Investment income	5	(326,666)	(195,665)
Other revenue	5	(16,862)	(17,126)
Total Revenue Earned through Operations		**(488,836)**	**(367,226)**
Total Revenue		**(1,283,412)**	**(1,158,308)**
Expenditure			
Social Benefit Payments	6, 10	333,673	347,616
Staff costs	6, 11	346,428	364,050
Other Operating expenses	6	213,325	240,008
Grants and Subsidies payments	6, 12	37,226	45,479
Depreciation and Amortisation	6	66,862	77,816
Impairments	6	5,351	24,957
(Gains)/losses on disposal of non-current assets	6	(153)	75
Finance costs	6, 13	14,583	21,190
Net foreign-exchange losses/(gains)	6	149	(571)
Movement in pension liability	6, 30, 31	(12,581)	31,266
Total Expenditure		**1,004,863**	**1,151,886**
Net Revenue Income		**(278,549)**	**(6,422)**
Other Comprehensive Income			
Revaluation of Property, Plant and Equipment		(113,278)	(61,275)
Gain on Revaluation of Strategic Investments during the year		(25,000)	(3,900)
Reclassification adjustments for gains included in Net Revenue Expenditure		–	–
Gain on Revaluation of Other AFS Investments during the year		(40)	(774)
Reclassification adjustments for gains/(losses) included in Net Revenue Expenditure		8	8
Actuarial loss/(gain) in respect of Defined Benefit Pension Schemes	31	1,089	(637)
Total Other Comprehensive Income		**(137,221)**	**(66,578)**
Total Comprehensive Income		**(415,770)**	**(73,000)**

Notes

i. 2013 figures have been restated to reflect changes in Accounting Policies implemented in 2014, as detailed in Note 9.3

ii. The Notes in section 9 of this report form part of the financial statements

8.2 States of Jersey Consolidated Statement of Financial Position (Balance Sheet) as at 31 December 2014

	Notes	1 Jan 2013 £'000	31 Dec 2013 Restated £'000	31 Dec 2014 £'000
Non-Current Assets				
Property, Plant and Equipment	14	3,178,743	3,270,371	3,304,209
Intangible Assets	15	11,256	10,705	9,538
Loans and Advances	17	10,083	10,029	9,856
Strategic Investments	18	288,800	313,800	317,700
Other Available for Sale investments	18	14,589	15,407	16,922
Infrastructure Investments	19	10,000	14,896	10,000
Investments held at Fair Value through Profit or Loss	20	1,580,435	2,032,520	2,098,488
Derivative Financial Instruments expiring after more than one year	29	230	–	–
Trade and Other Receivables	22	7	7	6
Total Non-Current Assets		**5,094,143**	**5,667,735**	**5,766,719**
Current Assets				
Other Non-Current Assets classified as held for sale	16	538	3,987	1,384
Inventories	21	33,113	35,566	39,932
Loans and Advances	17	1,739	1,202	1,443
Derivative Financial Instruments expiring within one year	29	263	174	–
Investments held at Fair Value through Profit or Loss	20	324,957	156,984	420,200
Trade and Other Receivables	22	180,647	176,520	184,159
Cash and Cash Equivalents	23	168,019	187,880	190,238
Total Current Assets		**709,276**	**562,313**	**837,356**
Total Assets		**5,803,419**	**6,230,048**	**6,604,075**
Current Liabilities				
Trade and Other Payables	24	(145,469)	(153,094)	(168,140)
Currency in Circulation	26	(90,470)	(100,608)	(103,759)
Finance Lease Obligations	27	(1,964)	(2,081)	(2,242)
Provisions for liabilities and charges	28	(1,327)	(1,471)	(512)
Total Current Liabilities		**(239,230)**	**(257,254)**	**(274,653)**
Total Assets Less Current Liabilities		**5,564,189**	**5,972,794**	**6,329,422**
Non-Current Liabilities				
External Borrowings	25	–	–	(243,030)
Finance Lease Obligations	27	(9,022)	(6,941)	(4,698)
Provisions for liabilities and charges	28	(6,861)	(6,650)	(10,846)
Derivative Financial Instruments expiring after more than one year	29	(4)	(346)	–
PECRS Pre-1987 Past Service Liability	30	(246,127)	(236,003)	(274,619)
Provision for JTSF Past Service Liability	30	(97,747)	(101,057)	(104,452)
Defined Benefit Pension Schemes Net Liability	31	(9,282)	(10,488)	(7,065)
Total Non-Current Liabilities		**(369,043)**	**(361,485)**	**(644,710)**
Assets Less Liabilities		**5,195,146**	**5,611,309**	**5,684,712**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves		4,291,348	4,571,316	4,581,895
Revaluation Reserve		684,446	795,609	853,767
Investment Reserve		219,352	244,384	249,050
Total Taxpayers' Equity		**5,195,146**	**5,611,309**	**5,684,712**

Senator Alan Maclean
Date: 28th May 2015

Richard Bell
Treasurer of the States
Date: 28th May 2015

Notes

i. 2013 figures have been restated to reflect changes in Accounting Policies implemented in 2014, as detailed in Note 9.3

ii. The Notes in section 9 of this report form part of the financial statements

8.3 States of Jersey Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 December 2014

	Note	Accumulated Revenue and Other Reserves £'000	Revaluation Reserve £'000	Investment Reserve £'000	Total Taxpayers' Equity £'000
Balance 1 January 2013 (Restated)		**4,291,348**	**684,446**	**219,352**	**5,195,146**
Net Revenue Income		278,549	–	–	**278,549**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	14	–	113,278	–	**113,278**
Gain on Revaluation of Strategic Investments during the year	18	–	–	25,000	**25,000**
Reclassification adjustments for gains/losses included in Net Revenue Income	18	–	–	–	**–**
Gain on Revaluation of Other AFS Investments during the year	18	–	–	40	**40**
Reclassification adjustments for gains/losses included in Net Revenue Income	18	–	–	(8)	**(8)**
Actuarial Loss in respect of Defined Benefit Pension Schemes	31	(1,089)	–	–	**(1,089)**
Other Movements					
Release of Revaluation Reserve on Disposal		2,115	(2,115)	–	**–**
Other Movements		393	–	–	**393**
Balance 31 December 2013 (Restated)		**4,571,316**	**795,609**	**244,384**	**5,611,309**
Net Revenue Income		6,422	–	–	**6,422**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	14	–	61,275	–	**61,275**
Gain on Revaluation of Strategic Investments during the year	18	–	–	3,900	**3,900**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	18	–	–	–	**–**
Gain on Revaluation of Other AFS Investments during the year	18	–	–	774	**774**
Reclassification adjustments for losses included in Net Revenue Expenditure	18	–	–	(8)	**(8)**
Actuarial Gain in respect of Defined Benefit Pension Schemes	31	637	–	–	**637**
Other Movements					
Release of Revaluation Reserve on Disposal		3,117	(3,117)	–	**–**
Other Movements		403	–	–	**403**
Balance 31 December 2014		**4,581,895**	**853,767**	**249,050**	**5,684,712**

Notes

i. 2013 figures have been restated to reflect changes in Accounting Policies implemented in 2014, as detailed in Note 9.3

ii. The Notes in section 9 of this report form part of the financial statements

8.4 States of Jersey Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Notes	Restated 2013 £'000	2014 £'000
Cash Flows from Operating Activities			
Net Revenue Income	SoCNE	278,549	6,422
Adjustments for non-operating activities			
Investment Income	8	(52,977)	(51,751)
Gains on Financial Assets	9	(273,689)	(143,914)
Interest Expense	13	14,265	20,795
Adjustments for non-cash transactions			
Depreciation of Property, plant and equipment	7	64,308	75,463
Amortisation of Intangible Assets	7	2,554	2,353
Impairments of Non-Current Assets	7	(1,329)	22,059
(Gain)/loss on disposal of Non-Current Assets	7	(153)	75
Donations of Assets	7	(113)	(116)
Movement in Pension Liabilities	30	(4,651)	38,504
Interest on Past Service Liabilities	13	(13,574)	(14,906)
Movement in Other Liabilities			
(Decrease)/Increase in Provisions	28	(67)	3,237
Increase in Currency in Circulation	26	10,138	3,151
Operating Cash Flows before movements in working Capital		**23,261**	**(38,628)**
Adjustments for movements in Working Capital			
Increase in Inventories	21	(2,453)	(4,366)
Decrease/(Increase) in Trade and Other Receivables		4,069	(7,606)
Increase in Trade and Other Payables		7,614	15,785
Net Cash Inflow/(Outflow) from Operating Activities		**32,491**	**(34,815)**
Cash Flows from Investing Activities			
Purchase of Property, plant and equipment		(52,297)	(76,582)
Purchase of Intangible assets		(2,003)	(1,186)
Proceeds on disposal of Property, plant and equipment		2,125	3,125
Proceeds on Assets Held for Sale		2,858	5,029
Interest received		16,845	10,825
Dividends received	8	36,190	40,894
Loans and Advances made		(1,587)	(2,337)
Loans and Advances repaid	17	2,178	2,269
Proceeds on Available for Sale Financial Assets		39	270
Proceeds on settlement of Derivatives		104	301
Proceeds on redemption of Strategic Investment	18	–	–
Issue of Infrastructure Investment	19	(4,896)	4,896
Purchases of Financial Assets held at Fair Value through Profit or Loss	35	(1,381,866)	(1,945,879)
Proceeds on disposal of Financial Assets held at Fair Value through Profit or Loss		1,372,336	1,760,481
Net Cash Outflow from Investing Activities		**(9,974)**	**(197,894)**
Cash Flows from Financing Activities			
Proceeds from Long Term Borrowings	25	–	243,773
Capitalised Bond Costs		–	(1,334)
Bond Interest Paid		–	(4688)
Capital Element of Finance Lease Rental Payments	27	(1,964)	(2,082)
Interest Element of Finance Lease Payments	13	(683)	(588)
Other Interest Paid	13	(8)	(22)
Net Cash (Outflow)/Inflow from Financing Activities		**(2,655)**	**235,059**
Net Increase in Cash and Cash Equivalents		**19,862**	**2,350**
Cash and cash equivalents at the beginning of the year	23	168,019	187,880
(Losses)/gains on Cash and Cash Equivalents	9	(1)	8
Cash and cash equivalents at the end of the year	**23**	**187,880**	**190,238**

Notes

i. 2013 figures have been restated to reflect changes in Accounting Policies implemented in 2014, as detailed in Note 9.3

ii. The Notes in section 9 of this report form part of the financial statements

9 Notes to the Accounts

9.1 Significant Accounting Policies

1 Introduction

1.1 These accounts have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005. The accounting policies contained in the JFReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the Public Sector in Jersey. These accounts are prepared on a going concern basis.

1.2 The JFReM applicable to the 2014 financial year (including comparators) is based on the UK Financial Reporting Manual for the UK financial year ending 31 March 2013.

1.3 Where the JFReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the States of Jersey for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.4 The Accounting Policies applied in the preparation of these Accounts differ from those used for the 2013 accounts, as explained in Section 6.1. Previously reported figures for 2013 (including opening balances) have been restated to a comparable basis, and Note 9.3 reconciles these figures to those previously reported in the 2013 accounts.

2 IFRS in issue but not yet effective

2.1 A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 following the approach of the relevant UK FReM. These standards have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below.

2.2 IFRS 13, 'Fair value measurement', which is planned to be adopted in the JFReM from 1 January 2017, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2.3 IAS 19, 'Employee benefits' was amended in June 2011, with the amended standard to be adopted in the JFReM from 1 January 2015. Under the amended standard: all past service costs would be immediately recognised; and interest cost and expected return on plan assets replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

2.4 IFRS 9 'Financial Instruments' was issued in November 2009 and October 2010. It has not yet been adopted by the EU, however will become applicable is if it adopted by the EU and the JFReM. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost, i.e. the available-for-sale and held-to-maturity categories currently allowed under IAS 39 are not included in IFRS 9.

2.5 IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' are planned to be adopted by the JFReM from 1 January 2016. The basis for determining the Accounting Boundary used by the States will be reassessed in light of these revised standards. There may also be additional disclosure requirements.

2.6 The detailed impact of these new and amended standards will be considered as part of the implementation of the version of the JFReM that adopts them.

2.7 There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Accounts.

Other Planned Amendments to the JFReM

2.8 Other amendments to the JFReM due to come in to effect in 2015 include changes following the amendment of the Companies Act 2006.

3 Accounting Convention

3.1 These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. A summary of the more important accounting policies is set out below.

4 Basis of Consolidation

4.1 These accounts comprise the consolidation of all entities within the States of Jersey consolidation boundary (the 'accounting boundary') as set out in the JFReM. The accounting boundary is defined with reference to applicable accounting standards except that the inclusion or exclusion of an entity is based on direct control rather than strategic control, which would normally be evidenced by the States, Council of Ministers or a Minister exercising in year control over operating practices, income, expenditure, assets or liabilities of the entity.

4.2 The principles of IAS 27, IAS 28 and IAS 31 for the determination of whether entities are subsidiary undertakings, associated undertakings or joint ventures are restricted to the first principle of direct control. Where this principle is not met and an entity within the accounting boundary has an investment in an entity outside the accounting boundary, this holding is treated as an investment in the group accounts.

4.3 For clarity, the relationships with JT Group Limited, Jersey Post International Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited do not meet the first principle of direct control and therefore these are accounted for as strategic investments in these accounts.

4.4 The incorporation of the Housing Department into a separate legal entity on 1 July 2014 was approved by the States under P.63/2013, and, based on the expected form of company, the Department was treated as a Discontinuing Operation in the 2013 Accounts. The details of the incorporation were approved during 2014 in the Transfer Regulations (P.58/2014), Memorandum and Articles (P.60/2014) and the Memorandum of Understanding (MD-TR-2014-0068). Following these approvals, a reassessment of whether the States had direct control over the newly formed company was carried out, and concluded that direct control still exists. As a result, Andium Homes Limited is inside of the accounting boundary and is therefore consolidated into the States Accounts for 2014, rather than being treated as a Strategic Investment. Previous years' figures have been restated to reflect this change, and further details are given in Note 9.3.

4.5 Entities that fall within the accounting boundary, but which are immaterial to the accounts as a whole, have not been consolidated where to do so would result in excessive time or cost to the States. Entities that fall within the accounting boundary but which have not been consolidated are listed in Note 9.41.

4.6 Material transactions and balances between entities that fall within the accounting boundary have been eliminated as part of the consolidation process.

5 Non-Current Assets: Property, Plant and Equipment

5.1 Property, Plant and Equipment are initially recognised at cost. The States of Jersey capitalisation threshold is £10,000 for an initial purchase. There is no threshold for the capitalisation of subsequent expenditure on an asset. On completion, Assets Under Course of Construction are transferred into the appropriate asset category

5.2 Property, Plant and Equipment are subsequently measured at fair value, as interpreted by the JFReM. More details of the basis for valuation are given in Accounting Policy 7.

5.3 Finance costs incurred during the construction of tangible fixed assets are not capitalised.

Components of Assets

5.4 Components of an asset are separated where their value is significant in relation to the total value of the asset (at least 20%) and where those components have different useful lives to the remainder of the asset. Assets with a gross book value over £750k are reviewed to identify whether they comprise of significant components with different useful lives.

5.5 Land and Buildings are always identified as separate components.

5.6 Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component added.

Networked Assets

5.7 Networked assets represent the road network, the foul and surface water network and the Island's sea defence network.

- The road network consists of carriageways, including earthworks; tunnelling and road pavements; roadside communications and land within the perimeter of highways. Non-network assets include bridges and other structures.
- The foul and surface water network consists of foul sewers, surface water sewers, combined sewers and rising mains. Non-network assets include pumping stations and associated land and plant/ machinery, and the Bellozanne and Bonne Nuit Sewage Treatment Works.
- The Sea Defences network consists of walls, slipways and outfalls. Non-network assets include harbours and quays.

5.8 Non-network assets are accounted for under their respective asset categories.

5.9 Subsequent expenditure on networked assets is capitalised where it enhances or replaces the service potential. Spending that does not replace or enhance service potential is expensed.

IT Software

5.10 Operating software, without which the related hardware cannot be operated, is capitalised, with the value of the related hardware, as Property, Plant and Equipment. Application software, which is not an integral part of the related hardware, is capitalised separately as an intangible asset (see Accounting Policy 6).

Heritage Assets

5.11 Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services.

5.12 Operational Heritage Assets are accounted for within the principal asset category to which they relate.

5.13 Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Statement of Financial Position.

5.14 Information about the Non-operational Heritage Assets held by the States is included in Note 9.14.

Donated Assets

5.15 Donated assets are capitalised at their fair valuation on receipt and are revalued/depreciated on the same basis as purchased assets. The amount capitalised is credited to Income.

Disposal

5.16 On disposal of an item of Property, Plant and Equipment, the surplus or deficit of proceeds over carrying value is included in Net Revenue Expenditure/Income

6 Non-Current Assets: Intangible Assets

6.1 Purchased computer application software licences are capitalised as intangible assets.

6.2 Internally produced intangible assets, such as application software or databases, are capitalised if it meets the criteria specified in IAS 38. The criteria are that completion is technically feasible; that there is an intention to complete and then use or sell the asset; that the States is able to use or sell the asset; that the asset will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the asset, and that it is possible to measure the expenditure attributable to the asset during the development phase reliably Expenditure on research is not capitalised. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

7 Valuation of Non-current assets other than Financial Instruments

7.1 Property, Plant and Equipment and Intangible Assets are expressed at their current value through the application of the Modified Historical Cost Accounting Convention (MHCA). In accordance with the JFReM, historical cost carrying amounts are not disclosed. The valuation of all Property, Plant and Equipment should be at fair value, which is the lower of replacement cost and recoverable amount, which is the higher of net realisable value and value in use. Where value in use cannot be measured in terms of income it is assumed to be at least equal to the cost of replacing the service potential provided by the asset. In certain circumstances depreciated historical cost is used as a proxy for current value such as where the assets have short useful lives (i.e. less than 10 years) or low values (i.e. less than £250,000).

7.2 Property assets are valued in accordance with IAS 16. An external valuation is performed by a RICS qualified valuer every 5 years. Interim valuations are performed after 3 years. The most appropriate basis of valuation has been determined by the valuers, and includes Existing Use Value (EUV), Existing Use Value – Social Housing (EUV-SH) and Depreciated Replacement Cost (DRC).

7.3 Assets under course of construction are valued at cost and are not revalued until completion and transferred into the appropriate asset category.

7.4 Networked assets, which are intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, are valued at depreciated replacement cost. Annual valuations of networked assets are performed by professional valuers.

7.5 Operational heritage assets are valued in the same way as other assets of that general type. Non-operational heritage assets are valued as follows:

- Where purchased within the accounting period, at cost;
- Where there is a market in assets of that type, at the lower of depreciated replacement cost and net realisable value; or
- Where there is no market, at depreciated replacement cost unless the asset could not or would not be physically reconstructed or replaced in which case at nil.

7.6 There are some instances where valuation of non-operational heritage assets may not be practicable. In these cases the asset is carried at a value of nil.

7.7 Other non-current assets are carried at historical cost less accumulated depreciation or amortisation. This is a suitable proxy for fair value and is allowable per the JFReM for those assets with short useful lives or low values. This includes assets held as fixtures and fittings, IT equipment and intangible non-current assets.

7.8 Revaluation gains are recorded in the revaluation reserve and presented in Other Comprehensive Income. Downward revaluations are recorded in the revaluation reserve to the extent that they reverse previous upward revaluations. Downward revaluations below the historic cost of the asset are recorded in Net Revenue Expenditure/Income.

8 Depreciation and Amortisation

8.1 Depreciation for Property, Plant and Equipment, other than networked assets is provided on a straight line basis over the anticipated useful lives of the assets. The principle asset categories and their range of useful economic lives are outlined below:

Asset Category	Life
Land	Not depreciated
Buildings	Up to 75 years
Social Housing	Up to 80 years
Other Structures	Up to 100 years
Plant, Machinery and Fittings	3 to 50 years
Transport Equipment	2 to 20 years
IT equipment and software	3 to 10 years
Networked assets	*See Para 8.3*

8.2 Residual Values and Useful Economic Lives of Property, Plant and Equipment assets are reviewed and, if appropriate, amended at the end of each reporting period.

8.3 The annual depreciation charge for networked assets is the value of the service potential replaced through the maintenance programme, adjusted for any change in condition as identified by a condition survey. The value of the maintenance work undertaken is used as an indication of the value of the replaced part.

8.4 Intangible assets are amortised over their useful lives, which are typically between three to ten years, on a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

8.5 Where an asset consists of several components which are significant in relation to the overall cost of the asset and with different useful economic lives, these will be componentised.

9 Impairments of non-current assets

9.1 Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment, and where indications exist an impairment test is carried out by comparing their carrying value with their recoverable amount, this being the higher of the value in use and the fair value less costs to sell.

9.2 Impairment losses due to a loss in economic value or service potential are recognised in Net Revenue Expenditure. Other impairments (for example due to movements in market conditions) are recognised in Net Revenue Expenditure to the extent that it cannot be offset against the Revaluation Reserve. Any reversal of impairment charges are recognised in Net Revenue Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in Net Revenue Expenditure. The remaining amount is recognised in the revaluation reserve.

10 Non-Current Assets: Assets held for Sale

10.1 Assets held for sale are items of Property, Plant and Equipment, which are available for immediate sale in their present condition and are being actively marketed for sale with the sale expected to happen within one year, are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

11 Investment Properties

11.1 The States of Jersey does not, in general, hold assets only for the purpose of earning rentals or for capital appreciation or both. Where the States does have assets which could be considered as being held primarily for investment purposes, these shall be accounted for as Property, Plant and Equipment.

12 Investments and other Financial Instruments

12.1 The States of Jersey recognises, measures and discloses financial instruments following the guidance in the JFReM and Accounting Standards.

Definitions

12.2 Financial Instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another.

12.3 A financial asset is any asset that is: cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity; or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

12.4 A financial liability is any liability that is; a contractual obligation to deliver cash or another financial asset to another entity; or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

12.5 An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Categories of financial instruments

12.6 The States of Jersey's financial instruments have been classified into the following categories:

- Loans and Receivables
- Strategic Investments
- Other Available-For-Sale Investments
- Infrastructure Investments
- Investments held at Fair Value through Profit or Loss
- Derivative Financial Instruments
- Other Financial Liabilities

Loans and Receivables

12.7 Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the entity intends to sell immediately or in the short term, which are classified as Held-For-Trading, and those that the entity upon initial recognition designates as at Fair Value through Profit or Loss;
- Those that the entity upon initial recognition designates as Available-For-Sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

12.8 For the States of Jersey, these include:

- Loans issued by Housing Funds
- Loans issued through the Agricultural Loans Fund
- Miscellaneous Loans made through the Consolidated fund
- Debtors arising within the normal course of operations

Strategic Investments

12.9 Strategic Investments are companies outside the accounting boundary in which the States of Jersey has a controlling interest.

12.10 Strategic Investments are accounted for as "Available-For-Sale" financial assets, although it should be noted that this does not indicate an intention to dispose of the States' interest.

12.11 Specifically, the States of Jersey recognises its investments in the following companies as Strategic Investments:

- JT Group Limited
- Jersey Post International Limited
- Jersey Electricity plc
- Jersey New Waterworks Company Limited

Other Available-For-Sale Investments

12.12 Available-For-Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time (but may in some cases be sold in response to policy decisions).

12.13 For the States of Jersey, other Available-For-Sale Investments include:

- Housing Property Bonds issued under either the Social Housing Property Plan 2007–2016 (SHPP) or the Homebuyer scheme
- Infrastructure Investments

12.14 Infrastructure Investments involve taking an ownership interest in an infrastructure business (commonly defined as providing an essential service to the community). Most infrastructure assets are either bought from a government, a private equity firm, or are part of a listed company that is sold off. This is a long term investment option providing higher returns than Cash investments while generating positive externalities for the Island. Infrastructure investments can be split into two main categories, Economic (e.g. Transport, Communications or other Utilities) or Social (e.g. Schools, Hospitals, Housing etc.).

Investments held at Fair Value through Profit or Loss

12.15 This category has two sub-categories:

- Financial assets Held-For-Trading; and
- Those designated at Fair Value through Profit or Loss at inception.

12.16 A financial asset or liability is classified as Held-For-Trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as Held-For-Trading unless they are designated as hedging instruments.

12.17 Financial assets and financial liabilities are designated at Fair Value through Profit or Loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as Held-For-Trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;
- a group of financial assets, financial liabilities or both is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at Fair Value through Profit or Loss.

12.18 Investments held in the Common Investment Fund or with the States' Cash Manager are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss. Individual Participants' investments in units in the Common Investment Fund are also designated as at Fair Value through Profit or Loss for the same reasons.

Derivative Financial Instruments

12.19 A derivative is a financial instrument or other contract within the scope of IAS 32 with all three of the following characteristics:

- its value changes in response to the change in an underlying variable (e.g., interest rates, equity share prices, exchange rates etc.);
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

12.20 Derivative instruments held as part of a managed portfolio held at Fair Value through Profit or Loss are included in the relevant investment line, unless they are material.

12.21 Other Derivative instruments held by the States of Jersey include:

- Letters of Comfort issued by the Housing Development Fund to various housing associations, which are in effect interest rate caps
- Forward contracts in foreign currency to mitigate the risk of fluctuations in foreign exchange rates.

12.22 The States does not designate any derivatives as part of hedging arrangements.

Other Financial Liabilities

12.23 Other Financial Liabilities include Financial Guarantee Contracts. These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due, in accordance with the terms of a debt instrument.

Initial measurement of financial instruments

12.24 Financial assets carried at Fair Value through Profit or Loss are initially recognised at Fair Value, and transaction costs are expensed in Net Revenue Expenditure.

12.25 Financial assets and liabilities not carried at Fair Value through Profit or Loss are initially recognised at Fair Value plus transaction costs.

Subsequent measurement of financial instruments

12.26 Loans and Receivables are subsequently measured at amortised cost using the effective interest method.

12.27 Strategic Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.28 Other Available-For-Sale Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.29 Infrastructure Investments can take a range of legal forms, and are accounted for using the measurement rules set out in IAS 39. Details of measurement bases for individual assets are given in Note 9.19.

12.30 Investments held at Fair Value through Profit or Loss are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.31 Derivative Financial Instruments are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.32 Other Financial Liabilities are measured at the higher of:

- the initial measurement, less amortisation calculated to recognise in Net Revenue Expenditure the fee income earned as the service is provided; and
- the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

12.33 Any increase in the liability is taken to Net Revenue Expenditure. Where cash flows significantly differ from those used in the initial fair value calculation a revised calculation will be performed, and any movement taken to Net Revenue Expenditure.

Fair Value Estimation

12.34 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of less than one year is judged to be approximate to their book values.

12.35 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of greater than one year are estimated by discounting the future determinable cash flows at the higher of the discount rate set by the Treasurer and the intrinsic rate in the underlying financial instrument in accordance with the JFReM.

12.36 The fair value of investments designated at Fair Value through Profit or Loss, Strategic Investments, Other Available-For-Sale Investments and derivatives is estimated using observable market data. Where no observable market exists, the fair value has been determined using valuation techniques.

Impairment of Financial Assets

12.37 At each reporting date an assessment of whether there is objective evidence that a financial asset is impaired is carried out.

Assets carried at Amortised Cost

12.38 A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

12.39 The criteria that the States uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- breach of loan covenants or conditions; and
- deterioration in the value of collateral.

12.40 The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account in the Statement of Financial Position and the amount of the loss is recognised in Net Revenue Expenditure. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

12.41 When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

12.42 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the Statement of Financial Position and the amount of the reversal is recognised in Net Revenue Expenditure.

Assets classified as Available-For-Sale

12.43 In the case of equity investments classified as Available-For-Sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

12.44 If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Net Revenue Expenditure – is removed from equity and recognised in Net Revenue Expenditure. Impairment losses recognised in Net Revenue Expenditure on equity instruments are not reversed through Net Revenue Expenditure.

12.45 If, in a subsequent period, the fair value of an equity instrument classified as Available-For-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Net Revenue Expenditure, the impairment loss is reversed through Net Revenue Expenditure.

De-recognition of Financial Instruments

12.46 Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the States has transferred substantially all risks and rewards of ownership.

12.47 Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

13 Accounting for investments held in the Common Investment Fund

13.1 Investments held in the Common Investment Fund (CIF) and associated transactions and balances are consolidated to the extent that they relate to members of the States of Jersey group, based on relative holdings in each investment pool.

13.2 Individual participants in the CIF account for their holding in the CIF as an investment in CIF units.

14 Inventory

14.1 Inventory is held at the lower of cost and net realisable value (NRV).

14.2 Inventory held for distribution at no/nominal charge and inventory held for consumption in the production process of goods to be distributed at no/nominal charge are valued at the lower of cost and current replacement cost.

14.3 Where a reduction in the carrying value of inventory held is identified, the value of the inventory is written down and the cost charged to Net Revenue Expenditure/Income.

14.4 Currency not issued is accounted for as inventory at the lower of cost and net realisable value.

15 Cash and Cash Equivalents

15.1 Cash comprises cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty.

15.2 Overdrafts are shown separately in the accounts except where there exists a legal right of offset, and the States intends to settle on a net basis.

15.3 Cash Equivalents are short-term, highly liquid investments that are:

- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value; and
- are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

15.4 For the States, this includes amounts held by the States Cash Manager.

15.5 Investments held in the Common Investment Fund may have short maturity, but are held in line with the individual funds' Investment Strategies rather than to meet cash requirements, and so are not accounted for as cash equivalents.

16 Currency in Circulation

16.1 Currency in circulation is accounted for at face value.

17 Pensions

17.1 The States of Jersey operates two principal pension schemes for certain of its employees: Public Employees' Contributory Retirement Scheme (PECRS) and Jersey Teachers' Superannuation Fund (JTSF).

17.2 In addition three further pension schemes exist, the Jersey Post Office Pension Fund (JPOPF); the Discretionary Pension Scheme (DPS); and the Civil Service Scheme (CSS).

PECRS and JTSF

17.3 The PECRS and JTSF, whilst final salary schemes, are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the schemes. These schemes are therefore accounted for as defined contribution schemes.

17.4 Employer contributions to the schemes are charged to Net Revenue Expenditure in the year they are incurred. As both these schemes limit the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

17.5 Whilst the PECRS and JTSF are not included as defined benefit schemes in the States Accounts, additional disclosures required under IAS 19 for defined benefit schemes are included for the information for the users of the accounts.

Pensions Increases Liability

17.6 During 2010, the PECRS Committee of Management made the decision to reduce future annual increases (from 2011) to 0.3% below the Jersey Retail Price Index to address a deficit in the scheme. During 2012, this was modified to 0.15% below the Retail Price Index. Under the 1967 PECRS regulations and the Federated Health Scheme (FHS), pensioners are guaranteed an increase in line with RPI, and as a result the balance of 0.15% will be funded by the States for States Employees. This liability is accounted for as an unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

17.7 Liabilities relating to the PIL are measured using the projected unit credit method, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Other Schemes

17.8 The JPOPF is a funded scheme which relates to Jersey Post International Limited (a wholly owned strategic investment), and is closed to new members. The last active member left service during 2009.

17.9 The DPS has only one member and is not open to new members.

17.10 The JPOPF and the DPS are accounted for as conventional defined benefit schemes in accordance with IAS 19, and scheme assets are held in separate funds.

17.11 The CSS relates to a non-contributory scheme that existed before the formation of PECRS in 1967, and as such is closed to new members. This is a non-funded scheme, and is accounted for as conventional defined benefit schemes in accordance with IAS 19. There are no active members remaining in service.

17.12 For the JPOPF and DPS pension scheme assets are measured using market values.

17.13 For the JPOPF, DPS and CSS scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

17.14 Where appropriate, as detailed in the preceding paragraphs, actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Statement of Comprehensive Net Expenditure only in so far as they belong to the States.

Other Liabilities relating to Pensions

17.15 In agreeing P190/2005 the States agreed a 10-point agreement, the text of which is reproduced below:

1. The States confirms responsibility for the Pre-1987 Debt of £192.1 million as at 31st December 2001 and for its servicing and repayment with effect from that date on the basis that neither the existence of any part of the outstanding Debt nor the agreed method of servicing and repayment shall adversely affect the benefits or contribution rates of any person who has at any time become a member of the Scheme.

2. At the start of the servicing and repayment period, calculated to be 82 years with effect from 1st January 2002, the Employers' Contribution rate will be increased by 0.44% to the equivalent of 15.6%. These contributions will be split into 2 parts, namely a contribution rate of 13.6% of annual pensionable salary and an annual debt repayment. The Employer's Contribution rate will revert to 15.16% after repayment in full of the Debt.

3. During the repayment period the annual Debt repayment will comprise a sum initially equivalent to 2% of the Employers' total pensionable payroll, re-expressed as a cash amount and increasing each year in line with the average pay increase of Scheme members.

4. A statement of the outstanding debt as certified by the Actuary to the Scheme is to be included each year as a note in the States Accounts.

5. In the event of any proposed discontinuance of the Scheme, repayment and servicing of the outstanding Debt shall first be rescheduled by the parties on the advice of the Actuary to ensure that paragraph (1) above ("Point 1") continues to be fulfilled.

6. For each valuation the States Auditor shall confirm the ability of the States to pay off the Debt outstanding at that date.

7. If any decision or event causes the Actuary at the time of a valuation to be unable to continue acceptance of such servicing and repayment of the Debt as an asset of the Scheme, there shall be renegotiation in order to restore such acceptability.

8. In the event of a surplus being revealed by an Actuarial Valuation, negotiations for its disposal shall include consideration of using the employers' share to reduce or pay off the Debt.

9. As and when the financial position of the States improves there shall be consideration of accelerating or completing repayment of the Debt.

10. The recent capital payment by JTL of £14.3 million (plus interest) reduced the £192.1 million total referred to in (1) by £14.3 million and if any other capital payments are similarly made by other Admitted Bodies these shall similarly be taken into account.

17.16 This liability is recognised in the accounts based on the present value of future cash payments made under the agreement, with details given in Note 9.30.

17.17 The Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme mirrors PECRS. A provision for past service liability, similar to the PECRS pre-87 past service liability, has been recognised, although this has not yet been agreed with the Scheme's Management Board.

18 Leases

18.1 Leases are agreements whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases.

18.2 Leases in which substantially all of the risks and rewards of ownership are transferred to the lessor are classified as finance leases, other leases are classified as operating leases. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is generally assumed to be held under an operating lease unless the title transfers to the Department at the end of the lease.

18.3 Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. Transactions involving the legal form of a lease, such as sale and leaseback arrangements, are accounted for according to their economic substance.

The States as Lessee

18.4 Assets held under finance leases are capitalised in the appropriate category of non-current assets and depreciated over the shorter of the lease term or their estimated useful economic lives.

18.5 Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to Net Revenue Expenditure/Income over the period of the lease at a constant periodic rate in relation to the balance outstanding

18.6 Operating leases are charged to Net Revenue Expenditure/Income on a straight-line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the lease term.

The States as Lessor

18.7 Where the States of Jersey is the lessor under an operating lease, leased assets are recorded as assets and depreciated over their useful economic lives in accordance with the relevant accounting policy. Rental income from operating leases is recognised on a straight line basis over the period of the lease.

19 Provisions

19.1 A provision is recognised when the following three criteria are met, in line with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

19.2 The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

19.3 No discounts are applied to provisions unless the impact of the time value of money is material. Where a discount is applied this is stated in the notes to the accounts together with the discount rate applied. The discount rate is set by the Treasurer of the States.

20 Contingent Liabilities and Contingent Assets

20.1 Contingent liabilities and contingent assets are not recognised as liabilities or assets in the statement of financial position, but are disclosed in the notes to the accounts.

20.2 A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or it is a present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably estimated.

20.3 A contingent asset is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the States.

20.4 Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

21 Taxpayers' Equity

21.1 Taxpayers' Equity represents the taxpayers' interest in the States of Jersey, which equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years. Reserves are split based on how the interest has arisen (as explained below).

Accumulated Revenue and Other Reserves

21.2 The Accumulated Revenue and Other Reserves represent the cumulative balances of surpluses and deficits recorded by the States of Jersey.

Revaluation Reserve

21.3 The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Property, Plant and Equipment and Intangible Non-Current Assets other than donated assets. Details of the basis of valuation are set out in Accounting Policy 7. When an asset is disposed any balance in the revaluation reserve is transferred to the Accumulated Revenue and Other Reserves.

Investment Reserve

21.4 The investment reserve reflects the unrealised balance of cumulative revaluation adjustments to the States' Strategic Investments, Housing Bonds, and other Financial Assets for which gains and losses are not recognised in Net Revenue Expenditure during the year.

22 Revenue Recognition

22.1 Revenue is divided into two main categories – revenue levied by the States of Jersey and revenue earned through operations.

Revenue earned through operations

22.2 Revenue earned through operations is accounted for in line with IAS 18, which requires specifically that:

- income from the sale of goods should be recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services should be recognised on the degree of performance;
- interest income should be recognised using the effective interest method;
- dividends receivable should be recognised when the Department becomes entitled to them; and
- income from permitting others to use the Department's assets should be recognised on an accruals basis in accordance with the terms of the contract.

Revenue levied by the States of Jersey

22.3 Revenue levied by the States of Jersey is measured at the value of the consideration received or receivable net of:

- Repayments; and
- Adjustments following appeals (in the case of Income Tax).

22.4 Revenue is recognised when: a taxable or other relevant event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable or other event will flow to the States of Jersey.

22.5 Taxable or other relevant events for the material income streams are as follows:

- Income Tax: when an assessment is raised by the Comptroller of Taxes. Tax collected in the year under the Income Tax Instalment Scheme which is due for assessment in the following year (tax collected on a current year basis) is recognised as receipts in advance;
- Goods and Services Tax (GST): when a taxable activity is undertaken during the taxation period by the taxpayer. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in Net Revenue Expenditure;
- Social Security Contributions: Social Security Contributions are recognised on an accruals basis, in the same period as the earnings to which they relate;
- Impôts Duties: when the goods are landed in Jersey;
- Stamp Duty: when the stamps are sold.
- Fees and Fines: when the fee or fine is imposed;
- Seizure of assets: when the court order is made; and
- Island rates: when the assessment is raised. Island Rates are charged on a calendar year basis and assessments are raised in the second half of the calendar year. Income is recognised in the period for which the rates are charged.

23 Staff

23.1 Staff Costs include expenditure relating to States Staff, Non-States staff and other expenditure relating to the employment of Staff.

23.2 States Staff are defined as: Persons employed under an employment contract directly with the States of Jersey, Persons holding an office or appointment in the States (by crown appointment or otherwise), and States Members.

23.3 Non-States Staff are defined as: Persons who do not qualify as States Staff (defined above), but are acting as employees of the States of Jersey.

24 Employee benefits

24.1 The States accrues for the cost of accumulated compensated absences. This is accounted for when an employee renders services that increase their entitlement to future compensated absences. It is calculated based on salary and allowances.

25 Grants

25.1 Grants received and made are recognised in Net Revenue Expenditure/Income so as to match the underlying event or activity that gives rise to a liability.

26 Accounting for Goods and Services Tax

26.1 GST charged/paid is fully recoverable, and so income and expenditure is shown net of GST.

27 Foreign Exchange

27.1 Both the functional and presentation currency is Sterling.

27.2 Transactions that are denominated in a foreign currency are translated into Sterling at the rate ruling at the date of each transaction.

27.3 Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate applicable at the reporting date or on the date of settlement. Exchange differences are reported in Net Revenue Expenditure.

28 Third Party Assets

28.1 The States of Jersey holds certain monies and other assets on behalf of third parties. These are not recognised in the accounts where the States of Jersey does not have a direct beneficial interest in them.

28.2 Where assets have been seized following a court order, these are held within the Criminal Offences Confiscation Fund, Civil Assets Recovery Fund or the Drug Trafficking Confiscation Fund which are consolidated into the group results of the States of Jersey.

29 Losses and Special Payments

29.1 Special Payments are those which fall outside the normal day-to-day business of the entity.

29.2 Losses are recognised when they occur. Special Payments are recognised when there is a legal or constructive obligation for them to be paid.

29.3 Losses and Special Payments are accounted for net of any directly recoverable amounts, but gross of insurance claims.

30 Related Party Transactions

30.1 For the purpose of disclosure of Related Party Transactions, Key Management Personnel are considered to be the Council of Ministers, Assistant Ministers and Accounting Officers subject to remuneration disclosures. These include short term employee benefits, post-employment benefits (pensions) and termination benefits.

9.2 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the States' accounting policies, which are described in this note, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of Assets

In determining the value of property assets under IAS 16 'Property, Plant and Equipment', there is a degree of uncertainty and judgement involved. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for valuation of properties under IAS 16 are based on external professional valuations. The States use external professional valuers to determine the relevant amounts. With market conditions that currently prevail there is likely to be a greater than usual degree of uncertainty.

Investments, other than those held for strategic purposes, are accounted for at fair value. If a market value cannot be readily ascertained, the investment is valued in line with the applicable standards, using methods determined by the Treasurer of the States, to be appropriate in the circumstances. Market value is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with quoted prices will have a lesser degree of judgement used in measuring fair value. Fair values determined through the use of models or other valuation methodologies will have a higher degree of judgement due to the assumptions used in the valuation.

Valuation of Pensions

The States provides various pension schemes for its employees (see Accounting Policy 17 for details) including some accounted for in accordance with IAS 19 'Employee Benefits'. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for pension schemes under IAS 19 are based on valuations by professional actuaries. Inherent in these valuations are key assumptions, including discount rates, earnings increases, mortality rates and inflation. These actuarial assumptions are reviewed annually in line with the requirements of IAS 19 and are based on prior experience, market conditions and the advice of the scheme actuaries.

The valuation of the PECRS past service liability is based on a discount rate that is derived, from a gilt yield of 3.07% and the expected returns from investments in the Fund itself (2.35%). The expected returns from investments in the Fund are relevant because the 10 point agreement and the scheme regulations allow for surpluses arising in the Fund to be used to extinguish or repay the past service liability.

The judgement of the independent external actuary is that it is more likely than not that surpluses in the Fund will arise and be used to extinguish or repay the past service liability.

The discount rate used in the valuation of the JTSF past service liability is based on that used for the Actuarial valuation of the Fund. While the mechanism for repaying the debt has not yet been formally agreed with the Scheme's board of management, the judgement of the independent external actuary is that any future agreement will allow for surpluses in the Fund to be used to extinguish or repay the past service liability.

Strategic Investments

The States hold a number of strategic investments (see Accounting Policy 12 for details).

For Jersey Electricity plc the value has been determined by using the market value of the shares inflated by a controlling interest factor (20%) and with a marketability discount (10%) applied. The valuation methodology and adjusting factors are determined by the Treasurer taking into account industry guidelines on valuation and have limited impact of the valuation which is most significantly influenced by the underlying share price at the year end. Variations in the share price (for example as a result of market and investor sentiment as a result of significant events/press releases) will directly affect the valuation of the States' Investment in the company. A discounted cash flow valuation methodology has been used for the valuation of the equity share elements of the other Strategic investments, the projected earnings before interest, taxes, depreciation and amortisation (EBITDA) for five years, and the use of an appropriate terminal multiple. Projections are prepared based on forecasts provided by the entities (where available) and other publicly available information. The discount rate applied is based on the relevant entities' weighted average cost of capital (WACC) with appropriate adjustments for the risks associated with the investments. Estimates of EBITDA, terminal multiples and WACC involve a significant degree of judgement. The values for the WACCs and Terminal Multiples used in the valuation are set out below.

	JT Group Limited	Jersey New Waterworks Company Limited	Jersey Post International Limited
WACC	9.42%	8.01%	9.81%
Terminal Multiple	6.3	8.3	6.0

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique. Therefore the values presented herein may not be indicative of the amount which the States could realise on sale of its holdings.

An analysis of the impact of a change in the key assumptions used is also included below.

	JT Group Limited	Jersey New Waterworks Company Limited	Jersey Post International Limited
WACC An increase/decrease of 1% in the WACC would lead to an approximate decrease/increase in the value of:	£9 million	£2 million	£1 million
Terminal Multiple An increase/decrease of 1 in the terminal multiple used would lead to an approximate increase/decrease in value of:	£29 million	£4 million	£3 million
EBITDA An increase/decrease in forecast EBITDA of 5% per annum would lead to an approximate increase/decrease in value of:	£27 million	£5 million	£2 million

Preference Shares have been valued using a Dividend Valuation Model, which applies discounted cash flow methodologies to the dividends expected to be received in relation to the shares. The discount rate applied is the higher of the intrinsic rate of the instrument (based on market information on comparable instruments), and the discount rate set by the Treasurer of the States (currently 6.1%).

9.3 Changes to Accounting Standards

Adoption of new and revised standards

For the 2014, there has been one change in Accounting Policy or treatment, described below. Previous years statements have been restated to be on a comparable basis, and details of the changes made are set out in the tables below.

Componentisation of Assets

Following a review of assets, it was determined that some assets should be split into components and depreciated over different useful economic lives compared to the parent asset. As such, a change in accounting estimate was made to adjust depreciation going forward over assets affected.

Incorporation of Housing

The incorporation of the Housing department into a separate legal entity (a company limited by guarantee) was approved by the States under P.63/2013. The transfer into the new company was effective from the 1st July 2014. The 2013 Financial Report and Accounts were prepared on the assumption that the newly formed housing company would fall outside of the direct control of the States of Jersey and so would not be consolidated. On that basis, they were treated as a discontinuing operation as per IFRS 5, with a view to being treated the same way as the other Strategic Investments.

Following the incorporation of Andium Homes, further consideration was given to whether this was appropriate as the governance framework in place for Andium Homes resulted in a more significant involvement of the States of Jersey in decision making than was the case for the other Strategic Investments. By virtue of those arrangements, it was deemed that the States appeared to operate direct control of Andium Homes.

To reflect this change the results of the Housing Department and Andium Homes are now shown within the consolidated financial statements.

9.3a Restated consolidated Statement of Financial Position as at 31 December 2013

	Previously Reported £'000	Incorporation of Housing £'000	Restated £'000
Non-Current Assets			
Property, Plant and Equipment	2,584,919	685,452	**3,270,371**
Intangible Assets	10,705	–	**10,705**
Loans and Advances	10,029	–	**10,029**
Strategic Investments	313,800	–	**313,800**
Other Available for Sale investments	303	15,104	**15,407**
Infrastructure Investments	14,896	–	**14,896**
Investments held at Fair Value through Profit or Loss	2,032,520	–	**2,032,520**
Derivative Financial Instruments expiring after more than one year	–	–	**–**
Trade and Other Receivables	7	–	**7**
Total Non-Current Assets	**4,967,179**	**700,556**	**5,667,735**
Current Assets			
Assets of the Housing Department	705,982	(705,982)	**–**
Non-Current Assets classified as held for sale	22	3,965	**3,987**
Inventories	35,566	–	**35,566**
Loans and Advances	1,202	–	**1,202**
Derivative Financial Instruments expiring within one year	174	–	**174**
Investments held at Fair Value through Profit and Loss	156,984	–	**156,984**
Trade and Other receivables	175,059	1,461	**176,520**
Cash and Cash Equivalents	187,880	–	**187,880**
Total Current Assets	**1,262,869**	**(700,556)**	**562,313**
Total Assets	**6,230,048**	**–**	**6,230,048**
Current Liabilities			
Liabilities of the Housing Department	(6,479)	6,479	**–**
Trade and Other Payables	(148,590)	(4,504)	**(153,094)**
Currency in Circulation	(100,608)	–	**(100,608)**
Finance Lease Obligations	(2,081)	–	**(2,081)**
Provisions for liabilities and charges	(1,471)	–	**(1,471)**
Total Current Liabilities	**(259,229)**	**1,975**	**(257,254)**
Total Assets Less Current Liabilities	**5,970,819**	**1,975**	**5,972,794**
Non-Current Liabilities			
Finance Lease Obligations	(6,941)	–	**(6,941)**
Provisions for liabilities and charges	(6,650)	–	**(6,650)**
Derivative Financial Instruments expiring after more than one year	(346)	–	**(346)**
PECRS Pre-1987 Past Service Liability	(234,028)	(1,975)	**(236,003)**
Provision for JTSF Past Service Liability	(101,057)	–	**(101,057)**
Defined Benefit Pension Schemes Net Liability	(10,488)	–	**(10,488)**
Total Non-Current Liabilities	**(359,510)**	**(1,975)**	**(361,485)**
Assets Less Liabilities	**5,611,309**	**–**	**5,611,309**
Taxpayers' Equity			
Accumulated Revenue and Other Reserves	4,578,377	(7,061)	**4,571,316**
Revaluation Reserve	596,390	199,219	**795,609**
Revaluation Reserve – Housing Department	192,158	(192,158)	**–**
Investment Reserve	245,041	(657)	**244,384**
Investment Reserve – Housing Department	(657)	657	**–**
Total Taxpayers' Equity	**5,611,309**	**–**	**5,611,309**

9.3b Restated consolidated Statement of Financial Position as at 1 January 2013

		Previously Reported £'000	Incorporation of Housing £'000	Restated £'000
Non-Current Assets				
Property, Plant and Equipment		3,178,743	–	**3,178,743**
Intangible Assets		11,256	–	**11,256**
Loans and Advances		10,083	–	**10,083**
Strategic Investments		288,800	–	**288,800**
Other Available for Sale investments		14,589	–	**14,589**
Infrastructure Investments		10,000	–	**10,000**
Investments held at Fair Value through Profit or Loss		1,580,435	–	**1,580,435**
Derivative Financial Instruments expiring after more than one year		230	–	**230**
Trade and Other Receivables		7	–	**7**
Total Non-Current Assets		**5,094,143**	**–**	**5,094,143**
Current Assets				
Assets of the Housing Department		–	–	**–**
Non-Current Assets classified as held for sale		538	–	**538**
Inventories		33,113	–	**33,113**
Loans and Advances		1,739	–	**1,739**
Derivative Financial Instruments expiring within one year		263	–	**263**
Investments held at Fair Value through Profit and Loss		324,957	–	**324,957**
Trade and Other receivables		180,647	–	**180,647**
Cash and Cash Equivalents		168,019	–	**168,019**
Total Current Assets		**709,276**	**–**	**709,276**
Total Assets		**5,803,419**	**–**	**5,803,419**
Current Liabilities				
Liabilities of the Housing Department		–	–	**–**
Trade and Other Payables		(145,469)	–	**(145,469)**
Currency in Circulation		(90,470)	–	**(90,470)**
Finance Lease Obligations		(1,964)	–	**(1,964)**
Provisions for liabilities and charges		(1,327)	–	**(1,327)**
Total Current Liabilities		**(239,230)**	**–**	**(239,230)**
Total Assets Less Current Liabilities		**5,564,189**	**–**	**5,564,189**
Non-Current Liabilities				
Finance Lease Obligations		(9,022)	–	**(9,022)**
Provisions for liabilities and charges		(6,861)	–	**(6,861)**
Derivative Financial Instruments expiring after more than one year		(4)	–	**(4)**
PECRS Pre-1987 Past Service Liability		(246,127)	–	**(246,127)**
Provision for JTSF Past Service Liability		(97,747)	–	**(97,747)**
Defined Benefit Pension Schemes Net Liability		(9,282)	–	**(9,282)**
Total Non-Current Liabilities		**(369,043)**	**–**	**(369,043)**
Assets Less Liabilities		**5,195,146**	**–**	**5,195,146**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves		4,291,348	–	**4,291,348**
Revaluation Reserve		684,446	–	**684,446**
Revaluation Reserve – Housing Department		–	–	**–**
Investment Reserve		219,352	–	**219,352**
Investment Reserve – Housing Department		–	–	**–**
Total Taxpayers' Equity		**5,195,146**	**–**	**5,195,146**

9.3c Restated Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 December 2013

	Previously Reported £'000	Incorporation of Housing £'000	Restated £'000
Continuing Operations			
Revenue			
Levied by the States of Jersey			
Taxation revenue	(534,474)	–	**(534,474)**
Social Security Contributions	(167,768)	–	**(167,768)**
Island rates, duties, fees, fines and penalties	(92,334)	–	**(92,334)**
Total Revenue Levied by the States of Jersey	**(794,576)**	**–**	**(794,576)**
Earned through Operations			
Sales of goods and services	(103,417)	(41,891)	**(145,308)**
Investment income	(326,651)	(15)	**(326,666)**
Other revenue	(16,699)	(163)	**(16,862)**
Total Revenue Earned through Operations	**(446,767)**	**(42,069)**	**(488,836)**
Total Revenue	**(1,241,343)**	**(42,069)**	**(1,283,412)**
Expenditure			
Social Benefit Payments	333,673	–	**333,673**
Staff costs	343,821	2,607	**346,428**
Other Operating expenses	201,598	11,727	**213,325**
Grants and Subsidies payments	37,223	3	**37,226**
Depreciation and Amortisation	52,787	14,075	**66,862**
Impairments	7,714	(2,363)	**5,351**
Gains on disposal of non-current assets	(153)	–	**(153)**
Finance costs	14,582	1	**14,583**
Net foreign-exchange losses	149	–	**149**
Movement in pension liability	(12,581)	–	**(12,581)**
Total Expenditure	**978,813**	**26,050**	**1,004,863**
Net Revenue Income from Continuing Operations	**(262,530)**	**(16,019)**	**(278,549)**
Discontinuing Operations			
Housing Department – Net Revenue Income	(23,080)	23,080	**–**
Net Revenue Income	**(285,610)**	**7,061**	**(278,549)**
Other Comprehensive Income			
Revaluation of Property, Plant and Equipment	(106,217)	(7,061)	**(113,278)**
Gain/Loss on Revaluation of Strategic Investments during the year	(25,000)	–	**(25,000)**
Reclassification adjustments for gains/losses included in Net operating costs	–	–	**–**
Gain/Loss on Revaluation of Other AFS Investments during the year	(40)	–	**(40)**
Reclassification adjustments for gains/losses included in Net operating costs	8	–	**8**
Actuarial Gain in respect of Defined Benefit Pension Schemes	1,089	–	**1,089**
Total Other Comprehensive Income	**(130,160)**	**(7,061)**	**(137,221)**
Total Comprehensive Income	**(415,770)**	**–**	**(415,770)**

9.4 Segmental Analysis

The Corporate Management Board receive financial reports quarterly that include information on General Revenue Income Streams, Ministerial Departments, Non-Ministerial Departments (in aggregate) and Trading Operations, and these are therefore considered to be the operating segments of the States of Jersey. This split is based on lines of accountability within the organisation. Amounts charged and paid to other entities within the Accounting Boundary are not eliminated in these reports.

The Accounts and accompanying Annex include a large amount of detailed information on these segments (and other entities in the Accounting Boundary, such as Separately Constituted (Special) funds).

In particular, the Treasurers report includes tables showing Net Revenue Income/Expenditure for each income stream and department compared to prior years results.

Statements of Comprehensive Net Expenditure and Statements of Financial Position for individual departments are also included in the Annex to the Accounts. These pages also include information about the income streams comprising each departments revenue.

The tables below reconcile amounts included in these statements to that included in the Consolidated Statements.

States of Jersey

9.4a Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2014

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Housing Department[1]	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited[1]	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	652,682	107,437	4,113	21,070	1,534	786,836	56,906	89,138	373,619	2,196	22,278	1,330,973
Less: Intra/Inter-Segment Revenue	(27,448)	(44,953)	(1,105)	339	(1,899)	(75,066)	(9,871)	104,261	(190,940)	(956)	(93)	(172,665)
Revenue	**625,234**	**62,484**	**3,008**	**21,409**	**(365)**	**711,770**	**47,035**	**193,399**	**182,679**	**1,240**	**22,185**	**1,158,308**
Gross Expenditure	6,229	814,193	45,709	25,469	39,033	930,633	57,321	40,655	266,554	2,503	28,663	1,326,329
Less: Intra/Inter-Segment Expenditure	(4,620)	(121,583)	(3,334)	(799)	–	(130,336)	(10,788)	(8,199)	(9,551)	(842)	(14,727)	(174,443)
Expenditure	**1,609**	**692,610**	**42,375**	**24,670**	**39,033**	**800,297**	**46,533**	**32,456**	**257,003**	**1,661**	**13,936**	**1,151,886**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(646,453)	706,756	41,596	4,399	37,499	143,797	415	(48,483)	(107,065)	307	6,385	(4,644)
Less: Intra/Inter-Segment Income and Expenditure	22,828	(76,630)	(2,229)	(1,138)	1,899	(55,270)	(917)	(112,460)	181,389	114	(14,634)	(1,778)
Net Revenue Expenditure/(Income)	**(623,625)**	**630,126**	**39,367**	**3,261**	**39,398**	**88,527**	**(502)**	**(160,943)**	**74,324**	**421**	**(8,249)**	**(6,422)**
Other Comprehensive Income	(3,900)	(25,957)	–	(4,590)	(637)	(35,084)	(10,627)	–	–	(2,274)	(18,593)	(66,578)
Total Comprehensive Expenditure/(Income)	**(627,525)**	**604,169**	**39,367**	**(1,329)**	**38,761**	**53,443**	**(11,129)**	**(160,943)**	**74,324**	**(1,853)**	**(26,842)**	**(73,000)**

9.4b Segmental Analysis – Statement of Financial Position as at 31 December 2014

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Housing Department[1]	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited[1]	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	519,838	2,183,357	395	678,171	–	**3,381,761**	406,536	1,120,995	1,339,123	14,243	718,693	**6,981,351**	(1,214,632)	**5,766,719**
Current Assets	113,189	33,721	870	–	5,164	**152,944**	5,772	46,337	107,099	34,825	22,934	**369,911**	467,445	**837,356**
Interfund Balances	–	–	–	–	(67,432)	**(67,432)**	58,965	10,812	(2,285)	–	(60)	**–**	–	**–**
Current Liabilities	(81,552)	(52,103)	(4,507)	–	(11,043)	**(149,205)**	(7,244)	(109,407)	(5,223)	(229)	(11,814)	**(283,122)**	8,469	**(274,653)**
Non-Current Liabilities	–	(3,213)	–	–	(373,142)	**(376,355)**	(20,020)	(248,335)	–	–	(39,373)	**(684,083)**	39,373	**(644,710)**
Net Assets	**551,475**	**2,161,762**	**(3,242)**	**678,171**	**(446,453)**	**2,941,713**	**444,009**	**820,402**	**1,438,714**	**48,839**	**690,380**	**6,384,057**	**(699,345)**	**5,684,712**
Reserves	7,419,366	(5,100,920)	(375,229)	616,377	382,119	**2,941,713**	444,009	820,402	1,438,714	48,839	690,380	**6,384,057**	(699,345)	**5,684,712**
Intrafund Balances	(6,867,891)	7,262,682	371,987	61,794	(828,572)	**–**	–	–	–	–	–	**–**	–	**–**
Net Reserves	**551,475**	**2,161,762**	**(3,242)**	**678,171**	**(446,453)**	**2,941,713**	**444,009**	**820,402**	**1,438,714**	**48,839**	**690,380**	**6,384,057**	**(699,345)**	**5,684,712**

9.4c Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2013 (Restated)

	General Revenue Income £'000	Ministerial Depts (excluding Housing) £'000	Non-Ministerial Depts and the States Assembly £'000	Housing Department[1] £'000	Other Consolidated Fund £'000	Total Consolidated Fund £'000	Trading Operations £'000	Special Funds and the CIF £'000	Social Security Funds £'000	SOJDC £'000	Total SOJ £'000
Gross Revenue	642,919	82,860	2,530	42,312	1,436	**772,057**	53,426	109,923	464,018	4,987	**1,404,411**
Less: Intra/Inter-Segment Revenue	(5,815)	(26,429)	(379)	(243)	(925)	**(33,791)**	(6,412)	164,075	(243,883)	(988)	**(120,999)**
Revenue	**637,104**	**56,431**	**2,151**	**42,069**	**511**	**738,266**	**47,014**	**273,998**	**220,135**	**3,999**	**1,283,412**
Gross Expenditure	6,230	750,736	37,696	27,775	(3,410)	**819,027**	51,267	12,615	240,474	2,483	**1,125,866**
Less: Intra/Inter-Segment Expenditure	(553)	(108,292)	(2,739)	(1,725)	–	**(113,309)**	(9,630)	8,972	(6,197)	(839)	**(121,003)**
Expenditure	**5,677**	**642,444**	**34,957**	**26,050**	**(3,410)**	**705,718**	**41,637**	**21,587**	**234,277**	**1,644**	**1,004,863**
Net Revenue Expenditure/(Income)											
Before Consolidation Adjustments	(636,689)	667,876	35,166	(14,537)	(4,846)	**46,970**	(2,159)	(97,308)	(223,544)	(2,504)	**(278,545)**
Less: Intra/Inter-Segment Income and Expenditure	5,262	(81,863)	(2,360)	(1,482)	925	**(79,518)**	(3,218)	(155,103)	237,686	149	**(4)**
Net Revenue Expenditure/(Income)	**(631,427)**	**586,013**	**32,806**	**(16,019)**	**(3,921)**	**(32,548)**	**(5,377)**	**(252,411)**	**14,142**	**(2,355)**	**(278,549)**
Other Comprehensive Income	(25,000)	(19,578)	–	(93,056)	1,089	**(136,545)**	–	–	–	(676)	**(137,221)**
Total Comprehensive Expenditure/(Income)	**(656,427)**	**566,435**	**32,806**	**(109,075)**	**(2,832)**	**(169,093)**	**(5,377)**	**(252,411)**	**14,142**	**(3,031)**	**(415,770)**

9.4d Segmental Analysis – Statement of Financial Position as at 31 December 2013 (Restated)

	General Revenue Income £'000	Ministerial Depts (excluding Housing) £'000	Non-Ministerial Depts and the States Assembly £'000	Housing Department1 £'000	Other Consolidated Fund £'000	Total Consolidated Fund £'000	Trading Operations £'000	Special Funds and the CIF £'000	Social Security Funds £'000	SOJDC £'000	Total before Consolidation Adjustments £'000	Consolidation Adjustments £'000	Total SOJ £'000
Non-Current Assets	518,740	2,179,452	419	700,556	–	**3,399,167**	395,575	838,474	1,244,315	12,570	**5,890,101**	(222,366)	**5,667,735**
Current Assets	140,122	29,306	555	5,426	2,850	**178,259**	5,262	49,437	87,604	35,059	**355,621**	206,692	**562,313**
Interfund Balances	–	–	–	–	(81,691)	**(81,691)**	57,804	20,466	3,421	–	**–**	–	**–**
Current Liabilities	(76,655)	(43,834)	(1,826)	(4,513)	(11,011)	**(137,839)**	(5,350)	(105,306)	(3,675)	(756)	**(252,926)**	(4,328)	**(257,254)**
Non-Current Liabilities	–	(2,648)	–	(1,975)	(334,154)	**(338,777)**	(18,360)	(4,348)	–	–	**(361,485)**	–	**(361,485)**
Net Assets	**582,207**	**2,162,276**	**(852)**	**699,494**	**(424,006)**	**3,019,119**	**434,931**	**798,723**	**1,331,665**	**46,873**	**5,631,311**	**(20,002)**	**5,611,309**
Reserves	6,738,193	(4,420,165)	(333,633)	615,749	418,975	**3,019,119**	434,931	798,723	1,331,665	46,873	**5,631,311**	(20,002)	**5,611,309**
Intrafund Balances	(6,155,986)	6,582,441	332,781	83,745	(842,981)	**–**	–	–	–	–	**–**	–	**–**
Net Reserves	**582,207**	**2,162,276**	**(852)**	**699,494**	**(424,006)**	**3,019,119**	**434,931**	**798,723**	**1,331,665**	**46,873**	**5,631,311**	**(20,002)**	**5,611,309**

Notes

1 The Housing Department was incorporated as Andium Homes Limited on 1 July 2014. The department prior to incorporation has been shown separate from other Ministerial Departments to aid comparability

9.5 Revenue

	Note	Restated 2013 £'000	2014 £'000
Levied by the States of Jersey			
Taxation Revenue			
Personal		356,666	354,186
Companies		98,482	83,445
GST		79,326	80,503
Taxation Revenue		**534,474**	**518,134**
Social Security Contributions		**167,768**	**171,520**
Island rates, duties, fees, fines and penalties			
Impôts Duty – Spirits		4,510	4,801
Impôts Duty – Wines		7,231	7,615
Impôts Duty – Beer and Cider		6,073	6,273
Impôts Duty – Tobacco		15,048	13,788
Impôts Duty – Fuel		20,385	20,708
Impôts Duty – Other		234	161
Impôts Duty – Environmental		839	760
Stamp Duty and Land Transfer Tax		17,370	25,977
Island Rates		11,641	11,896
Other Fees and Fines		9,003	9,449
Island rates, duties, fees, fines and penalties		**92,334**	**101,428**
Earned through Operations			
Sales of goods and services		**145,308**	**154,435**
Investment Income			
Investment Income	8	52,977	51,751
Gains on financial assets	9	273,689	143,914
Investment Income		**326,666**	**195,665**
Other Revenue			
Financial Returns		3,792	3,802
Other Income	i	13,070	13,324
Other Revenue		**16,862**	**17,126**
Total Revenue		**1,283,412**	**1,158,308**

Notes

i. Other income includes: European Union Savings Tax Directive Income, Recovered costs, Criminal Offences Confiscations Fund grants received, coverage payments and other income that does not fall into any other category.

9.6 Expenditure

	Note	Restated 2013 £'000	2014 £'000
Social Benefit Payments			
Social Benefits	10	333,673	347,616
Total Social Benefit Payments		**333,673**	**347,616**
Staff costs			
States Members Remuneration	11	2,391	2,496
States Staff Salaries and Wages	11	295,042	309,858
States Staff Pension Costs	11	37,943	40,216
Non-States Staff Costs	11	10,770	10,817
Other Staff Costs	11	1,577	3,862
Charges of Staff to Capital Projects	11	(1,295)	(3,199)
Total Staff Costs		**346,428**	**364,050**
Other Operating expenses		**213,325**	**240,008**
Grants and Subsidies payments	**12**	**37,226**	**45,479**
Depreciation and Amortisation			
Property, Plant and Equipment	7	64,308	75,463
Intangible Assets	7	2,554	2,353
Total Depreciation and Amortisation		**66,862**	**77,816**
Impairments			
Property, Plant and Equipment	7	(1,329)	22,059
Trade Receivables	7	6,680	2,898
Total Impairments		**5,351**	**24,957**
Gains/(losses) on disposal of non-current assets			
Gains/(losses) on disposal of Property, Plant and Equipment		(93)	90
Gains on disposal of assets classified as held for sale		(60)	(15)
Total gains/(losses) on disposal of non-current assets		**(153)**	**75**
Finance costs		**14,583**	**21,190**
Net foreign-exchange losses/(gains)		**149**	**(571)**
Movement in pension liability	**30, 31**	**(12,581)**	**31,266**
Total Expenditure		**1,004,863**	**1,151,886**

9.7 Non-Cash Items and other Significant Items included in Net Revenue Expenditure

Net Revenue Expenditure/(Income) for the year is stated after charging/(crediting) the following Non-Cash and significant items:

	Note	Restated 2013 £'000	2014 £'000
Non Cash Items			
Depreciation of Property, Plant and Equipment	i	64,308	75,463
Impairments of Property, Plant and Equipment and Non-Current Assets Held for Sale		(1,329)	22,059
Amortisation of Intangible Assets		2,554	2,353
Donations of Assets		(113)	(116)
Impairment loss recognised on Trade and Other Receivables		6,680	2,898
Impairment loss recognised on Available for Sale Financial Assets		–	–
(Decrease)/Increase in Provisions		(67)	3,237
Other Significant Items			
(Gain)/Loss on Disposal of Property, Plant and Equipment		(93)	90
Gain on Disposal of Non Current Assets held for Sale		(60)	(15)
Gain on Investments	9	(273,689)	(143,914)
Auditors' Remuneration			
Audit Fees	ii	372	392
Lease Rental Income: States as Lessor			
Rentals under Operating Leases		44,695	45,643
Lease Rental Expense: States as Lessee			
Land and Buildings		1,431	886
Plant and machinery		2	3
Other		225	342
Total Lease Rental Expense		**1,658**	**1,231**

Notes

i. Depreciation includes £1,171,987 of depreciation relating to assets funded by Finance Leases (2013: £1,058,691). Depreciation includes £96,057 of depreciation relating to donated assets (2013: £117,800).

ii. Other fees of £208,000 were paid to the external auditor in 2014 (2013: £33,220) for non-audit services.

9.8 Investment Income

	2013 £'000	2014 £'000
Interest Income		
Investments held at Fair Value through Profit or Loss	14,908	9,007
Infrastructure Investments	314	304
Loans and receivables	614	695
Cash and Cash Equivalents	950	775
Other	1	76
Total Interest Income	**16,787**	**10,857**
Dividends		
Strategic Investments	11,127	7,467
Investments held at Fair Value through Profit or Loss	25,063	33,427
Total Dividends	**36,190**	**40,894**
Total Investment Income	**52,977**	**51,751**

9.9 Gains and Losses on Financial Assets

	Notes	Restated 2013 £'000	2014 £'000
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	i	274,230	143,386
Gain on Available for Sale Investments		15	48
(Loss)/Gain on Cash Equivalents		(1)	8
Change in Fair Value of Derivative Financial Instruments	ii	(555)	472
Total Gains and Losses		**273,689**	**143,914**

Notes

i Changes in Fair Value of Financial Assets held at Fair Value through Profit or Loss include £100.7 million of realised gains (2013: £103.9 million of realised gains).

ii Changes in Fair Value of Derivative Assets include £301,213 of realised gains (2013: £104,424).

9.10 Social Benefit Payments

	2013 £'000	2014 £'000
Social Benefits		
Social Security: Income Support		
Weekly Benefit	72,953	73,844
Special Payments	1,210	1,570
Residential Care	16,677	8,865
Winter Fuel	695	417
Transitional Relief	490	421
Youth Incentive Payment	–	40
Social Security Department Other Benefits	5,662	4,565
Social Security Fund Benefits		
Pensions and survivors' benefits	158,905	165,056
Short term incapacity allowance	12,938	12,413
Long term incapacity allowance	14,567	14,858
Invalidity benefit	9,016	8,087
Maternity allowance	2,191	2,092
Maternity grant	557	495
Death grant	499	489
Health Insurance Fund Benefits		
Medical benefit	8,836	8,837
Pharmaceutical benefit	18,121	18,862
Gluten free food vouchers	257	279
Long Term Care Fund Benefits		
Long Term Care Benefit	–	3,148
Long Term Care Support	–	13,751
Education, Sport and Culture: Student Grants	9,178	8,647
Health and Social Services: Allowances	921	880
Total Social Benefits	**333,673**	**347,616**

Notes

The States Contribution to the Social Security Fund (also known as the States Grant), was £63.7 million in 2014 (2013: £62.2 million). The amount of the Grant is governed by a formula and was set for the period of the MTFP, bringing certainty to the level of contribution made to the Social Security Fund. The formula is based on past amounts needed to supplement contributions for those earning between the lower earnings threshold and the standard earnings limit, reduced by contributions received above the standards earnings limit. The actual amount of Supplementation in 2014 was £ £71.9 million (2013: £69.2 million).

A contribution of £18.1 million was made into the Long Term Care Fund in 2014. This includes £13.5 million from the Social Security Department and Health and Social Services Department in line with P.140/2013 from 1 July 2014, and a further amount of £4.6 million funded from underspends within the Social Security Department (2013: £11.7 million).

As the Social Security Funds are included within the Accounting Boundary, these transactions are eliminated in preparing the consolidated statements.

9.11 Staff Costs

2014

Year End FTE	Department	Notes	Salaries and Wages £'000	Pension £'000	Social Security £'000	Total £'000
261.8	Chief Minister's Department		13,591	1,721	732	16,044
54.7	Economic Development		2,944	377	163	3,484
1,603.9	Education, Sport and Culture		73,694	10,697	4,421	88,812
110.2	Department of the Environment		5,947	800	330	7,077
2,435.8	Health and Social Services		112,993	13,600	6,608	133,201
660.2	Home Affairs		33,960	4,291	1,957	40,208
0.0	Housing		1,232	160	69	1,461
221.6	Social Security		8,718	1,268	538	10,524
467.5	Transport and Technical Services		17,823	2,153	1,092	21,068
245.7	Treasury and Resources		12,417	1,603	696	14,716
27.8	States Assembly (excluding States Members)		1,335	182	78	1,595
183.2	Non Ministerial States Funded Bodies		11,068	1,625	572	13,265
169.2	Jersey Airport		9,128	1,130	512	10,770
71.8	Jersey Harbours		3,446	407	198	4,051
19.0	Jersey Car Parking		672	91	43	806
25.0	Jersey Fleet Management		890	111	57	1,058
6,557.4	**Total**		**309,858**	**40,216**	**18,066**	**368,140**
	SOJDC	ii	705	81	26	812
	Andium Homes Limited	iii	1,341	163	73	1,577
	Non-States staff costs	iv				10,817
	Other staff costs	v				1,572
	States Members remuneration					2,496
	Staff costs charged to capital					(3,199)
	Total Staff costs					**382,215**
	Elimination of Social Security Contributions	vi				(18,165)
	Other Eliminations					–
	Total Consolidated Staff costs					**364,050**

2013 (RESTATED)

Year End FTE	Department	Notes	Salaries and Wages £'000	Pension £'000	Social Security £'000	Total £'000
221.4	Chief Minister's Department		11,699	1,481	634	13,814
57.9	Economic Development		2,824	352	161	3,337
1,589.3	Education, Sport and Culture		70,680	10,161	4,230	85,071
108.9	Department of the Environment		5,821	767	325	6,913
2,379.3	Health and Social Services		106,853	12,808	6,236	125,897
656.8	Home Affairs		32,754	4,105	1,884	38,743
44.2	Housing		2,155	285	125	2,565
212.7	Social Security		7,707	1,109	473	9,289
477.2	Transport and Technical Services		17,312	2,054	1,061	20,427
244.4	Treasury and Resources		11,605	1,509	657	13,771
27.1	States Assembly (excluding States Members)		1,231	168	72	1,471
188.4	Non Ministerial States Funded Bodies		10,680	1,494	550	12,724
170.9	Jersey Airport		8,887	1,079	500	10,466
71.5	Jersey Harbours		3,330	388	192	3,910
20.0	Jersey Car Parking		659	88	42	789
26.0	Jersey Fleet Management		845	95	54	994
6,496.0	**Total**		**295,042**	**37,943**	**17,196**	**350,181**
	SOJDC	ii	661	76	24	761
	Non-States staff costs	iv				10,770
	Other staff costs	v				694
	States Members remuneration					2,391
	Staff costs charged to capital					(1,295)
	Total Staff costs					**363,502**
	Elimination of Social Security Contributions	vi				(17,220)
	Other Eliminations					146
	Total Consolidated Staff costs					**346,428**

Notes

i. Figures exclude costs associated with the PECRS pre-87 liability.

ii. Further details can be found in the separately published SOJDC accounts.

ii. Further details can be found in the separately published Andium accounts.

iv. Non-States staff costs includes the costs of individuals who do not hold an employment contract with the States, but who are acting as States Employees.

v. Other staff costs include redundancy, voluntary redundancy, severance payments and adjustments for the cost of accumulated compensated absences.

vi. Social Security Contributions paid by States Entities to the Social Security Fund and Health Insurance Fund are internal to the States Accounts, and so eliminated on consolidation. This note has been drafted to show the full cost of Staff as well as the consolidated position.

Analysis of Staff Costs by Type

	Restated 2013 £'000	2014 £'000
Type of Payment		
Basic Pay	275,280	289,291
Shift Allowances	8,172	8,358
Overtime	6,857	7,417
Standby Payments	1,852	1,608
Other Time Payments	333	366
Skill Related Payments	433	604
Business Expenses	147	104
Relocation Expenses	558	485
Ad Hoc Payments/Supplements	3,598	4,411
Benefits	609	720
Sickness Offsets from Social Security	(1,424)	(1,485)
Amounts shown in Other Staff Costs	(511)	(1,223)
Other Accounting Adjustments	(862)	(798)
Total Salaries and Wages	**295,042**	**309,858**
Pension	37,943	40,216
Social Security	17,196	18,066
Total	**350,181**	**368,140**

Analysis of Staff Costs by Pay Group

	Restated 2013 £'000	2014 £'000
Pay Group		
Civil Servants (including A Grades)	119,100	126,595
Manual Workers	30,341	30,919
EfW Operations	1,167	1,278
Doctors and Consultants	15,883	17,041
Nurses and Midwives	43,055	45,735
Other Health Pay Groups	5,351	5,242
Uniformed Services	22,097	22,636
Heads and Deputy Heads, Highlands Managers	5,634	5,938
Teachers and Lecturers	40,258	41,579
Youth Service	1,001	1,096
Other Ports of Jersey Pay Groups	4,387	4,764
Chief Officers, Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	5,835	6,560
Law Officers	2,306	2,496
Amounts shown in Other Staff Costs	(511)	(1,223)
Other Accounting Adjustments	(862)	(798)
Total Salaries and Wages	**295,042**	**309,858**
Pension	37,943	40,216
Social Security	17,196	18,066
Total	**350,181**	**368,140**

9.12 Grants

Significant Grants made during 2014

The note below summarises grants of £75,000 and over made by the States of Jersey in 2014. Full details of Grants below £75,000 are given in Appendix A of the Annex to the Accounts.

Issuing Dept	Grantee	2013 Grant £	2014 Grant £	Reason for Grant (Strategic Priority)
JOAC	Overseas Aid Grants	9,089,719	9,700,634	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives (N/A)
EDD	Jersey Finance Limited	4,089,952	4,961,500	Market and promote the Finance Industry and provide technical assistance to Government (1)
CMD	National Trust	–	3,575,000	Support the purchase of Plemont Holiday Village (4)
ESC	Jersey Heritage Trust	2,808,932	3,217,527	Support the operations of the Jersey Heritage Trust (4)
ESC	Beaulieu School	1,878,650	1,983,936	Support the operation of Beaulieu School (1, 4)
ESC	De La Salle College	1,932,780	1,872,072	Support the operation of De La Salle College (1, 4)
CILF	Association of Jersey Charities	684,555	1,111,922	Grant aid to various registered Jersey Charities (4)
SSD	The Jersey Employment Trust	953,500	972,600	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (1)
EDD	Digital Jersey	635,000	961,000	Grant support to cover operating costs (1, 6)
CMD	Government of Jersey London Office	210,000	956,000	Grant for the operation of the Government of Jersey London Office (1, 7)
SSD	The Jersey Employment Trust	595,238	696,954	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
EDD	Jersey Business Limited	615,000	669,140	Grant support to cover operating costs (1, 2)
ESC	2015 Island Games Organising Committee	100,000	600,000	Support the organisation of the 2015 Island Games (4)
ESC	Jersey Arts Trust	572,000	572,000	To repay the Opera House refurbishment loan (4)
ESC	Serco (Jersey) Limited	491,772	499,752	Subsidy in respect of the operation of the Waterfront Pool (4)
ESC	The Jersey Opera House	448,900	466,202	Support the operations of the Jersey Opera House (4)
ESC	Jersey Arts Centre Association	479,282	460,779	Support the operations of the Jersey Arts Centre (4)
ESC	FCJ Primary School	791,486	436,850	Support the operation of Convent FCJ School (1,4)
EDD	Jersey Competition Regulatory Authority	335,000	398,500	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (1)
SSD	Jersey Advisory and Conciliation Service	379,200	353,000	Provide a free employment relations service to help employers, employees and trade unions work together for the prosperity of Jersey business and the benefit of employees (1)
CMD	Channel Islands Brussels Office	361,695	298,598	Grant for the operation of the Channel Islands Brussels Office (1, 7)
EDD	Royal Jersey Agricultural and Horticultural Society	251,284	250,000	Services to support the dairy industry, e.g. bull proving and artificial insemination (1, 7)
CMD	Jersey Financial Services Commission	248,965	248,965	Assist with the costs of the Anti Money Laundering Unit (1)
H&SS	Citizen's Advice Bureau	278,830	228,708	Provide information and advice to members of the public (4, 5)
EDD	Jersey Conference Bureau Limited	220,500	221,295	Support the operation of the Jersey Conference Bureau (1)
ESC	St John Centre Limited	–	220,000	Support the completion of the Youth Project wing at St Johns Recreation Centre (1,4)

Issuing Dept	Grantee	2013 Grant £	2014 Grant £	Reason for Grant (Strategic Priority)
EDD	The Jersey Royal Company	233,928	218,256	Area Payments support to underpin a base level of farming activity in the countryside (1, 7)
ESC	Jersey Childcare Trust	175,236	178,800	Support the operations of the Jersey Childcare Trust (1, 4)
ESC	St Michael's School	273,533	165,115	Support the operation of St Michael's School (1, 4)
ESC	Jersey Arts Trust	178,033	163,755	Support the operations of the Jersey Arts Trust (4)
EDD	Jersey Product Promotion Limited	153,180	159,000	Support for promoting Jersey products e.g. Genuine Jersey (1, 7)
ESC	Le Don Balleine Trust	141,606	147,064	Support the operation of Le Don Balleine (4)
ESC	Prince's Trust	–	146,679	Support the operation of the Prince's Trust (4)
EDD	Battle of Flowers Association	130,000	145,000	Battle of Flowers 2013 – Event grant (1)
EDD	Jersey Consumer Council	125,818	131,000	Funding of all functions and activities (1)
TDF	West Park Marine Lake Trust	–	115,000	Support the cost of restoring the West Park swimming pool (4)
EDD	Jersey International Air Display	90,000	110,000	Jersey International Air Display – event grant (4)
Judicial Greffe	Jersey Legal Information Board	100,000	100,000	To assist with running costs (4)
ESC	Jersey Heritage Trust	–	95,000	Support the restoration of Kempt and Rocco Towers (1,4)
SSD	Autism Jersey (Vocational Day Scheme)	89,044	92,315	Provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
CMD	Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	215,000	88,039	Development of Jersey/France relations – promoting French language and culture (1,7)
SSD	Jersey Mencap (Vocational Day Scheme)	77,537	80,831	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
ESC	Jersey Heritage Trust	738,000	–	To support the restoration and purchase of local Celtic coin hoard (4)
EDD	Jersey Dairy	100,000	–	Grant for Flexifiller Machine (1,7)
TDF	Branchage Film Festival	90,000	–	Assist with running costs (4)
	Total significant grants awarded	**31,363,155**	**38,068,788**	

Payments made under Significant Grant Schemes during 2014

The note below summarises payments under States of Jersey Grant Schemes where total payments exceeded £25,000 in 2014. Full details of these grants, and any grants are given in Appendix A of the Annex to the Accounts. Details of grants under £25,000 awarded under States of Jersey Grants Schemes are also given in Appendix A.

Issuing Dept	Name of Scheme	2013 Grant £	2014 Grant £	Reason for Grant (Strategic Priority)
ESC	Nursery Education Fund	1,552,075	1,718,751	Provide pre-school learning through the Nursery Education Fund (1,4)
SSD	Various employment schemes	631,794	1,264,546	Additional employment opportunities for the unemployed – includes Back to Work , Enhanced Workzone, Advance Plus (4)
DoE	Energy Efficiency Service	666,504	632,108	Initiative to assist low-income and vulnerable households reduce their energy bills and keep warmer through the winter (3)
EDD	Area Payments to Individuals	614,677	591,857	Support to underpin a base level of farming activity in the countryside (1,7)
EDD	Quality Milk Payments to Individuals	459,630	432,018	Transitional support to allow the industry to implement their Dairy Industry Recovery Programme (1,7)

Issuing Dept	Name of Scheme	2013 Grant £	2014 Grant £	Reason for Grant (Strategic Priority)
ESC	Support for travel to participate in sports events	141,195	281,955	To support individuals, clubs and associations in travel to participate in sports events (4)
DoE	Countryside Enhancement Scheme	272,977	248,505	Environmental financial support to land owners for the benefit of the Island's population (4)
EDD	Skills Accelerator Grant	45,042	214,832	To provide skills training to employees with the aim of making a difference to the sustainability or development of their employer's business (1)
ESC	Support for purchasing equipment and organising activities	172,500	129,310	To support sport and leisure clubs and associations in purchasing equipment and organising activities (4)
ESC	Grants to individuals (Jersey College for Girls)	121,271	129,053	To assist students in the payment of fees (1,4)
EDD	Rural Initiative Scheme	144,194	93,503	Provides support for innovation and business diversification (1,7)
EDD	Fisherman's Aid Pack	–	92,433	One-off support for commercial fishermen to compensate for losses during the storms of 2013/14 (1,7)
ESC	Grants to individuals (Victoria College)	73,958	70,031	To assist students in the payment of fees (1,4)
SSD	Other grants under the Vocational Day Scheme	70,104	–	Provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
EDD	Employment of Apprentices	44,866	–	Grant to employer in respect of apprentices employed (1,2)
	Total significant grants awarded under States of Jersey Grant Schemes	**5,010,787**	**5,898,902**	
	Total other Grants and Subsidies – see Appendix A	**848,643**	**1,511,809**	
	Grand Total – Grants and Subsidies awarded	**37,222,585**	**45,479,499**	

Notes on Strategic Priorities

Information on which of the States of Jersey Strategic Priorities are supported in awarding each grant is provided in the table above.

The Priorities were set out in the Strategic Plan 2012 as follows:

1. Get people into work
2. Manage population growth and migration
3. House our community
4. Promote family and community values
5. Reform Health and Social Services
6. Reform government and the public sector
7. Develop sustainable long term planning

9.13 Finance Costs

	Restated 2013 £'000	2014 £'000
Interest Expense		
PECRS Pre-1987 Debt Expense	13,574	14,906
Bond Interest	–	5,279
Finance Lease Interest	683	588
Other Interest	8	22
Total Interest Expense	**14,265**	**20,795**
Finance Charges		
Bank and Other Charges	318	395
Total Finance Charges	**318**	**395**
Total Finance Costs	**14,583**	**21,190**

9.14 Property, Plant and Equipment

2014

	Land £000	Buildings £000	Social Housing (inc Land) £000	Networked Assets (inc Land) £000	Other Structures £000	Transport Equipment £000	Plant and Machinery, Furniture and Fittings £000	Information Technology Equipment £000	Antiques and Works of Art £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation											
At 1 January 2014	**381,571**	**757,140**	**700,257**	**1,156,979**	**327,472**	**17,902**	**190,841**	**4,407**	**697**	**51,053**	**3,588,319**
Additions	45	(579)	1,671	–	–	–	116	152	–	75,493	**76,898**
Disposals	(1,356)	(1,826)	–	(1)	–	(1,007)	(362)	(136)	–	–	**(4,688)**
Transfers	987	16,694	12,705	10,163	67	1,735	8,787	272	35	(55,117)	**(3,672)**
Revaluations	–	3,220	25,829	3,871	3,293	–	–	–	–	–	**36,213**
Impairments	–	–	–	(2,841)	–	–	–	–	–	–	**(2,841)**
At 31 December 2014	**381,247**	**774,649**	**740,462**	**1,168,171**	**330,832**	**18,630**	**199,382**	**4,695**	**732**	**71,429**	**3,690,229**
Accumulated Depreciation											
At 1 January 2014	**(67,192)**	**(103,562)**	**(28,145)**	**(7,518)**	**(50,857)**	**(7,762)**	**(49,860)**	**(3,030)**	**(22)**	**–**	**(317,948)**
Depreciation charge	–	(23,181)	(14,707)	(10,163)	(6,962)	(1,665)	(18,130)	(651)	(4)	–	**(75,463)**
Disposals	–	188	–	–	–	853	296	136	–	–	**1,473**
Transfers	–	176	(176)	–	–	–	–	–	–	–	**–**
Revaluations	–	17,565	14,333	–	7,087	–	–	–	–	–	**38,985**
Impairments	(146)	(377)	(28,655)	(248)	–	–	(11,594)	(3)	–	–	**(41,023)**
Impairment reversals	–	6,434	1,293	–	229	–	–	–	–	–	**7,956**
At 31 December 2014	**(67,338)**	**(102,757)**	**(56,057)**	**(17,929)**	**(50,503)**	**(8,574)**	**(79,288)**	**(3,548)**	**(26)**	**–**	**(386,020)**
Net Book Value: 31 December 2014	**313,909**	**671,892**	**684,405**	**1,150,242**	**280,329**	**10,056**	**120,094**	**1,147**	**706**	**71,429**	**3,304,209**
Net Book Value: 1 January 2014	**314,379**	**653,578**	**672,112**	**1,149,461**	**276,615**	**10,140**	**140,981**	**1,377**	**675**	**51,053**	**3,270,371**
Asset Financing											
Purchased	270,066	640,380	684,405	1,150,242	273,188	9,978	119,827	1,147	72	71,429	**3,220,734**
Donated	34,433	1,247	–	–	–	78	267	–	634	–	**36,659**
Leased	9,410	30,265	–	–	7,141	–	–	–	–	–	**46,816**
Net Book Value: 31 December 2014	**313,909**	**671,892**	**684,405**	**1,150,242**	**280,329**	**10,056**	**120,094**	**1,147**	**706**	**71,429**	**3,304,209**

2013 (RESTATED)

	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant and Machinery, Furniture and Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation											
At 1 January 2013	**382,121**	**752,600**	**609,332**	**1,136,388**	**326,576**	**15,987**	**190,424**	**4,384**	**697**	**32,649**	**3,451,158**
Additions	31	771	–	–	7	13	112	–	–	49,483	**50,417**
Disposals	(1,189)	(973)	–	(31)	–	(645)	(3,571)	(5)	–	–	**(6,414)**
Transfers	608	4,066	7,574	4,433	889	2,547	3,876	28	–	(31,079)	**(7,058)**
Revaluations	–	676	85,184	58,389	–	–	–	–	–	–	**144,249**
Impairments	–	–	(1,833)	(42,200)	–	–	–	–	–	–	**(44,033)**
At 31 December 2013	**381,571**	**757,140**	**700,257**	**1,156,979**	**327,472**	**17,902**	**190,841**	**4,407**	**697**	**51,053**	**3,588,319**
Accumulated Depreciation											
At 1 January 2013	**(67,265)**	**(80,896)**	**(26,349)**	**(5,205)**	**(43,893)**	**(6,789)**	**(39,443)**	**(2,557)**	**(18)**	**–**	**(272,415)**
Depreciation charge	–	(22,965)	(14,068)	(4,434)	(6,934)	(1,563)	(13,862)	(478)	(4)	–	**(64,308)**
Disposals	–	372	–	–	–	537	3,468	5	–	–	**4,382**
Transfers	73	(73)	–	–	(29)	53	(23)	–	–	–	**1**
Revaluations	–	–	9,786	3,277	–	–	–	–	–	–	**13,063**
Impairments	–	–	(6,046)	(1,156)	(1)	–	–	–	–	–	**(7,203)**
Impairment Reversals	–	–	8,532	–	–	–	–	–	–	–	**8,532**
At 31 December 2013	**(67,192)**	**(103,562)**	**(28,145)**	**(7,518)**	**(50,857)**	**(7,762)**	**(49,860)**	**(3,030)**	**(22)**	**–**	**(317,948)**
Net Book Value: 31 December 2013	**314,379**	**653,578**	**672,112**	**1,149,461**	**276,615**	**10,140**	**140,981**	**1,377**	**675**	**51,053**	**3,270,371**
Net Book Value: 1 January 2013	**314,856**	**671,704**	**582,983**	**1,131,183**	**282,683**	**9,198**	**150,981**	**1,827**	**679**	**32,649**	**3,178,743**
Asset Financing											
Purchased	270,534	623,773	670,956	1,149,461	269,260	10,029	140,773	1,377	41	51,053	**3,187,257**
Donated	34,435	163	–	–	–	111	208	–	634	–	**35,551**
Leased	9,410	29,642	1,156	–	7,355	–	–	–	–	–	**47,563**
Net Book Value: 31 December 2013	**314,379**	**653,578**	**672,112**	**1,149,461**	**276,615**	**10,140**	**140,981**	**1,377**	**675**	**51,053**	**3,270,371**

During the year ended 31 December 2014 the States of Jersey undertook an interim valuation of Infrastructure assets. The impact of this interim valuation exercise on the value of the Infrastructure Assets held by the States was a small increase of £782,000 to the total portfolio. Valuations were carried out at the year end by Andium Homes Limited and SOJDC increasing Social Housing and Buildings by £25.9 million and £2.3 million respectively.

Impairments

During the year impairment reviews were carried out in line with the States accounting policies and the requirements of the Jersey Financial Reporting Manual (JFReM). Impairments totalling £43.9 million have occurred during the year, of which £20.6 million reversed previous revaluation gains and £23.3 million has been recorded in the SoCNE in 2014 (2013: (£1.1) million, all recorded in SoCNE).

Following the operational handover of the Energy from Waste plant during the year, Transport and Technical Services conducted a review of the relevant asset values and useful economic lives. Consequently, some assets have been further componentised to reflect the varying design lives of the individual components to be consistent with the maintenance and replacement schedule implemented upon handover. As a result, an impairment of £11.6 million was recognised in 2014, together with an increase of £4.6 million in the depreciation cost for 2014.

As part of the impairment review, £6.6 million was charged to the SoCNE in relation to the future redevelopment of both La Collette Low Rise and Le Squez Phases 3 and 4. The Social Housing – Existing Use valuation method uses future discounted cash-flows to determine an assets value. The sites are expected to be redeveloped over the course of the next 2 years thus reducing the projected cash-flows. In addition an impairment of £0.7 million was expensed on a property transferred from Jersey Property Holdings, which, under the same valuation method, was deemed to have a zero value. A net reversal of £0.2 million of previous impairments was realised in the course of the revaluation of Housing's remaining portfolio.

Investment Properties

Whilst the States does not generally hold assets solely for investment purposes, assets valuing £4.0 million are now held primarily for income generation and are included within Property, Plant and Equipment.

Procedures for Revaluations

All Property Assets with the exception of Assets Under Construction, are subject to a quinquennial revaluation (QQR), with an Interim Valuation after 3 years. A full property valuation was under taken by District Valuer Service (part of the Valuation Office Agency) during 2012, with an interim valuation planned for 2015.

Property Valuations are undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and are completed on the basis of the existing use value to the Department. Where valuation is made on a "Value in Use" basis, there is no significant difference between Open Market Value and Value in Use.

Infrastructure Assets are revalued annually, with a full valuation in 2013 being carried out by District Valuer Services (part of the Valuation Office Agency).

Other non-property assets are valued in accordance with IAS 16 as adapted by the JFReM. This may include valuations by employees of the States of Jersey.

Heritage Assets

The States of Jersey owns a number of assets which are held because of their cultural, environmental or historical associations, rather than for operational purposes. These assets have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts, and In these cases, no value is reported for these assets in the Statement of Financial Position.

There were no significant acquisitions or disposals of States' heritage assets during 2014.

The principle advisor to the States in matters relating to public heritage assets is the Jersey Heritage Trust. The Trust is an independent body incorporated in 1983, and receives an annual grant from the States of Jersey to support its running costs.

Heritage Properties

The States owns a number of Heritage Properties, including Elizabeth Castle, Mont Orgueil Castle, 11 forts and towers, 6 ruins, the Opera House and St James Concert Hall.

The Jersey Heritage Trust has been granted by deed of gift the usufruct of both Castles, and has such has responsibility for these properties, although the States retains legal ownership, and as such they would not be recognised as an asset of the States.

Some of the towers and forts are occupied, either by the States or by external organisations, but any rental amounts received are not reflective of the value of the structure. As any use is not the principle reason for retaining the properties, these are considered to be non-operational heritage assets. For example, St Aubin's Fort is retained due to its historic and cultural relevance, not as a residential facility. These properties are not valued due to the difficulty in obtaining a reliable estimate of value, and the costs that would be involved in valuation.

The Opera House and St James Concert Hall are both leased to the Jersey Arts Trust, although the States retains the responsibility for maintenance of these properties. These are both treated as operational heritage assets, and are valued and included within the Land and Building asset class on the Statement of Financial Position.

Paintings, sculptures, and other works of art

The States of Jersey owns a number of pieces of Art, including paintings, sculptures, statues, fountains, and other pieces of art in public places. Where a reliable valuation is available these assets have been included on the balance sheet under the Antiques and Works of Art asset class. However, in a number of cases no valuation is available, and the cost of obtaining one would exceed the benefits, and in these cases no asset is recognised. 31 pieces of art have been identified but not recognised on Statement of Financial Position, including 6 paintings and 20 sculptures in public places.

Other Heritage Assets

Other heritage assets held by the States of Jersey include:

- Rare books at Jersey Library (with an estimated value of £265,000)
- Antique Cannon at Fort Regent (no reliable estimate of value available)
- Various organs and pianos (recognised only where a reliable estimate exists)[1]
- The Bailiff' Mace and the Royal Seal (no reliable estimate of value available)
- Honours Boards, Memorials, Clocks, etc (recognised only where a reliable estimate exists)

Footnote 1:

In particular, The Chapel Organ at Highlands has been awarded a certificate Grade I by The British Institute of Organ Studies in recognition of it being a rare example of instrument by Mutin/Cavaille-Coll 1913, in original condition. Whilst the value of the organ has been approximated at £600,000, the cost of obtaining a formal valuation is considered to outweigh the benefits that would be obtained.

9.15 Intangible Assets

	Information Technology Software £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation			
At 1 January 2014	**30,981**	**1,743**	**32,724**
Additions	–	969	**969**
Transfers	1,450	(1,232)	**218**
At 31 December 2014	**32,431**	**1,480**	**33,911**
Accumulated Amortisation			
At 1 January 2014	**(22,019)**	**–**	**(22,019)**
Amortisation charge	(2,353)	–	**(2,353)**
Transfers	(1)	–	**(1)**
At 31 December 2014	**(24,373)**	**–**	**(24,373)**
Net Book Value: 31 December 2014	**8,058**	**1,480**	**9,538**
Net Book Value: 1 January 2014	**8,962**	**1,743**	**10,705**

	Information Technology Software £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation			
At 1 January 2013	**29,159**	**1,562**	**30,721**
Additions	–	2,003	**2,003**
Transfers	1,822	(1,822)	**–**
At 31 December 2013	**30,981**	**1,743**	**32,724**
Accumulated Amortisation			
At 1 January 2013	**(19,465)**	**–**	**(19,465)**
Amortisation charge	(2,554)	–	**(2,554)**
At 31 December 2013	**(22,019)**	**–**	**(22,019)**
Net Book Value: 31 December 2013	**8,962**	**1,743**	**10,705**
Net Book Value: 1 January 2013	**9,694**	**1,562**	**11,256**

All Intangible Assets were purchased by the States of Jersey. There are no leased or donated Intangible Assets.

9.16 Non-Current Assets Held for Sale

	2013 £000	2014 £000
Cost or Valuation		
At 1 January	**632**	**4,080**
Additions	–	–
Transfers from Property, Plant and Equipment	7,057	3,454
Disposals	(3,609)	(5,987)
Revaluations	–	–
Impairments	–	(73)
At 31 December	**4,080**	**1,474**
Accumulated Depreciation		
At 1 January	**(94)**	**(93)**
Disposals	1	3
Revaluations	–	–
Impairments	–	–
Impairment Reversal	–	–
At 31 December	**(93)**	**(90)**
Net Book Value: 31 December	**3,987**	**1,384**
Net Book Value: 1 January	**538**	**3,987**

All Non-Current Assets Held for Sale were purchased by the States of Jersey. There are no leased or donated Non-Current Assets Held for Sale.

9.17 Loans and Advances

ANALYSED BY FUND

	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Consolidated Fund	3,150	3,644	4,378
Dwelling Houses Loan Fund	4,689	4,121	3,516
99 Year Leaseholders Account	165	160	156
Assisted House Purchase Scheme	2,654	2,298	1,646
Agricultural Loans Fund	1,164	1,008	693
Jersey Innovation Fund	–	–	910
Total Loans and Advances	**11,822**	**11,231**	**11,299**

MATURITY ANALYSIS

	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Receivable within one year	1,739	1,202	1,443
Receivable between one and two years	1,331	1,193	1,087
Receivable between two and five years	3,008	2,789	2,934
Receivable in five years or more	5,744	6,047	5,835
Total Loans and Advances	**11,822**	**11,231**	**11,299**

CHANGES TO LOANS AND ADVANCES

	Notes	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Opening Balance		15,046	11,822	11,231
Additional Advances made	i	–	1,587	2,337
Repayments		(3,224)	(2,178)	(2,269)
Write Offs		–	–	–
Closing Balance		**11,822**	**11,231**	**11,299**

No provisions for diminution of value have been required during the year. Loans and Advances are typically secured against physical assets to protect the States' interest.

Investments in Leases

The States of Jersey does not act as Lessor in any Finance Lease arrangements.

i Changes to Loans and Advances: The Pilot Starter Home Deposit Loan Scheme, which was launched in July 2013, issued a further £0.8 million of loans in 2014, to the end date for the scheme. Total Loans issued were £2.4 million. In addition, the Jersey Innovation Fund issued £0.9 million of loans to 3 businesses; an additional loan of £0.5 million was issued to Beaulieu Convent School (Saint Meen Properties Limited) and a £0.1 million loan awarded to Caesarean Croquet and Lawn Tennis Club Inc.

9.18 Available For Sale Financial Assets

Available for Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time. In the 2015 budget, there has been a proposed repayment of the all of the Preference Shares in the Jersey New Waterworks Company Limited. The shares are currently accounted for as "Available-for-Sale" so no change in treatment is required. The States has no plans to sell any of the other assets below.

		1 Jan 2013 £'000	31 Dec 2013 (Restated) £'000	31 Dec 2014 £'000
Strategic Investments: Equity Shares				
Jersey Electricity plc		53,300	65,500	74,700
Jersey New Waterworks Company Limited		25,300	31,300	28,600
JT Group Limited		183,000	183,500	180,300
Jersey Post International Limited		19,800	26,100	26,700
Total: Equity Shares		**281,400**	**306,400**	**310,300**
Strategic Investments: Irredeemable Preference Shares				
Jersey New Waterworks Company Limited		7,400	7,400	7,400
Total: Preference Shares		**7,400**	**7,400**	**7,400**
Total Strategic Investments		**288,800**	**313,800**	**317,700**
Other Available for Sale investments held at Fair Value				
Homebuyer Housing Property Bonds		8,229	8,251	8,830
P6 Housing Property Bonds		6,057	6,853	7,788
Other		303	303	304
Total Other Available for Sale Investments		**14,589**	**15,407**	**16,922**

Strategic Investment Holdings:

Jersey Electricity plc

The States of Jersey holds all the ordinary shares in Jersey Electricity plc which represents approximately 62% of the Company's total issued share capital as at 31 December 2014 (86.4% of the total voting rights). Jersey Electricity plc also has "A" shares in issue which are listed on the London Stock Exchange, and two classes of preference shares, which hold 3% of the voting rights.

Jersey New Waterworks Company Limited

The States of Jersey hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5–10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2014.

In addition, Jersey New Waterworks Company Limited has 6 other classes of preference shares issued and fully paid.

Each ordinary share carries one vote. Whilst 'A' ordinary shares are in the ownership of the States of Jersey, the total number of votes carried by these shares is twice the number of votes cast in respect of all other shares.

Every holder of a preference share holds one vote, irrespective of the number and class of such preference shares.

States of Jersey Investment Limited

The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in JT Group Limited and Jersey Post International Limited. Due to its nature as a holding company, SOJIL is consolidated in full and included inside the Consolidated Fund. This has the effect of treating the investments in JT and Jersey Post as part of the Consolidated Fund.

JT GROUP LIMITED

SOJIL holds all the Ordinary shares in the JT Group Limited.

JERSEY POST INTERNATIONAL LIMITED

SOJIL holds all the Ordinary shares in Jersey Post International Limited.

States of Jersey Development Company Limited

The States of Jersey holds 100% of the issued share capital for the States of Jersey Development Company Limited. However, this is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Andium Homes Limited

The States of Jersey holds direct control over Andium Homes Limited as the guarantor for the company. However, this is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, IAS 39 and the Accounting Policies specified in Note 9.1.

Specifically, the following methodologies have been used to value Ordinary Share Capital:

Jersey Electricity plc	*Market Value of "A" Shares, inflated by a controlling interest factor, and reduced by a marketability factor.*
Jersey New Waterworks Company Limited	*Discounted Cash Flow*
JT Group Limited	*Discounted Cash Flow*
Jersey Post International Limited	*Discounted Cash Flow*

These valuations are intended to represent the accounting fair value in respect of these companies and are prepared solely for inclusion in the accounts. Such valuations do not indicate the value that might be sought or received from a full or partial sale of any holding. The States' investments in these companies are held on a long term basis; there is no intention to sell any of the States holdings at the present time.

Preference Shares are valued using the Dividend Valuation Model. Due to the method of valuation, increases in the value of preference shares will reduce the value of the equity shares. In 2010 Preference Shares were valued at par, and comparatives have not been restated.

Results of the 2014 Valuation

Overall the value of Strategic Investments increased by £3.9 million.

The investment in Jersey Electricity increased in value by £9.2 million, reflecting the increase in the traded share price at the 2014 year end compared to 2013.

The investment in Jersey Water decreased by £2.7 million, this was mostly due to the impacts of higher capital expenditure envisaged in 2015 and 2016 due to the upgrade of the Desalination plant near Corbiere, partly offset by a small increase in terminal multiple to align to movements in industry norms.

The valuation of Jersey Post has increased by £0.6 million. This is principally due to improvements in the company's future free cash flows and then the terminal multiple reduced to allow for any perceived risks associated with these forecasts. The increase in value has been partially offset by reduced cash equivalent balances held by the company.

The valuation of JT decreased by £3.2 million, the enterprise value was materially unchanged compared with last year, the decrease in value was mainly due to increases in financing balances and pension liabilities owed by the company.

Other Available for Sale investments held at Fair Value

These investments are bonds that arise from the sale of properties to States tenants as part of the Social Housing Property Plan 2007–2016 (SHPP), sales to first time buyers qualifying under the Homebuy scheme and other similar arrangements.

The purchasers of properties under these two schemes are required to pay a proportion of the market value in cash on purchase and also enter into an agreement (bond) relating to the remaining value of the property. During the year new bonds with a value of £970,000 (2013: £810,000) were issued.

Upon the next sale and/or transfer of the property, the greater of the bond value and a proportion (as stated in the bond agreement) of the market value is paid to the States. During 2014, £229,981 of bonds were redeemed (2013: £31,666), with a gain of £47,935 being recognised.

Some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces. It is not expected that these bonds will be redeemed before the amount has reduced to a minimum, and therefore the value of these bonds is calculated based on this assumption.

There is no history of default rates within the scheme. Where the likelihood of recovering the bond amount is in doubt, an impairment review is carried out, and the value of the bond adjusted accordingly. Where a mortgage exists the mortgagor will have first call upon that property.

The Bonds are valued to reflect:

- the increase, and expected future increases, in the market value of the relevant property (calculated with reference to the Jersey HPI)
- the time value of money (using the States nominal discount rate of 6.1%)
- any indication of impairment of the bonds.

MOVEMENT IN OTHER AVAILABLE FOR SALE INVESTMENTS

		2013 £'000	2014 £'000
Opening		**14,589**	**15,407**
Issue of New Bonds		810	970
Redemption of bonds		(32)	(230)
Movement in Fair Value		39	774
Other Movements		1	1
Closing		**15,407**	**16,922**

As bonds mature on the sale of the underlying property, which is outside of the States control, no Housing Bonds have been classified as Current Assets.

9.19 Infrastructure Investments

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Currency Fund: JT – Gigabit Jersey		10,000	10,000	10,000
Currency Fund: Parish of Trinity		–	4,896	–
Currency Fund: SOJDC Car Park		–	–	–
Total Infrastructure Investments		**10,000**	**14,896**	**10,000**

JT Group – Gigabit Jersey

A £10 million investment was approved in 2011 to provide support to JT for the financing of the Gigabit Jersey project. The Currency Fund carried out an Infrastructure Investment in JT Group Limited (JT) in line with its current Investment Strategy. The Infrastructure investment has taken the form of a 2.5% Redeemable Preference Share instrument. During 2012 all of the £10 million 2.5% Redeemable Preference shares were issued (3 tranches £4 million in April, £3 million in June and £3 million in September).

Parish of Trinity

The £6 million investment from the Currency Fund to the Parish of Trinity's phase one project was repaid in full during 2014. On 24th July 2014 up to a further £1 million investment to the Parish of Trinity for phase two project was approved from the Currency Fund. This is to construct 5 over 55's bungalows. The first drawing downs are anticipated to commence in 2015; the Investment is expected to last up to 3 years from 2015.

States of Jersey Development Company

In December 2013 a new Infrastructure Investment for £13 million was committed to for SOJDC for the building of the underground car park (approximately 520 spaces) as part of the Jersey International Finance Centre development under JIFC1 for an approximate period of 5 years. On 3rd October 2014 the approval for the issuance of this Infrastructure Investment was rescinded as the timings for the development plans for the buildings had been revised.

States of Jersey – Sewage Treatment Works

In line with the Waste Water Strategy (P.39/2014) which was approved by the States, the Currency Fund is committed to issue an Investment to provide partial funding for the construction of the new Sewage Treatment Works at a fair interest rate. The details of this Investment will be approved during 2015.

9.20 Investments held at Fair Value through Profit or Loss

Investments held in the Common Investment Fund are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss. More details of CIF investments are included in Note 9.35. A small proportion of investment holdings are maintained outside the CIF within funds passively managed by Legal and General. Investments held with the States' Cash Manager are classified as Cash Equivalents, and included in Note 9.23.

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Equities		887,935	1,142,775	1,195,570
Government bonds		207,273	197,657	261,903
Corporate Bonds		147,431	–	–
Certificates of Deposit		239,455	145,857	324,694
Fixed Income Unit Trusts		–	311,770	279,410
Property Unit Trusts		–	37,595	80,584
Equity Unit Trusts		244,691	303,475	358,329
Gilt Unit Trusts		124,693	–	–
Cash Unit Trusts		53,914	50,375	18,198
Total Investments at FVTPL		**1,905,392**	**2,189,504**	**2,518,688**

Investments are carried at market value in the accounts, which is not materially different from fair value.

MATURITY ANALYSIS

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Less than one year		324,957	156,984	420,200
Between one and two years		60,199	91,041	60,261
Between two and five years		118,168	95,355	84,786
More than five years		90,835	134	21,350
Equities		887,935	1,142,775	1,195,570
Fixed income Unit Trusts		–	311,770	279,410
Property Unit Trusts		–	37,595	80,584
Equity Unit Trusts		244,691	303,475	358,329
Gilt Unit Trusts		124,693	–	–
Cash Unit Trusts		53,914	50,375	18,198
Total Investments at FVTPL		**1,905,392**	**2,189,504**	**2,518,688**

9.21 Inventories

ANALYSED BY FUND

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Consolidated Fund		5,216	6,339	7,504
Jersey Currency Fund		1,987	1,712	1,511
Jersey Fleet Management		50	58	52
Jersey Airport		350	346	378
States of Jersey Development Company Ltd.		25,510	27,111	30,487
Total Inventories		**33,113**	**35,566**	**39,932**

ANALYSED BY TYPE

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Raw Materials, Consumables, Work in Progress and Finished Goods		7,649	8,501	9,491
Development Property Inventories		25,464	27,065	30,441
Total Inventories		**33,113**	**35,566**	**39,932**

During the year the following amounts relating to Inventory were recognised as expenditure.

		2013 £'000	2014 £'000
Inventory used during the year		22,536	23,229
Inventory written off		125	294
Reversals of previous write offs		(3)	–
Total Expense		**22,658**	**23,523**

9.22 Trade and Other Receivables

AMOUNTS FALLING WITHIN ONE YEAR

	Restated 1 Jan 2013 £'000	Restated 31 Dec 2013 £'000	31 Dec 2014 £'000
Taxation Receivables: Amounts falling due within one year			
Income Tax Receivables	54,154	51,950	44,879
Income Tax Accrued Income	1,174	1,869	2,909
GST Receivables	4,904	6,644	5,830
GST Accrued Income	18,731	17,602	18,319
Provision for taxation receivables	(11,084)	(14,818)	(14,422)
Total Taxation Receivables	**67,879**	**63,247**	**57,515**
Non-taxation Receivables: Amounts falling due within one year			
Trade Receivables	93,482	96,322	108,618
Prepayments and accrued income	17,831	14,853	15,482
Other Receivables	3,732	5,012	4,725
Provision for non-taxation debtors	(2,277)	(2,914)	(2,181)
Total Non-taxation Receivables	**112,768**	**113,273**	**126,644**
Total Receivables due within one year	**180,647**	**176,520**	**184,159**
Amounts falling due after more than one year			
Trade and other Receivables	7	7	6
Total Receivables due after more than one year	**7**	**7**	**6**
Total Receivables	**180,654**	**176,527**	**184,165**

Taxation Receivables

The Taxes Office actively monitors taxation receivables, and provides for doubtful debts based on the whole portfolio of receivables.

The provision is established as follows: receivables in excess of a defined threshold are reviewed individually to identify cases where there is a significant risk of non-collection – a specific provision is then made for these receivables. The remainder of the receivables are stratified by age, based on the year of assessment, and a set percentage provision is applied to each age category. The percentage provision increases with the age of the receivable, and is based on past experience.

The balance of taxation receivables after the provision for doubtful debts is therefore representative of the amount that is expected to be recovered for taxation receivables as a whole, and takes into account the risks of non-collection.

Non-Taxation Receivables

Included in the non-taxation debtor balance are debtors with a carrying value of approximately £17.2 million (2013: £18.2 million) which are past due at the reporting date for which the States has not provided as there has not been a significant change in credit quality and amounts, and are still considered recoverable.

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES:

	Restated 2013 £'000	2014 £'000
30–60 days	6,016	5,721
61–90 days	1,602	2,241
91–120 days	1,276	1,671
more than 120 days	9,642	5,939
Total past due but not impaired receivables	**18,536**	**15,572**

MOVEMENT IN THE ALLOWANCE FOR NON-TAXATION DEBTS

	Restated 2013 £'000	2014 £'000
Balance at the beginning of the year	2,277	2,914
Impairment losses recognised	812	407
Amounts written off as uncollectible	(194)	(857)
Impairment losses reversed	(80)	(186)
Other Adjustments	99	(97)
Balance at the end of the year	**2,914**	**2,181**

In determining the recoverability of a debtor any change in the credit quality of the debtor from the date credit was originally granted was considered.

The concentration of credit risk is limited due to the debtor base being large and unrelated.

AGEING OF IMPAIRED RECEIVABLES:

	Restated 2013 £'000	2014 £'000
30–60 days	106	123
61–90 days	30	40
91–120 days	76	37
more than 120 days	2,702	1,981
Total Impaired receivables	**2,914**	**2,181**

The States considers that the carrying amount of Trade and Other Receivables is approximately equal to their fair value.

9.23 Cash and Cash Equivalents

	Notes	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Bank deposit accounts		78,951	80,865	109,059
Bank current accounts		7,004	18,504	4,317
Cash in hand and in transit		386	279	506
Cash Equivalents	i	81,678	88,232	76,356
Total Cash and Cash Equivalents		**168,019**	**187,880**	**190,238**

Note:

i. Cash Equivalents include highly liquid investments held by the States Cash Manager.

9.24 Trade and Other Payables

		1 Jan 2013 £'000	Restated 31 Dec 2013 £'000	31 Dec 2014 £'000
Trade Payables		46,832	43,743	49,137
Current Portion of PECRS Past Service Liability		4,324	6,370	5,649
Income Tax Payables and Receipts in Advance		69,275	76,443	81,445
Accruals and deferred income		16,486	16,779	23,435
Receipts in advance		8,552	9,759	8,474
Total Payables due within one year		**145,469**	**153,094**	**168,140**

The average credit period taken for purchases in 2014 was 34 days (2013: 30 days).

The States considers that the carrying value of trade payables approximates to their fair value.

9.25 External Borrowings

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
External Bond due		–	–	243,030
Total Bond Due		**–**	**–**	**243,030**

A Bond was issued in June 2014, the proceeds of which are to be used to fund a programme of affordable housing through providers such as the newly established Andium Homes Limited (formerly the Housing Department). The unsecured Bond was issued at £243,772,500 (nominal amount of £250,000,000, issued at a discount) with a coupon rate of 3.75%, and a final maturity of 40 years, with the final instalment due to be repaid in 2054. The annual effective interest rate for this transaction is 3.90%. No hedging has been undertaken for this Bond as the interest rate is fixed with bi-annual coupon payments.

9.26 Currency in Circulation

	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Jersey Notes issued	88,984	99,558	102,230
Less: Jersey Notes held	(6,703)	(7,294)	(7,115)
Total Jersey Notes in Circulation	**82,281**	**92,264**	**95,115**
Jersey Coinage issued	9,172	9,340	9,633
Less: Jersey Coinage held	(983)	(996)	(989)
Total Jersey Coinage in Circulation	**8,189**	**8,344**	**8,644**
Total Currency in Circulation	**90,470**	**100,608**	**103,759**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue bank notes and coins. These are accounted for, at cost, as stock until they are formally issued by the Treasury and Resources Department. They are then accounted for as issued currency. At the end of their useful life they are removed from circulation and destroyed, at which time they are removed from the issued currency account. Issued currency is either held at the Treasury or in circulation. The creditor in the accounts reflects the value of currency in circulation.

9.27 Finance Lease Obligations

The States of Jersey have entered into finance lease and sale and lease back arrangements to finance the development of capital projects, Morier House, Maritime House and the airport alpha taxiway. At 31 December 2014, the States had commitments to make the following payments under these arrangements.

		Minimum Lease Payments		
		31 Dec 2012 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Within one year		2,692	2,724	2,756
In the second to fifth years inclusive		8,462	7,464	5,196
After five years		2,460	976	488
Gross Minimum Lease Payments		**13,614**	**11,164**	**8,440**
Less: future Finance charges		(2,628)	(2,142)	(1,500)
Total Finance Lease Obligations		**10,986**	**9,022**	**6,940**

		Present Value of Minimum Lease Payments		
		31 Dec 2012 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Within one year		1,964	2,081	2,242
In the second to fifth years inclusive		6,796	6,106	4,267
After five years		2,226	835	431
Total Finance Lease Obligations		**10,986**	**9,022**	**6,940**

9.28 Provisions

Provisions as at 31 December were made up of:

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Self insurance claims		2,254	2,131	2,307
Other provisions – to be used within one year		1,327	1,471	512
Other provisions – to be used after one year		4,607	4,519	8,539
Total Provisions		**8,188**	**8,121**	**11,358**

MOVEMENT IN PROVISIONS WERE:

			2013 £'000	2014 £'000
Balance 1 January			8,188	8,121
Increase in Provisions			586	4,978
Use in Year			(653)	(1,369)
Other movements			–	(372)
Balance 31 December			**8,121**	**11,358**

Material amounts included in "Other Provisions" include:

	Note	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Decommissioning – Old EfW	i	1,287	1,047	35
Decommissioning – New EfW	ii	2,080	2,080	2,080
Asset Sharing Agreement – Other	iii	1,871	1,871	2,998
Jersey Arts Trust Loan	iv	–	–	2,735

Notes:

i. A pre existing provision relating to the decommissioning of the existing Energy from Waste plant (in accordance with IAS 37). This decommissioning was agreed by the States as part of P73/2008, and has been used in 2012, 2013 and 2014.

ii. Provision for new Energy from Waste decommissioning in accordance with IAS 37. Approval for this expenditure will not be sought until closer to the end of the plant's useful life.

iii. Relating to seizures of assets that may become payable to other jurisdictions depending on the outcome of Court decisions. The assets are included in the States accounts in full.

iv. Provision for a guarantee to Barclays Bank Plc for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House. The States pay funding to the the Trust to cover loan payments, however if this funding were not in place, the States would become liable under the guarantee.

9.29 Derivative Financial Instruments

		1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Derivative Liabilities				
Housing Development Fund Letters of Comfort		4	346	–
Total Derivative Liabilities		**4**	**346**	**–**
Derivative Assets				
Other Financial Derivatives		493	174	–
Total Derivative Assets		**493**	**174**	**–**

Housing Trusts Letters of Comfort

The Treasury and Resources Department have agreed to provide financial support to various Housing Trusts in respect of bank loans. To this end, the department has issued a total of 33 Letters of Comfort to 5 Housing Trusts, covering loans totalling £115.7 million as at 31 December 2014 (2013: £120.9 million). These loans do not constitute guarantees, but provide a cap on interest rates – if rates exceed an agreed threshold the States will provide a subsidy (through the Housing Development Fund) equal to the excess. Due to low interest rates, no subsidies have been paid since 2009. The letters cover a range of periods, with the last exposure currently expiring in 2035.

Valuation

The value of the liability that these letters represent has been determined using Discounted Cash Flow methods, using estimations of future interest rates to project subsidy payments.

Sensitivity

The values of interest rate caps are dependent on several factors, including year end loan balances, commercial expectations of future interest rates, and changes in the markets' expectations. Changes in these factors could lead to changes in the future value of the liability recognised, to reflect expected changes in the subsidies that are expected to be paid.

Whilst latest market indications are that interest rates are not expected to increase to levels that will trigger the payment of a subsidy for the full period of exposure, the table below shows what the approximate level of subsidy payments would be in 2015 if rates were at various levels for the year.

Interest Rate (LIBOR)	Value of Subsidies (2015) £'000
3%	–
4%	611
5%	1,410
6%	2,480
7%	3,590
8%	4,700

Other Financial Derivatives

The States of Jersey receives some income in Euros, particularly with respect of the Channel Islands Air Control Zone (approximately £7 million per annum). The States has entered into a number of forward contracts to sell Euros in excess of operational requirements at a fixed rate between 2012 and 2014.

Whilst these instruments hedge foreign exchange risk, they have not been designated as hedging instruments and are accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 9.34.

Year of Expiry		Nominal Amount Hedged £'000	Fair Value of Contract 1 Jan 2013 £'000	Fair Value of Contract 31 Dec 2013 £'000	Fair Value of Contract 31 Dec 2014 £'000
2013		5,056	263	–	–
2014		4,884	230	174	–
2015		–	–	–	–
Total Derivative Assets			**493**	**174**	**–**

Details of Gains and Losses recognised on this instruments are given in Note 9.9.

Other derivatives may be held on a short term basis where this is appropriate for the management of the States investments. No such instruments were held at the year end. As gains and losses are small and relate directly to investments held at Fair Value through the Profit or Loss, any gains and losses on these derivatives are included within gains and losses on these investments.

9.30 Past Service Liabilities

PECRS pre-1987 debt

The framework for dealing with the pre-87 debt is documented in the ten-point agreement. Under this agreed framework, annual repayments are due to be paid until 31 December 2083. The amount payable increases each year in line with the average pay increase of Scheme members who are States employees. This means that the repayment of the debt is weighted towards the end of the loan period. In the MTFP 2013–2015 additional payments were agreed to accelerate the repayment of the debt, meaning the liability would now be settled by 2053.

Due to the relative size of the annual payment the States does not consider that this liability leads to any significant liquidity risk.

The debt is valued as a salary-like bond and the long term nature of this arrangement means that the level of the debt is sensitive to changes in the market conditions that are used to value the debt. It is possible for the level of the debt to increase or decrease over the course of a financial year due to changes in market conditions. During 2014 the value of the pre-87 debt increased by £37.9 million.

Changes in these assumptions can affect the value of the liability included in the Accounts. For example, an increase of 0.1% in the Discount Rate, or a decrease of 0.1% in the staff increase assumption, would result in a decrease in the liability of approximately £5 million. Conversely, a decrease of 0.1% in the Discount Rate, or an increase of 0.1% in the staff increase assumption would lead to an increase of approximately £5 million. Such movements in the liability amount are recognised within the “Movement in Pension Liabilities” line in the SoCNE.

	2013 £'000	2014 £'000
Balance at 1 January	**250,451**	**242,373**
Finance Charge	13,574	14,906
Payment in Year	(5,173)	(7,224)
Movement in Liability amount	(16,479)	30,213
Balance at 31 December	**242,373**	**280,268**

AMOUNTS FALLING DUE

	1 Jan 2013 £'000	31 Dec 2013 £'000	31 Dec 2014 £'000
Within one year	4,324	6,370	5,649
After one year	246,127	236,003	274,619
Total	**250,451**	**242,373**	**280,268**

The calculation of the Closing Liability amount uses the following assumptions:

	2013 %	2014 %
Average future increase in Staff Expenditure	5.42	4.76
Discount Rate	6.15	4.90

JTSF Past Service Liabilities

The Teachers' Superannuation Scheme was restructured in April 2007 and as a result a provision for past service liability, similar to the PECRS pre-87 past service liability, was recognised. In 2012 the Scheme's Management Board made a proposal to the States on the treatment of the pension increase debt.

On the basis of the Management Board proposal the Scheme Actuary has calculated the value of this past service debt at the actuarial valuation date and an updated value as at 31 December 2014. As a result the provision has increased from £101.1 million to £104.5 million, with the movement being recognised within the "Movement in Pension Liabilities" line in the SoCNE.

This represents the expected amount that will be required to settle the liability, based on the latest information available in the Management Board proposal.

	2013 £'000	2014 £'000
Balance at 1 January	**97,747**	**101,057**
Movement in Liability amount	3,310	3,395
Balance at 31 December	**101,057**	**104,452**

The liability had not been formally agreed as at 31 December 2014, but the States Employment Board have agreed that the terms of repayment and formal recognition of the liability will be developed in orders. In subsequent years the liability would then be valued in a similar way to the PECRS Pre-1987 Debt.

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through Other Comprehensive Income.

9.31 Defined Benefit Pension Schemes Recognised on the Statement of Financial Position

The States of Jersey operates three defined benefit pension schemes: the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS). In addition, the States also has responsibility for the unfunded Pensions Increase Liability (PIL). The States also operates a further two schemes which are not recognised on the Statement of Financial Position, details of which are given in the Treasurer's Report.

Assumptions

The main financial assumptions made by the actuary where applicable were:

	2012 % p.a.	2013 % p.a.	2014 % p.a.
Jersey Price Inflation	3.20	3.70	3.00
Rate of general long-term increase in salaries	3.90	4.40	4.00
Rate of increase to pensions in payment	3.20	3.70	3.00
Rate of increase to pensions in payment payable by PECRS	3.05	3.55	3.00
Discount rate for scheme liabilities	4.30	4.40	3.50

Demographic Assumptions for each scheme are made by the Actuary, as are assumptions about the long term returns on various asset classes.

Scheme Assets and Liabilities

	Notes	1 Jan 2013 Net (Asset) / Liability £'000	31 Dec 2013 Net (Asset) / Liability £'000	31 Dec 2014 Asset £'000	Liability £'000	Net (Asset) / Liability £'000
Jersey Post Office Pension Fund	i	588	1,227	(8,198)	9,230	1,032
Discretionary Pension Scheme		292	342	(242)	581	339
Jersey Civil Service Scheme (pre-67)		5,973	6,070	–	5,694	5,694
1972 Pensions Increase Act	ii	2,429	2,849	–	–	–
Total Defined Benefit Pension Schemes Net (Asset)/Liability		**9,282**	**10,488**	**(8,440)**	**15,505**	**7,065**

The JPOPF holds assets in several classes, with the majority being Gilts. The DPS has a single asset, in the form of a Secured Pension.

i. The JPOPF had previously reported a small surplus for a number of years, but this is not recognised as an asset due to the restrictions of paragraph 58 of IAS 19.

ii. Following the 2013 actuarial valuation PECRS will pay future pensions increases effective on or after 1 January 2015 in line with the annual increase in the Jersey Cost of Living Index. The Liability as at 31 December 2014 under this agreement is therefore nil.

Amounts recognised in Net Revenue Expenditure

The difference between expected returns on scheme assets and interest on scheme liabilities is recognised in Net Revenue Expenditure.

	2013 £'000	2014 £'000
Jersey Post Office Pension Fund	193	176
Discretionary Pension Scheme	12	26
Jersey Civil Service Scheme (pre-67)	247	258
Pensions Increase Liability	136	(2,802)
Total Defined Benefit Pension Schemes Expenditure/(Income)	**588**	**(2,342)**

Amounts recognised in Other Comprehensive Income

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through Other Comprehensive Income.

	31 Dec 2013 £'000	31 Dec 2014 £'000
Jersey Post Office Pension Fund	(446)	371
Discretionary Pension Scheme	(48)	18
Jersey Civil Service Scheme (pre-67)	(289)	220
Pensions Increase Liability	(306)	28
Total Actuarial (Losses)/Gains recognised in Other Comprehensive Income	**(1,089)**	**637**

9.32 Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £97.2 million (2013: £101.2 million including £23.1 million for Housing) from the consolidated fund which had not yet been incurred.

A further £39.1 million was authorised from the Trading Funds, but not incurred (2013: £43.3 million)

This amount includes the following amounts which are committed via a contractual arrangement, but not yet incurred/ provided for.

	Restated 2013 £'000	2014 £'000
HSS: Equipment Replacement	407	288
HSS: Laundry Batch Washer	10	17
HSS: PSA Phase 1	277	81
TTS: Asbestos Waste Disposal	–	132
TTS: Liquid Waste Strategy	–	1,097
TTS: Energy From Waste Project	18	26
TTS: In Vessel Composting	7	7
TTS: Fire Fighting System	72	–
TTS: Phillips Street Shaft	1,646	955
TTS: Town Park	7	–
TTS: Sludge Thickener Project	8,039	1,105
TTS: STW Secondary Treatment Upgrade	80	–
TTS: Waste Ash Pits La Collette	20	3
TTS: Fiscal Stimulus Parish Project	–	108
TTS: Replacement Assets	69	68
TTS: Clinical Waste	157	2
TTS: Infrastructure Rolling Vote	1,097	1,042
TTS: New Recycling Centre	16	82
TTS: New Public Scrap Yard	29	64
DOE: Equipment maintenance and Minor	37	29
DOE: Automatic weather station	–	8
DOE: Countryside infrastructure	–	74
T&R (JPH): Police Relocation (Phase 1)	329	19,929
T&R (JPH): Clinique Pinel Upgrade	1,080	–
T&R (JPH): St Martin	4,661	1,400
T&R (JPH): Victoria College Extension	435	–
T&R (JPH): Prison Improvement Phase 4	318	–
T&R (JPH): Youth Service Works – various	–	1,107
T&R (JPH): Future Hospital	–	1,284
T&R (JPH): Autism Support Unit	–	388
T&R (ITAX): Itax Development Office	1,082	–
T&R (ITAX): Itax Development TTP	257	–
Home Affairs : Biometric Passports	793	706
Home Affairs : Minor Capital	1,990	2,440
Home Affairs : F&R Building Repairs	42	1
Home Affairs : Tetra Radio Replacement	511	453
Home Affairs : Prison Control Room	222	178
Home Affairs : Security Measures	66	66
Home Affairs : Prison Cell call system	97	99
Social Security: NESSIE LTCF	536	–

	Restated 2013 £'000	2014 £'000
Jersey Airports: Engineering/ARFS Building	6	–
Jersey Airports: Les Platons	41	–
Jersey Airports: Public Address Fire Alarm System	51	–
Jersey Airports: CCTV Airport Wide	98	–
Jersey Airports: Minor Capital	147	–
Jersey Harbour: Port Crane	268	–
Jersey Harbour: CCTV	20	–
Jersey Harbour: St Helier Marina	106	–
Jersey Harbour: Elizabeth Trailer Park	1,001	–
Jersey Harbour: Elizabeth Harbour EB Walkways	2,380	–
Jersey Harbour: Sub Station Upgrades	16	–
Jersey Harbour: St H M Gate Replacement	5	–
Jersey Harbour: Offshore Beacons	29	–
Jersey Harbour: Gorey Pierhead	18	90
Jersey Harbour: Minor Capital	138	–
Jersey Harbour: CCTV	–	–
Jersey Fleet Management: Vehicle and Plant Replacement	832	959
Jersey Car Parks: Anne Court Car Park	–	1
Jersey Car Parks: Car Park Maint & Refurbishment	–	55
Jersey Car Parks: Automated Charging System	–	32
Housing: Le Squez Phase 2	40	–
Housing: Le Squez Phase 2C	1,707	–
Housing: La Collette Phase 1	863	–
Housing: Clos Gosset 1 – 83 Refurbishment	49	–
Housing: Pomme D'Or Farm Refurbishment	82	–
Housing: Journeaux Street 2 & 4	241	–
Housing: Jardin Des Carreaux	32	–
Housing: Lesquende – Phase 1	461	–
Housing: Le Coin	233	–
Housing: 1–4 Hampshire Gardens	98	–
Housing: De Quetteville Court 1–32	143	–
Housing: Le Squez Phase 3	186	–
Housing: Osbourne Court	1,439	–
Housing: Field 516, 517 & 518	3,567	–
Housing: Lesquende – Phase 2	289	–
Total Capital Commitments	**38,993**	**34,376**

9.33 Commitments under Operating Leases

The States as Lessee

Total Minimum lease payments under operating leases are given below:

	Restated 2013 £'000	2014 £'000
Land and Buildings		
Within one year	938	627
In the second to fifth years inclusive	2,258	1,778
After five years	741	484
Total Land and Buildings	**3,937**	**2,889**
Plant and Machinery		
Within one year	3	–
In the second to fifth years inclusive	–	–
After five years	–	–
Total Plant and Machinery	**3**	**–**
Other Operating Leases		
Within one year	221	248
In the second to fifth years inclusive	187	–
After five years	–	–
Total Other Operating Leases	**408**	**248**
Total Operating Lease Commitments	**4,348**	**3,137**

The States as Lessor

The States acts as lessor in a number of operating lease arrangements.

Included in Property, Plant and Equipment are assets held for use in operating leases:

	Restated 2013 £'000	2014 £'000
Cost	843,166	800,202
Accumulated Depreciation	(35,439)	(65,187)
Net book Value	**807,727**	**735,015**

At the balance sheet date, the States had contracted with tenants for the following minimum lease payments:

	Restated 2013 £'000	2014 £'000
Within one year	44,812	47,248
In the second to fifth years inclusive	194,398	219,722
After five years	53,475	3,149
Total	**292,685**	**270,119**

9.34 Risk Profile and Financial Instruments

This note provides information about financial instruments which are material in the context of the accounts as a whole.

This year represents the forth full year of operation of the Common Investment Fund (CIF) following its establishment on 1st July 2010. The CIF was instigated as an arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes. A small proportion of investment holdings are maintained outside the CIF within funds passively managed by Legal and General. The total value of the CIF as at the 31 December 2014 was £2,862.4 million (2013: £2,372 million), the value invested outside the CIF with Legal and General was £154 million (2013: £266.3 million). This balance is anticipated to be transferred into the CIF as appropriate asset classes and capacity becomes available.

The Minister for Treasury and Resources presented the latest investment strategy in November 2014 setting out the strategy for each Fund; including Strategic Aims and investment limits. A policy on corporate governance and ethical investment is also included in the investment strategy document.

The identification, understanding and management of risk are, by necessity, a major part of the management activities.

1 Investments

MARKET RISK

Price Risk (Equity Pools)

Price risk arises from investments held by the CIF and outside for which prices in the future are uncertain. The States of Jersey is exposed to equity price risk through its holdings. The States of Jersey directly holds £1,195.6 million in equity traded on a range of global stock exchanges and £222.4 million in equity indirectly through collective investment vehicles within the CIF, outside the CIF £135.7 million in equity is held indirectly through collective investment vehicles with Legal and General. The value of these holdings will vary subject to market fluctuations.

Over long periods of time investment pools are expected to produce positive total returns; in the short term the value of the investment pools will fluctuate according to market conditions, generating gains and losses on Pool values. Investment strategies for investment pools are developed for generally long-term growth and it is possible that investment objectives may not be fully met over a short-term horizon.

Price risk is managed through diversification and selection of securities. Selection of securities is delegated to Investment Managers who in turn must comply with risk management conditions within their individual mandates.

The majority of the States of Jersey's equity investments are publicly traded and are listed on a range of recognised global stock exchanges. The States of Jersey require that the overall market position is monitored on a daily basis by the Fund's Investment Managers and is reviewed monthly by Treasury officials and on a quarterly basis by the Treasury Advisory Panel.

Over a short period equity can be expected to show considerable volatility, with a wide range of potential values depending on a number of economic scenarios. The States investment advisor has provided ranges around projected performance with the lower tier showing losses of 15% as a worst case scenario and a 10% rise as the best case scenario. This range has been applied to give an estimate of the exposure to equity price risk at the reporting date.

The table below illustrates how a 15% fall or 10% rise in equity prices in different currency denominations would have affected the value of holdings as at the year ended 31st December 2014. If there was a 15% fall in global equity prices the total impact is estimated to be £233.1 million.

Equity Denomination	Impact of a 15% fall in equity value £m	Impact of a 10% rise in equity value £m
Sterling	(95.3)	63.6
Euro €	(16.8)	11.2
US Dollar $	(88.9)	59.3
Other	(32.1)	21.4

Price Risk (Non-Equity Assets)

Price risk for non-equity assets are split between interest bearing securities and property; price risk for interest bearing securities is deemed to be a function of credit risk and interest rate risk and is assessed within those sections.

Overall the CIF is exposed to property price risk through its indirect holdings via collective investment vehicles; the overall value of the exposure is £80.6 million which is invested in UK commercial properties.

The property price risk is managed through diversification and selection of properties. Selection of properties is delegated to Investment Managers who in turn must comply with risk management conditions within their individual mandates. Compliance with mandates is examined under operation risk and investment manager risk.

The property pools each hold units in two separate collective investment vehicles. Disclosures with regard to the price risk are publically available at the fund manager's respective website, the collective investment vehicles held in each pool are disclosed below:

Pooled Property Pool I holds units in the following collective investment vehicles:

- Blackrock UK Property Pool
- Threadneedle Property Unit Trust

Pooled Property Pool II holds units in the following collective investment vehicles:

- Blackrock UK Property Pool
- Threadneedle Property Unit Trust
- Lothbury Property Fund

Currency/Foreign Exchange Risk (Equity Pools)

The equity pools may invest in equities denominated in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value the pools to vary in line with the value of the investments held within them. This risk is managed through the asset selection of the underlying Investment Managers. Exposure to currency risk through the buying and selling oof investments is managed though permitting Investment Managers to utilise forward foreign exchange contracts for hedging purposes. Hedging is permitted into sterling, and cross hedging (hedging into a currency other than sterling) is not permitted unless the cross hedge is part of a set of deals which are designed to achieve in aggregate a hedged position back into sterling. The maximum amount of hedging permitted is 100% of the value of the securities in the relevant country.

The table below summarises the sensitivity of the CIF's directly held equity investments to changes in foreign exchange movements at 31 December 2014. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 10%, with all other variables held constant. This represents the States of Jersey's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

This increase or decrease in valuation arises mainly from a change in the fair value of US dollar denominated equity and Euro denominated equity UK equities that are classified as financial assets at fair value through profit or loss.

Investment Denomination	Impact of a 10% rise in the relative value of sterling £m	Impact of a 10% fall in the relative value of sterling £m
Euro €	(11.2)	11.2
US Dollar $	(59.3)	59.3
Other	(21.4)	21.4

Although units in the collective investment vehicles are denominated in Sterling they provide indirect exposure to exchange risk. Of the £358.1 million of collective investment vehicles investing in equity, £90.5 million is invested in UK equity with no direct exchange risk; £103.7 million is invested in US equity, £54.1 million in European equity, £14.5 million in Japanese equity, with the remaining £95.3m is invested in other regions. A 10% movement in their respective exchange rates relative to sterling would increase/decrease the values in the above table by approximately £35.8 million.

Currency/Foreign Exchange Risk (Non-Equity Assets)

Non-Equity assets include the direct holdings of UK government bonds, certificates of deposit and fixed deposits, these assets are entirely denominated in Sterling and bear no direct currency exchange risk.

£18.2 million is held outside the CIF within collective investment vehicles managed by Legal and General, these vehicles invest in sterling cash and are exposed to no currency/exchange risk.

Holdings of corporate bonds and UK property within collective investment vehicles are also held within the CIF. These vehicles are denominated in sterling and (except for the absolute return bond pool) invest solely in sterling denominated assets therefore also exposing the CIF to no direct foreign exchange risk.

The Absolute Return Bond Pool invests through sterling denominated collective investment vehicles which offer no direct exposure to foreign exchange risk, however the underlying manager is free to invest in global fixed income instruments denominated in multiple currencies and therefore indirectly exposes the CIF to foreign exchange risk.

The managers of the Absolute Return Bond Pool are responsible for managing this risk through diversification and selection of securities and may employ techniques and instruments to provide protection against exchange risks in the context of the management of the assets and liabilities of their respective Fund and under the conditions described in their individual investment mandates.

At the year end the Absolute Return Bond Pool held units in one separate collective investment vehicle while the UK Corporate Bond Pool held units in two collective investment vehicles. Disclosures with regard to the currency/foreign exchange risk of these vehicles are publically available at the fund manager's respective website within their annual accounts. Details of the collective investment vehicles are disclosed below:

The UK Corporate Bond Pool holds units in the following collective investment vehicles:

- PIMCO Funds: Global Investors Series plc.: – UK Corporate Bond Fund
- Insight Investments Discretionary Funds ICVC:– UK Corporate Bond All Maturities Bond Fund

The Absolute Return Bond Pool holds units in the following collective investment vehicles:

- Insight LDI Solutions Plus Plc.:– Insight Libor plus 400 Fund

INVESTMENT MANAGER RISK

A key risk for the investment of States assets is manager risk, which is the risk that a manager underperforms their relative benchmark. This risk is managed through diversification and monitoring of their underlying investment managers.

Diversification is ensured through limits which are placed on the amount which may be invested with each Manager; this limits the risk exposure with any single Investment Manager. Holdings relative to limits are monitored monthly and reported quarterly to the Treasury Advisory Panel. Where the maximum limit on a pool is reached, the pool can be expected to be closed to new investment.

The capacity limit is a soft limit and increases in market value above the maximum value may still occur due to appreciation of the market value of the investments. Breach of limits would not automatically trigger sales but would be highlighted for consideration by the Treasury Advisory Panel, who would assess whether to rebalance the holdings.

The following table sets out the range limits for each Investment Manager per asset class:

Pool Asset Classes	Minimum Amount £m	Maximum Amount £m
Equities (Global & UK)	75	350
Equities (Emerging Markets)	20	200
Bonds (per mandate)	25	200
Property	–	100
Cash	–	100,000

An in principle minimum and maximum value is set for the amount which may be invested per individual Investment Manager, dependent on respective class of Investment they manage.

Maximum limits are determined by a number of factors including the risk deemed to be inherent in the asset class; minimum values are set to ensure fee scales remain efficient.

Performance of each manager is monitored on a monthly basis and reported and scrutinised by the Treasury Advisory Panel on a quarterly basis. The States investment advisor also conducts a continuous monitoring program over the managers and reports both by exception and at the quarterly meetings of the Treasury Advisory Panel.

OPERATIONAL RISK

The CIF and the collective investment vehicles held outside the CIF are exposed to operational risks through its investment managers and custodian. Operation risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and includes custody risk which is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Custodian and Investment Managers are monitored on an ongoing basis to ensure continuing compliance with their mandates; this includes annual review of SSAE16 reports where such reports are commissioned by the managers/custodian and any breaches are examined to determine the cause and any actions required.

The States investment advisor also conducts a continuous monitoring program to ensure the level of operational control and risk management remain appropriate and reports both by exception and quarterly to the Treasury Advisory Panel.

LIQUIDITY AND CASH FLOW RISK

The Treasury forecasts cash flow for Funds to ensure that sufficient short-term cash is available to meet monthly cash requirements. Each Fund's asset strategy is prepared taking account of cash/liquidity requirements, and investments are held in accordance with these strategies. When required, units are sold from the CIF to provide the necessary liquidity, though withdrawals from CIF pools are limited to monthly dealing.

Each pool of the CIF holds a limited amount of broker cash as required for the management of the pools investments. In segregated mandates the investment manager of the pool manages the liquidity requirements of the pool in accordance with their investment mandate. For pools holding collective investment vehicles, cash held within the unit is managed by the vehicle manager in accordance with their investment mandate. Only a small amount of liquid cash, sufficient for payment of fees, is held outside of the vehicle.

CREDIT RISK

The States investments are exposed to credit risk, which is the risk to one party that a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the States is exposed arises from investment in debt securities. The CIF is also exposed to credit risk through our holdings of cash and cash equivalents, amounts due from brokers and other receivable balances.

Credit risk is managed through diversification and selection of securities. Selection of securities is delegated to Investment Managers who in turn must comply with risk management conditions within their individual mandates. Compliance with mandates is examined under operation risk and investment manager risk. The arrangements per asset class are further examined below:

Cash

The CIF long term cash pool is managed by the same manager as the deposit accounts of the States of Jersey; credit risk is monitored over the entire cash holding of the States and is examined within section 2 of this note, Cash Management.

Gilts

Gilts are held within the short term government bond pool and index linked government bond pool. Only UK gilts are held and are dependent on the solvency of the UK Government. The credit rating of the UK Government is AA; this rating is monitored by the investment advisor who reports on the holding within the UK gilts pool both quarterly to the Treasury Advisory Panel and by exception.

Corporate Bonds

Both the absolute return bond pool and UK corporate bond pool of the CIF invest in corporate bonds. No assets are held directly as the pools invest through UCITS* complaint collective investment vehicles, these pools indirectly expose the CIF to credit risk.

Credit risk within the collective investment vehicles is managed through diversification and selection of securities, the funds may also use derivative instruments such as futures, options and swap agreements for hedging purposes, subject to restrictions. Risk management within the collective investment vehicles is carried out in line with each vehicles individual mandate and investment restrictions.

* Undertakings for Collective Investment in Transferable Securities

The investment restrictions and risk disclosures of these vehicles are publically available at the fund manager's respective website within the vehicle prospectus and annual accounts. Details of the collective investment vehicles are disclosed below:

The UK corporate bond pool holds units in the following collective investment vehicles:

- PIMCO Funds: Global Investors Series plc: – UK Corporate Bond Fund
- Insight Investments Discretionary Funds ICVC:– UK Corporate Bond All Maturities Bond Fund

The absolute return bond pool holds units in the following collective investment vehicle:

- Insight LDI Solutions Plus Plc:– Insight Libor plus 400 Fund

INTEREST RATE RISK

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The CIF directly holds fixed interest securities within cash and gilt pools and indirectly within the collective investment vehicles held by the corporate bond pools that expose the Fund to interest rate risk.

The arrangements per asset class are further examined below:

Gilts

UK Gilts are held within the short term government bond pool and index linked government bond pool. The CIF holds Gilts directly and manages the associated interest rate risk through limiting the duration of the States holdings. The average effective duration of the gilt portfolio is a measure of the sensitivity of the fair value of the gilt holding to changes in market interest rates.

The average duration of the funds holding is maintained at a constant level, the maturity profile of the States holdings are illustrated below:

Matures within 1 year	£102.0 million
Matures within 1–2 years	£53.8 million
Matures in between 2–5 years	£84.8 million
Matures in over 5 years	£21.5 million

Corporate bonds

Corporate bonds are held only indirectly through collective investment vehicles as described within the credit risk section. Interest rate risk within the collective investment vehicles is managed through management of the duration of pooled portfolio; the vehicles may also use derivative instruments such as futures, options and swap agreements to modify duration, subject to restrictions. Risk management within the collective investment vehicles is carried out in line with each vehicles individual mandate and investment restrictions. Compliance with mandates is examined under operation risk and investment manager risk.

The investment restrictions and risk disclosures of these vehicles are publically available at the fund manager's respective website within the vehicle prospectus and annual accounts. Details of the vehicles held by the Absolute Return Bond Pool and UK Corporate Bond Pool can be found within the credit risk section.

Cash

The CIF long term cash pool is managed by the same manager as the deposit accounts of the States of Jersey; interest rate risk is monitored over the entire cash holding of the States and is examined within section 2 of this note, Cash Management.

2 Cash Management

The States cash holdings are split between strategic cash holdings held within the long term cash pool of the CIF, more liquid operational cash accounts with States Cash manager outside the CIF and daily cash accounts held with HSBC. The CIF Long Term Cash Pool is managed by the same manager as operational cash accounts; risk is assessed over these combined holdings rather than segregated between cash within the CIF and outside. Daily cash accounts are cleared to the operational cash accounts on a daily basis and hold only trifling cash balances.

CREDIT RISK

The States Cash Manager is restricted to counterparties with a minimum credit rating of AA- or Aa3 for long term deposits and A1 or P1 for short term deposits as designated by well-known rating agencies listed in the table below. An exemption was granted to Lloyds

TSB Bank and Royal Bank of Scotland while the UK Government retained a shareholding of greater than 40%.

Deposit term	Minimum Industry Rating
Short term (up to 3 months)	Standards & Poor's A1 and Moody's P1
Long term (over 3 months)	Standards & Poor's AA- and Moody's Aa3

Assets are required to be sold when an Institution holding a deposit is downgraded to A3 or lower.

No single counterparty can account for over 10% of the book value of the States portfolio.

In accordance with the investment mandate, the States Cash Manager monitors the Fund's credit position on a daily basis; the investment position is monitored monthly and reported quarterly to the Treasury Advisory Panel.

Broker Cash

Cash is also held within investment pools of the CIF to facilitate trading, all amounts due from brokers are held by parties with a credit rating of AA/Aa or higher.

INTEREST RATE RISK

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The States of Jersey are exposed to interest rate risk through their cash holdings both within the CIF and through accounts held outside the CIF. A small exposure exists through cash holdings in non-cash pools where cash is held to facilitate trading and the operational requirements.

By far the greatest concentration of cash is held within the long term cash pool within the CIF, and within operational accounts outside the CIF, these accounts are managed by the States of Jersey Cash Manager. Interest rate risk associated with these accounts is managed by the States cash manager through selection of securities to manage the underlying duration of the total portfolio. The cash manager also makes placement decisions not only based on expectation of future interest returns but also in conjunction with the cash flow requirements of the States of Jersey.

FOREIGN CURRENCY RISK MANAGEMENT

The States of Jersey may undertake certain transactions denominated in foreign currencies as part of its operations, and this leads to an exposure to exchange rates fluctuations. Exchange rate exposures are managed within approved policy parameters and reviewed by the Treasury Advisory Panel on a quarterly basis. When large future flows of foreign currency balances are known forward foreign exchange contracts are utilised to hedge against movements in rates. The States also holds some cash denominated in foreign currency to meet its cash flow needs, these holdings are limited to control exposure.

The carrying amounts of the States of Jersey foreign currency denominated monetary assets at the reporting date are as follows.

Foreign currency denominated monetary assets:	2012 £m	2013 £m	2014 £m
US Dollar $	1.9	9.5	5.1
Euro €	6.4	5.7	2.9
Other	–	3.2	10.9

3 Interest rate disclosures

	Fixed rate £'000	Variable rate £'000	No interest payable/ receivable £'000	Total £'000
Financial Assets				
Sterling £				
Advances	11,189	–	110	11,299
Infrastructure Investments	10,000	–	–	10,000
Investments	–	–	1,013,750	1,013,750
Gilts	260,308	1,595	–	261,903
Certificates of Deposit	324,694	–	–	324,694
Cash	89,739	47,812	44,162	181,713
US Dollars $				
Investments	–	–	592,590	592,590
Cash	2,761	–	3,240	6,001
Euros €				
Investments	–	–	111,809	111,809
Cash	–	2,232	27	2,259
Other				
Investments	–	–	213,942	213,942
Cash	–	–	265	265
Total Financial Assets	**698,691**	**51,639**	**1,979,895**	**2,730,225**
Financial Liabilities				
Finance Leases	6,940	–	–	6,940
External Bond	243,030	–	–	243,030
Total Financial Liabilities	**249,970**	**–**	**–**	**249,970**

4 Maturity analyses

Maturity analyses are included for Advances and Investments held at Fair Value through Profit or Loss in Notes 9.17 and 9.20 respectively, and for Finance lease obligations in Note 9.27.

Fixed rate financial assets	Weighted average rate	Weighted average period (months)
Advances		
Bonds	3.86%	20.2
Certificates of Deposit	0.55%	2.6

Note all rates are based on absolute rates.

5 Fair value disclosures

The Fair Value of financial instruments carried at Fair Value is determined using an appropriate valuation method. The different levels are

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In these accounts, the following classes of financial instruments are valued using the following valuation methods:

Level 1
Investments held at Fair Value through Profit or Loss (see Note 9.20)
Cash Equivalents (see Note 9.23)

Level 2
Derivative Forward Contracts (see Note 9.29)

Level 3
Strategic Investments (see Note 9.18)
Other Available for Sale Financial Instruments (see Note 9.18)
Derivative Letters of Comfort (see Note 9.29)

9.35 SOJ Common Investment Fund

a) Explanation of the CIF

The States of Jersey – Common Investment Fund (the "CIF") was established in 2010 by proposition P.35/2010, lodged by the Minister for Treasury and Resources. The purpose of the proposition was to amend several existing regulations to enable the pooling of States Funds' assets for Investment Purposes and was approved by the States of Jersey on 12th May 2010.

The purpose of the CIF is to create an administrative arrangement which is open only to States Funds including Separately Constituted Funds, Special Funds and Trust and Bequest Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations as published in their strategies. The Minister for Treasury and Resources presented his latest investment strategy on 11th November 2013. Investing through a single investment vehicle allows economies of scale to be exploited increasing the potential return of the investments held and diversity of asset classes.

The CIF became operational on 1st July 2010 and as at 31st December 2014 contained 14 active pools that holding a range of asset classes (including equity, bonds, gilts, cash and property).

The following are participants in the CIF that are not part of the States of Jersey Accounting Boundary:

- Le Don De Faye
- Rivington Travelling Scholarship Fund
- Greville Bathe Fund
- Ann Alice Rayner Fund
- A H Ferguson Bequest
- Estate of E J Bailhache
- Jersey Teachers Superannuation Fund

b) CIF – Statement of Comprehensive Net Expenditure for the year ended 31 December 2014

		2013	2014		
		Included in the SOJ Accounts £'000	Total CIF £'000	Attributable to Entities Outside the SOJ Accounts £'000	Included in the SOJ Accounts £'000
Revenue					
Investment Income		(40,001)	(50,495)	(8,078)	**(42,417)**
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss		(222,558)	(171,096)	(38,232)	**(132,864)**
Total Revenue		**(262,559)**	**(221,591)**	**(46,310)**	**(175,281)**
Expenditure					
Supplies and Services		9,715	13,396	2,362	**11,034**
Other Operating Expenditure		1,605	2,044	291	**1,753**
Foreign Exchange Loss/(Gain)		249	(681)	(137)	**(544)**
Total Expenditure		**11,569**	**14,759**	**2,516**	**12,243**
Net Revenue Income		**(250,990)**	**(206,832)**	**(43,794)**	**(163,038)**

c) CIF – Statement of Financial Position as at 31 December 2014

		1 Jan 2013	31 Dec 2013	31 Dec 2014		
		Included in the SOJ Accounts	Included in the SOJ Accounts	Total CIF	Attributable to Entities Outside the SOJ Accounts	Included in the SOJ Accounts
		£'000	£'000	£'000	£'000	£'000
Non-Current Assets						
Investments held at Fair Value through Profit or Loss		1,157,136	1,766,191	2,358,091	413,880	**1,944,211**
Total Non-Current Assets		**1,157,136**	**1,766,191**	**2,358,091**	**413,880**	**1,944,211**
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss						
Investments held at Fair Value through Profit or Loss		324,957	156,984	443,225	23,025	**420,200**
Trade and Other receivables		8,860	6,042	5,372	113	**5,259**
Cash and Cash Equivalents		41,480	46,985	61,126	7,663	**53,463**
Total Current Assets		**375,297**	**210,011**	**509,723**	**30,801**	**478,922**
Current Liabilities						
Trade and Other Payables		(1,498)	(7,645)	(5,397)	(3,359)	**(2,038)**
Total Current Liabilities		**(1,498)**	**(7,645)**	**(5,397)**	**(3,359)**	**(2,038)**
Assets Less Liabilities		**1,530,935**	**1,968,557**	**2,862,417**	**441,322**	**2,421,095**
Taxpayers Equity						
Accumulated Revenue and Other Reserves		199,973	450,965	671,131	57,131	**614,000**
Net contributions		1,330,962	1,517,592	2,191,286	384,191	**1,807,095**
Total Taxpayers Equity		**1,530,935**	**1,968,557**	**2,862,417**	**441,322**	**2,421,095**

d) CIF – Income and Expenditure by Pool

	2013	2014			
	Net Income £'000	Investment Income £'000	Change in Fair Value £'000	Operating Expenditure £'000	Net Income £'000
Index Linked Bonds Pool	(131)	29	570	(8)	**591**
Short Term Government Bonds Pool	(371)	8,054	(3,278)	(132)	**4,644**
Long Term Government Bonds Pool	–	–	–	–	**–**
Short Term Corporate Bonds Pool	1,535	–	–	–	**–**
Long Term Corporate Bonds Pool	3,333	–	–	–	**–**
Long Term Cash and Cash Equivalents Pool	2,033	606	325	(129)	**802**
UK Equities II Pool	60,164	9,025	202	(2,830)	**6,397**
Global Equities I Pool	92,342	7,527	54,498	(3,432)	**58,593**
Global Equities II Pool	55,111	6,172	23,603	(2,254)	**27,521**
Passive Global Equities Pool	46,110	8,179	29,092	(729)	**36,542**
Pooled Global Equity Pool	5,366	3,380	16,336	(879)	**18,837**
Pooled Property I Pool	984	1,939	3,491	(387)	**5,043**
Pooled Emerging Market Equity Pool	(4,018)	3	(663)	(368)	**(1,028)**
Global Equities III Pool	3,588	2,581	17,097	(1,000)	**18,678**
Absolute Return Bond Pool	(2,417)	303	6,394	(1,480)	**5,217**
UK Corporate Bond Pool	(1,477)	(3)	17,545	(564)	**16,978**
Pooled Property II Pool	(1,255)	2,700	5,566	(553)	**7,713**
Pooled Special Equity Pool	–	–	318	(14)	**304**
CIF Total	**260,897**	**50,495**	**171,096**	**(14,759)**	**206,832**
Less: amount attributable to Participants outside the Group Boundary	9,907	8,078	38,232	(2,516)	**43,794**
Total – SOJ Accounts	**250,990**	**42,417**	**132,864**	**(12,243)**	**163,038**

During the year the Common Investment Fund appointed a manager to the Emerging Market Equity Pool, added a Special Fund Equity Pool and removed one of two managers of the Absolute Return Bond Pool. In 2013 the Emerging Market Pool held legacy assets of the Jersey Teachers Superannuation Fund, these assets were transferred, along with additional funding from other Participants to an emerging market manager who was appointed in June 2014. The Special Fund Equity Pool was established to invest in pooled versions of the CIFs equity mandates on behalf of the charitable and bequest funds; the purpose of this was to ensure that these funds remain separable from the States separately constituted funds as a precautionary tax measure. The Absolute Return Bond Pool was originally split between two managers, late in the year one of these managers was downgraded by the States Investment Advisor following changes to the their management structure. The manager was removed in November and following a tendering process their assets were reallocated to two new managers on appointment early in 2015.

e) CIF – Changes in Market Value of Investments by Pool

	Market Value 1 Jan 2014 £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31 Dec 2014 £'000
Index Linked Bonds Pool	2,837	32	–	570	**3,439**
Short Term Government Bonds Pool	197,537	123,027	(59,217)	(1,026)	**260,321**
Long Term Government Bonds Pool	–	–	–	–	**–**
Short Term Corporate Bonds Pool	1	–	–	(1)	**–**
Long Term Corporate Bonds Pool	–	–	–	–	**–**
Long Term Cash and Cash Equivalents Pool	147,042	291,046	(252,989)	(271)	**184,828**
UK Equities II Pool	251,183	116,605	(112,102)	(21,680)	**234,006**
Global Equities I Pool	331,319	51,276	(44,850)	31,107	**368,852**
Global Equities II Pool	307,804	25,364	(28,289)	15,716	**320,595**
Passive Global Equities Pool	311,812	171,146	(156,383)	26,263	**352,838**
Pooled Global Equity Pool	195,264	7,766	(15,475)	13,950	**201,505**
Pooled Property I Pool	35,742	23,787	18	3,491	**63,038**
Pooled Emerging Market Equity Pool	9,279	92,775	(9,974)	(641)	**91,439**
Global Equities III Pool	153,624	43,968	(31,808)	6,048	**171,832**
Absolute Return Bond Pool	205,434	886,214	(811,168)	5,235	**285,715**
UK Corporate Bond Pool	109,927	48,136	(316)	17,545	**175,292**
Pooled Property II Pool	37,923	37,219	(123)	5,566	**80,585**
Pooled Special Equity Pool	–	6,713	–	318	**7,031**
CIF Total	**2,296,728**	**1,925,074**	**(1,522,676)**	**102,190**	**2,801,316**
Less: amount attributable to Participants outside the Group Boundary	373,553	(20,805)	56,629	27,528	**436,905**
Total – SOJ Accounts	**1,923,175**	**1,945,879**	**(1,579,305)**	**74,662**	**2,364,411**

f) CIF – Participant Information

Each Participant within the States Accounting Boundary gives information of the performance of its CIF Investments as part of the Fund pages in the Annex to the Accounts.

9.36 Contingent Assets and Liabilities

Contingent Assets

There are no Contingent Assets as at 31st December 2014 (2013: Nil).

Guarantees not recognised as Financial Liabilities

Jersey New Waterworks Company

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2013: £16.2 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited. As at the year end the amount guaranteed was £14.9 million (2013: £14.9 million). This guarantee was first provided in its current form in 1999, and historically no amounts have been drawn down in relation to it. Due to the stability of the company and the resulting low likelihood of default, the current value of total expected outflows under this guarantee will be very low and so no amount is recognised on the Statement of Financial Position.

Student Loan Guarantees

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education Sport and Culture Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate is set at 1% above base rate and young people taking up the offer commence repayments one year after graduation.

The States of Jersey has given guarantees against these loans to the banks. As at the year end the value of the loans amounted to £2.6 million (2013: £2.3 million).

There is no experience of default in the Jersey Scheme, and the equivalent scheme in the UK experiences defaults on approximately 1% of the total balance each year. Using a simplified analysis of the guarantees this would suggest that the current value of total expected outflows under the scheme will be very low (less than £50,000) and so no amount is recognised on the balance sheet for these guarantees.

Small Firms Loan Guarantee Scheme

The Small Firms Loan Guarantee Scheme (SFLGS) commenced in January 2007. The Scheme approves lending by the Economic Development Department (by way of loan guarantees on loans of up to £2 million), consisting of four separate £500,000 agreements with four banks. The underwriting of bank loans taken out by local businesses aims to encourage entrepreneurial activity in the Island. The main principle of the SFLGS is to provide security to lenders in the cases where would-be entrepreneurs or growing businesses do not have the necessary security to obtain a business loan.

As at the year end the value of the total loans guaranteed amounted to £308,318 (2013: £332,166), of which the States has exposure to 75% in accordance with the terms of the Scheme, giving a total exposure of £231,239 (2013: £249,124). During 2011 the States provided for £187,500 losses of against these guarantees, leaving a remaining exposure of £58,318. No amount is recognised on the balance sheet for this exposure due to their relevant size and the uncertainties in the measurement of expected outflows.

Other Contingent Liabilities

There are several cases where a possible obligation may exist (as a result of past events), and where the existence of the liability will be confirmed only by future events outside of the States control.

Civil claims against the States of Jersey still continue to be a present obligation that arises from past events with regards to the Historic Abuse Enquiry. Although the quantum has been estimated within the banding set by a UK specialist counsel based on a sample of claims, there is a substantial process to be undergone before the matter can be finalised. A provision for this liability cannot be made in the Accounts because the amount of the obligation cannot be measured with sufficient accuracy.

As a result of a construction project that was undertaken, the States of Jersey has received formal notification from the contractor of their intention to enter into arbitration. Further details on this are not included as it may prejudice the outcome of this potential litigation.

A number of other potential liabilities may exist, but details are not included in these accounts as they may prejudice the outcome of the actions in question.

These include potential claims in the following areas:

- Health and Safety
- Employment issues
- Contract Terms
- Medical Claims
- Public Liability Claims

9.37 Losses and Special Payments

	Restated 2013 £'000	2014 £'000
Losses		
Losses of cash		
Overpayment of Social Benefits	89	306
Other losses of cash	–	–
Total losses of cash	**89**	**306**
Bad debts and claims abandoned		
Uncollectible Tax	1,921	1,616
Other Tax Receivables written off	75	193
Other claims abandoned	185	1,527
Total bad debts and claims abandoned	**2,181**	**3,336**
Damage or loss of inventory		
Write off/(Write Back) of expired Flu Vaccine stock	99	168
Other inventory write offs	29	132
Total damage or loss of inventory	**128**	**300**
Impairment of fixed assets		
Impairment of fixed assets	–	11,597
Total impairment of fixed assets	**–**	**11,597**
Other losses		
Other losses	–	–
Total other losses	**–**	**–**
Total Losses	**2,398**	**15,539**
Special Payments		
Total compensation payments	125	223
Total ex gratia and extra contractual payments	1,819	622
Total Severance Payments	272	749
Total Regulatory Payments	–	25
Total Special payments	**2,216**	**1,619**
Total Losses and Special Payments	**4,614**	**17,158**

9.38 Gifts

A gift is defined as something voluntarily donated, with no preconditions and without the expectation of any return. Transfers of assets between States Entities, grants, social benefit gifts, retirement gifts and long service awards are specifically not classified as gifts. As per the JFReM, only gifts over £10,000 in value are to be disclosed. No Gifts were made in 2014 (2013: nil).

9.39 Related Party Transactions

Transactions between entities within the States of Jersey Group have been eliminated on consolidation and are not disclosed in this note.

Transactions with utility companies and government departments that are a result of their role as such are excluded in line with accounting standards. This includes:

- Electricity provided by Jersey Electricity
- Water provided by Jersey Water
- Postage services provided by Jersey Post
- Telephone charges from JT

All transactions are at arms length and undertaken in the ordinary course of business unless otherwise stated.

Where the party is related through a Minister or Assistant Minister, only transactions occurring whilst they were in office are included.

2014

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,169	961	109	293	Expenditure includes grants of £13k.
Jersey Post International Limited	418	42	56	3	
JT Group Limited	639	350	27	262	
The Jersey New Waterworks Company Limited	152	207	110	7	
Directly Controlled Entities – Minor Entities					
Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	14	88	6	20	A Maclean, Treasury and Resources Minister and P Ryan, former Education, Sport and Culture Minister are Board Members. Expenditure includes grants of £88k.
Government of Jersey London Office	25	966	13	–	M King, Chief Officer of Economic Development is a Director. Expenditure includes grants of £956k.
Jersey Legal Information Board	–	100	–	–	A Maclean, Treasury and Resources Minister, is a Board Member. Expenditure includes grants of £100k.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Other					
Jersey College for Girls School Fund	–	11	–	–	
Jersey College for Girls PTA Trust Fund	7	–	–	–	
Les Quennevais School Fund	–	12	–	10	
Victoria College School Fund	–	54	–	–	Expenditure includes grants of £40k.
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	–	126	–	–	Subsidiary of JEC
Jersey Energy	–	15	–	–	Subsidiary of JEC
JE Building Services	–	34	–	–	Subsidiary of JEC
Retirement Schemes					
PECRS	765	–	2,217	–	Income related to services provided by the Treasury Department
JTSF	404	–	436	–	Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey	7	60	–	–	P Ozouf, Chief Minister, Assistant Minister is Vice Chair. Expenditure includes a grant of £10k.
Augres Landscape	10	18	–	–	P Ryan, former Education, Sport and Culture Minister, is the Owner.
Digital Jersey	–	1,374	–	413	M King, Chief Officer of Economic Development, is a non-executive Director. Expenditure includes grants of £961k.
Governing Body of Institute of Law	8	105	–	–	P Bailhache, External Relations Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey Employment Trust	49	1,728	–	46	J Martin, former Health and Social Services Assistant Minister, P Ryan, former Education, Sport and Culture Minister and S Pinel, Social Security Minister are Members of the Board. Expenditure includes grants of £1,670k.
Jersey Finance Limited	–	4,967	–	–	M King, Chief Officer of Economic Development, is a Member of the Board. Expenditure includes grants of £4,962k.
Jersey Hospitality Association	–	6	–	–	L Farnham, Economic Development Minister, is the President.
Jersey Mencap	4	81	–	–	P Routier, Chief Minister's Assistant Minister is a Member. Expenditure includes a grant of £81k.
Jersey Milk Marketing Board (Jersey Dairy)	1	20	–	–	M King, Chief Officer of Economic Development, is a Member of the Board.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Jersey Scout Association	4	41	–	–	A Green, Health Minister, is a member of the executive.
Jersey Table Tennis Association	5	23	102	–	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes grants of £23k. Amounts due relate to a loan from the States.
Les Amis Incorporated	18	180	–	–	E Noel, Transport and Technical Services Minister and P Routier, Chief Minister's Assistant Minister, are Trustees.
Les Vaux Housing Trust	33	–	505	–	J Le Fondré, former Transport and Technical Services Assistant Minister, is the Honorary Secretary. This balance relates to loans from the States, and income to interest charged on these loans.
Parish of St Lawrence	18	8	–	–	D Mezbourian, Home Affairs Assistant Minister is Connetable of St Lawrence
Parish of St Brelade	25	23	–	–	S Pallett, Economic Development and Planning and Environment Assistant Minister is Connetable of St Brelade
Parish of St Peter	35	75	–	–	J Refault, Health and Social Services Assistant Minister, is the Connétable.
Prince's Trust Jersey Steering Group	19	147	–	–	B Heath, Chief Probation Officer, is the Chairman. Expenditure includes a grant of £147k.
The Yacht Hotel Limited	6	16	–	–	L Farnham, Economic Development Minister, is the Director.
Trinity Youth Club	17	2	–	–	A Pryke, Housing Minister, is President.
Victim Support Jersey	–	30	–	–	B Heath, Chief Probation Officer, is the Vice Chairman. Expenditure includes a grant of £30k.

2013 (RESTATED)

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,002	1,038	302	65	Expenditure includes grants of £38k.
Jersey Post International Limited	474	79	30	9	
JT Group Limited	414	123	43	–	
The Jersey New Waterworks Company Limited	145	197	31	11	
Directly Controlled Entities – Minor Entities					
Bureau de Jersey Limited	–	224	–	–	A Maclean, Economic Development Minister and P Ryan, Education, Sport and Culture Minister are Board Members. Expenditure includes grants of £215k.
Government of Jersey London Office	–	210	–	–	M King, Chief Officer of Economic Development; is a Director. Expenditure includes grants of £210k.
Jersey Legal Information Board	–	200	–	50	A Maclean, Economic Development Minister, is a Board Member. Expenditure includes grants of £100k.
Directly Controlled Entities – Other					
Haute Vallee School Fund	–	5	–	–	
Hautlieu School Fund	–	8	–	–	
Jersey College for Girls School Fund	–	9	–	–	
Jersey College for Girls PTA Trust Fund	7	–	–	–	
Victoria College School Fund	–	45	–	–	Expenditure includes grants of £32k.
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	–	86	–	3	Subsidiary of JEC
Jersey Energy	–	46	–	–	Subsidiary of JEC. Expenditure includes grants of £13k.
Retirement Schemes					
PECRS	537	–	35	–	Income related to services provided by the Treasury Department
JTSF	347	–	1,354	–	Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey	–	58	–	–	P Ozouf, Treasury and Resources Minister is Vice Chair. Expenditure includes a grant of £10k.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Augres Landscape	13	100	–	3	P Ryan, Education, Sport and Culture Minister, is the Owner.
Digital Jersey	–	635	–	–	M King, Chief Officer of Economic Development, is a non-executive Director. Expenditure includes grants of £635k.
Governing Body of Institute of Law	4	93	–	30	P Bailhache, External Affairs Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey and Guernsey Law Review Limited	–	7	–	–	P Bailhache, External Affairs Minister, is the Editor.
Jersey Employment Trust	80	1,840	22	26	J Martin, Health and Social Services Assistant Minister, P Ryan, Education, Sport and Culture Minister and S Pinel, Social Security Assistant Minister are Members of the Board. Expenditure includes grants of £1,549k.
Jersey Finance Limited	–	4,093	–	–	M King, Chief Officer of Economic Development, is a Member of the Board. Expenditure includes grants of £4,090k.
Jersey Hospitality Association	–	38	–	–	L Farnham, Home Affairs Assistant Minister, is the President. Expenditure includes a grant of £36k.
Jersey Mencap	1	78	–	–	P Routier, Chief Minister's Assistant Minister is a Member. Expenditure includes a grant of £78k.
Jersey Milk Marketing Board (Jersey Dairy)	–	148	–	–	M King, Chief Officer of Economic Development, is a Member of the Board. Expenditure includes grants of £100k.
Jersey Scout Association	4	10	–	–	A Green, Housing Minister, is a member of the executive. Expenditure includes grants of £8k.
Jersey Table Tennis Association	7	29	102	–	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes grants of £29k. Amounts due relate to a loan from the States.
Les Amis Incorporated	65	2,117	13	–	E Noel, Treasury and Resources Assistant Minister and P Routier, Chief Minister's Assistant Minister, are Trustees.
Les Vaux Housing Trust	70	–	929	–	J Le Fondré, Transport and Technical Services Assistant Minister, is the Honorary Secretary. This balance relates to loans from the States, and income to interest charged on these loans.
Trinity Youth Club	14	3	–	–	A Pryke, Health and Social Services Minister, is President.
The Yacht Hotel Limited	3	17	–	–	L Farnham, Home Affairs Assistant Minister, is a Director.
Parish of St Peter	26	34	–	–	J Refault, Housing and Health and Social Services Assistant Minister, is the Connétable.
Victim Support Jersey	–	30	–	–	B Heath, Chief Probation Officer, is the Vice Chairman. Expenditure includes a grant of £30k.

9.40 Third Party Assets

The States of Jersey, in the course of its normal activities, has reason to hold assets on behalf of third parties.

The Viscount of the Royal Court undertakes a number of activities that give rise to holding assets on behalf of third parties. The majority of these are held as part of the anti-money laundering regime. The main activities that give rise to this are:

- Désastres: assets relating to bankruptcy cases for onward payment to creditors;
- Curatorship: funds held on behalf of those who cannot manage their own affairs;
- Enforcement: judgements and compensation monies for onward payment to creditors and beneficiaries;
- Criminal injuries: funds held on behalf of minors until age of maturity;
- Bail: monies held on behalf of bailors;
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction, property adjudged to represent the benefit or proceeds of crime is remitted to the Criminal Offences Confiscations Fund; if a third party is found not guilty, property is returned.

The Health and Social Services Department holds monies on behalf of patients, equipment on loan or trial and various consignment stocks.

Monies held on behalf of third parties are set out below:

	2013 £'000	2014 £'000
Viscount's	32,852	38,647
Health and Social Services	259	296

In addition to the liquid assets listed above the Viscount's Department holds real property and contents with an approximate total value of £3.6 million (2013: £11.1 million).

In addition to monies listed above the Health and Social Services Department holds equipment on trial and various consignment stocks, valued at £0.1 million (2013: £0.1 million)

The States arrangement to pool funds for investment purposes, is known as the 'Common Investment Fund'. The Common Investment Fund invests monies in respect of funds included within these accounts, such as the Strategic Reserve, as well as funds not included in these accounts but still under the responsibility of the Minister for Treasury and Resources and the Treasurer of the States. Further details of the Common Investment Fund, including the value of investments falling into both these categories can be found in Note 9.35.

9.41 Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

- Chief Minister's Department
- Economic Development Department
- Education, Sport & Culture Department
- Health & Social Services Department
- Home Affairs Department
- Housing Department[1]
- Planning and Environment Department
- Social Security Department
- Transport and Technical Services Department
- Treasury and Resources Department

Non-Ministerial Bodies

- Overseas Aid Commission
- Bailiff's Chambers
- Law Officers' Department
- Judicial Greffe
- Viscount's Department
- Official Analyst
- Office of the Lieutenant Governor
- Office of the Dean of Jersey
- Data Protection Commission[2]
- Probation
- Comptroller and Auditor General

The States Assembly and its Services

- [Including Assemblée Parlementaire de la Francophonie – Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch)]

Subsidiary Holding Company

- States of Jersey Investments Limited

States Trading Operations

- Jersey Airport
- Jersey Harbours
- Jersey Car Parks
- Jersey Fleet Management

Special Funds named in the Public Finances (Jersey) Law 2005

- Strategic Reserve
- Stabilisation Fund
- Currency Fund (comprising Jersey Currency Notes and Jersey Coinage)
- Insurance Fund

Special Funds for specific purposes

- Dwelling Houses Loan Fund
- Assisted House Purchase Scheme
- 99 Year Leaseholders Fund
- Agricultural Loans Fund
- Tourism Development Fund
- Channel Islands Lottery (Jersey) Fund
- Jersey Innovation Fund
- Housing Development Fund
- Criminal Offences Confiscation Fund
- Drug Trafficking Confiscation Fund[3]
- Civil Asset Recovery Fund
- Ecology Fund
- Fishfarmer Loan Scheme (Dormant)
- ICT Fund (Dormant)

Social Security Funds

- Social Security Fund
- Health Insurance Fund
- Social Security (Reserve) Fund
- Long-Term Care Fund
- Jersey Dental Scheme

Subsidiary Companies

» States of Jersey Development Company Limited (previously the Waterfront Enterprise Board Limited), including subsidiary companies.
» Andium Homes Limited

Minor Entities

There are a number of small entities funded by the States that meet the requirements to be part of the States of Jersey Group (i.e. they are directly controlled by the States) but are immaterial to the financial statements as a whole, and have not been consolidated (see Accounting Policy 4.5). These entities are referred to as "Minor Entities" and are generally funded by a grant from a department, which will form part of the cash limit of the department making this grant.

An entity can be classified as a minor body if they meet certain criteria, namely that:

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Assets at year end

are all below a designated threshold.

The threshold is calculated as 1% of the lowest of:

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Current Assets at year end (excluding Non-Current Assets held for Sale, the current portion of Investments held at Fair Value through Profit or Loss and Currency in Circulation)

for the States of Jersey in the previous financial year.

For 2014, the threshold was therefore £2,447,000 (based on Net Current Assets for 2013).

In all cases the qualitative nature of the entities is also considered, to ensure that exclusion would not distort the true and fair view of the accounts.

Minor Entities are considered to be related parties, and transactions with them are included as part of Related Party Transactions Disclosures

For 2014, the following are considered to be Minor Entities:

- Government of Jersey London Office
- Jersey Legal Information Board

Notes

1 The incorporation of the Housing department into a separate legal entity (a company limited by guarantee) was approved by the States under P.63/2013. The transfer into the new company was effective from the 1st July 2014. The newly formed company has been accounted for as a Subsidiary Company in the Accounts.

2 The Data Protection Commission was renamed to the Office of the Information Commissioner on 1st January 2015.

3 The Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014 came into effect on the 4th August 2014. This repealed the Drug Trafficking Offences (Jersey) Law 1988 and prescribed that any monies in the Drug Trafficking Confiscation Fund (DTCF) be transferred to the Criminal Offences Confiscation Fund. As a result, the DTCF has now ceased to exist.

9.42 Social Security Funds Notes

STATEMENTS OF COMPREHENSIVE NET EXPENDITURE

	2013				
	Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
Revenue					
Social Security Contributions	(156,415)	(28,573)	–	(11,700)	–
States Contributions to Social Security Funds	(62,200)	–	–	–	–
Sales of goods and services	(163)	–	–	–	(117)
Investment income	(165)	(8,653)	(195,602)	(1)	–
Other revenue	(308)	–	–	–	(121)
Total Revenue	**(219,251)**	**(37,226)**	**(195,602)**	**(11,701)**	**(238)**
Expenditure					
Social Benefit Payments	201,678	27,213	–	–	–
Other Operating expenses	5,825	4,495	328	–	236
Grants and Subsidies payments	–	–	–	–	–
Depreciation and Amortisation	659	–	–	–	–
Impairments	–	–	–	–	–
Finance costs	39	–	–	–	1
Total Expenditure	**208,201**	**31,708**	**328**	**–**	**237**
Net Revenue (Income)/Expenditure	**(11,050)**	**(5,518)**	**(195,274)**	**(11,701)**	**(1)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	–	–	–	–	–
Total Other Comprehensive Income	**–**	**–**	**–**	**–**	**–**
Total Comprehensive (Income)/Expenditure	**(11,050)**	**(5,518)**	**(195,274)**	**(11,701)**	**(1)**

2014				
Social Security Fund	Health Insurance Fund	Social Security (Reserve) Fund	Long Term Care Fund	Jersey Dental Scheme
£'000	£'000	£'000	£'000	£'000
(160,388)	(29,297)	–	(18,155)	–
(63,700)	–	–	–	–
(150)	(138)	–	–	(105)
(189)	(5,776)	(95,476)	(77)	–
–	(55)	–	–	(114)
(224,427)	**(35,266)**	**(95,476)**	**(18,232)**	**(219)**
205,457	27,977	–	16,899	–
5,017	8,044	–	1,251	219
–	–	–	–	–
596	–	–	–	–
885	169	–	–	–
39	–	–	–	1
211,994	**36,190**	**–**	**18,150**	**220**
(12,433)	**924**	**(95,476)**	**(82)**	**1**
–	–	–	–	–
–	**–**	**–**	**–**	**–**
(12,433)	**924**	**(95,476)**	**(82)**	**1**

STATEMENTS OF FINANCIAL POSITION

	1 Jan 2013				
	Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
Non-Current Assets					
Property, Plant and Equipment	7,170	285	–	–	–
Intangible Assets	1,148	–	–	–	–
Investments held at Fair Value through Profit or Loss	–	70,086	962,143	–	–
Total Non-Current Assets	**8,318**	**70,371**	**962,143**	**–**	**–**
Current Assets					
Trade and Other Receivables	56,436	8,874	–	–	30
Amounts due from the Consolidated Fund	–	2,939	–	–	–
Cash and Cash Equivalents	8,287	–	43	–	70
Total Current Assets	**64,723**	**11,813**	**43**	**–**	**100**
Total Assets	**73,041**	**82,184**	**962,186**	**–**	**100**
Current Liabilities					
Trade and Other Payables	(3,807)	(1,648)	(113)	–	(90)
Amounts due to the Consolidated Fund	(4,080)	–	–	–	–
Total Current Liabilities	**(7,887)**	**(1,648)**	**(113)**	**–**	**(90)**
Assets Less Liabilities	**65,154**	**80,536**	**962,073**	**–**	**10**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	61,848	80,536	962,073	–	10
Revaluation Reserve	3,306	–	–	–	–
Total Taxpayers' Equity	**65,154**	**80,536**	**962,073**	**–**	**10**

31 Dec 2013					31 Dec 2014				
Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000	Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
6,735	–	–	–	–	6,291	–	–	–	–
1,111	–	–	–	–	1,110	–	–	–	–
–	78,739	1,157,731	–	–	–	78,514	1,253,208	–	–
7,846	**78,739**	**1,157,731**	**–**	**–**	**7,401**	**78,514**	**1,253,208**	**–**	**–**
58,789	9,111	–	–	34	57,377	9,303	–	4,558	34
3,350	193	–	–	–	–	–	–	–	–
7,758	1	148	11,701	62	25,222	1	80	10,463	60
69,897	**9,305**	**148**	**11,701**	**96**	**82,599**	**9,304**	**80**	**15,021**	**94**
77,743	**88,044**	**1,157,879**	**11,701**	**96**	**90,000**	**87,818**	**1,253,288**	**15,021**	**94**
(1,539)	(1,989)	(62)	–	(85)	(1,268)	(1,975)	(111)	(1,561)	(84)
–	–	(123)	(11,700)	–	(95)	(728)	(8)	(1,677)	–
(1,539)	**(1,989)**	**(185)**	**–**	**(85)**	**(1,363)**	**(2,703)**	**(119)**	**(3,238)**	**(84)**
76,204	**86,055**	**1,157,694**	**1**	**11**	**88,637**	**85,115**	**1,253,169**	**11,783**	**10**
72,898	86,055	1,157,694	1	11	85,331	85,115	1,253,169	11,783	10
3,306	–	–	–	–	3,306	–	–	–	–
76,204	**86,055**	**1,157,694**	**1**	**11**	**88,637**	**85,115**	**1,253,169**	**11,783**	**10**

9.43 Events after the Reporting Date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Report in section 7.1 . There was one significant event after the reporting date that requires disclosure.

After the reporting date, circumstances have come to light that will result in a refund of business tax estimated to be £1.5 million. The impact of this would be to reduce the business tax revenue by this amount. No adjustment has been made for this pending the assessment of the company’s revised liability and it is not material to the financial statements.

9.44 Publication and Distribution of the Financial Report and Accounts

In accordance with the Public Finances (Jersey) Law 2005, the Financial Report and Accounts for the year ended 31st December 2014 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution.

10 Statement of Outturn Against Approvals

10.1 Statement of Outturn against Approvals

STATEMENT OF REVENUE OUTTURN AGAINST APPROVALS

2013 Actual (Restated) £'000		2014 Budget / MTFP £'000	2014 Final Approved Budget £'000	2014 Actual £'000	Difference from Approval £'000
(636,688)	States Net General Revenue Income	(673,183)	(687,017)	(648,967)	(38,050)
636,186	Departmental Net Revenue Expenditure – Near Cash	661,968	702,459	674,163	28,296
–	Allocations for Contingencies	7,633	22,084	–	22,084
(502)	**Operating (Surplus)/Deficit**	**(3,582)**	**37,526**	**25,196**	**12,330**
51,621	Departmental Depreciation	59,728	52,558	56,901	(4,343)
51,119	**Deficit of General Revenue Expenditure over Income**	**56,146**	**90,084**	**82,097**	**7,987**
698	Departmental Net Revenue Expenditure – Other Non Cash	5,629	3,748	21,688	(17,940)
(1,544)	Trading Operations Net Revenue Expenditure	(1,251)	(557)	(2,446)	1,889
(97,308)	Net Revenue Income of Special Funds			(48,469)	
(223,544)	Net Revenue Income of Social Security Funds			(107,058)	
(2,504)	Net Revenue (Income)/Expenditure of SOJDC			307	
–	Net Revenue Expenditure of Andium Homes			6,385	
(5,461)	Other (Income)/Expenditure[1]			40,339	
(5)	Consolidation Adjustments[2]			735	
(278,549)	**Total Net Revenue Expenditure/(Income)**	**60,524**	**93,275**	**(6,422)**	

Notes

1 This includes other Consolidated fund items, including movements in Pension Liabilities, charges relating to Finance Leases and movements in hedging arrangements.

2 Accounting Standards require that all transactions and balances between entities within the States of Jersey are eliminated in the consolidated accounts.

STATEMENT OF CAPITAL OUTTURN AGAINST APPROVALS

2013 Actual £'000		2014 Expenditure £'000	Total Expenditure[1] £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
43,205	Capital Expenditure from the Consolidated Fund	51,735	395,762	493,029	97,267
8,302	Capital Expenditure from Trading Funds	13,749	36,648	75,755	39,107
51,507	**Total Capital Expenditure Subject to States Approval**	**65,484**	**432,410**	**568,784**	**136,374**
76	Capital Expenditure from Special Funds	–			
(98)	Capital Expenditure from Social Security Funds	152			
768	Capital Expenditure by SOJDC	(579)			
–	Capital Expenditure by Andium Homes	12,652			
167	Asset Donations and Other Adjustments	158			
52,420	**Total Asset Additions**	**77,867**			
	Asset Additions as per Notes 9.14 and 9.15				
50,417	Property, Plant and Equipment	76,898			
2,003	Intangible Assets	969			
52,420	**Total Asset Additions**	**77,867**			

Note

1 Total expenditure is the sum of all expenditure on each Head of Expenditure from the inception of each project to 31st December 2014.

STATEMENT OF UNALLOCATED CONSOLIDATED FUND BALANCE

2013 Actual £'000		2014 Actual £'000
184,947	Available Non-Current Financial Assets	182,140
(41,269)	Net Current Assets	(63,696)
(3,987)	Less: NCA Held for Sale	–
(2,648)	Less: Non-Current Provisions	(5,541)
–	Add Back: Provision for Financial Guarantee	2,735
2,080	Add Back: Provision for Decommissioning	2,080
930	Add Back: Current Finance Lease Liabilities	1,030
6,084	Add back: Current Pension Liabilities	5,345
3,040	Add back: Accruals for untaken leave	3,245
149,177	**Consolidated Fund Balance**	**127,338**
(101,146)	Unspent Capital	(97,267)
(2,321)	Voted amounts to be allocated	(2,387)
(19,872)	Departmental Carry forwards	(13,011)
(18,345)	Carry forward of Contingency	(9,966)
7,493	**Unallocated Consolidated Fund Balance**	**4,707**

10.2 Accounting Policies

The Statement of Outturn against Approvals (SoOaA) and supporting notes have been prepared in accordance with the Jersey Financial Reporting Manual (JFReM) 2014 issued by the Treasurer of the States.

SOPS 1.1 Accounting convention

The Statement of Outturn against Approvals and related notes are presented consistently with approvals made under the Public Finances (Jersey) Law 2005 in the Medium Term Financial Plan and Annual Budget Statement.

The budgeting system, and the consequential presentation of the SoOaA and related notes, has different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are guided by the Jersey Fiscal Policy Panel.

The Panel's work is guided by five key principles. These are:

1. Economic stability is at the heart of sustainable prosperity;
2. Fiscal policy needs to be focussed on the medium-term;
3. Policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment;
4. Supply in the economy is as important as demand; and
5. Low inflation is fundamental to the competitive of the economy.

In making its recommendations, the Panel is guided by its understanding of the preferences of Islanders. The Panel feels that Islanders want the States to be prudent and create the conditions for economic growth while respecting the Island's cultural heritage, maintaining the competitiveness of the economy and keeping inflation low.

SOPS 1.2 Comparison with IFRS-based accounts

Most transactions are treated in the same way in Approvals and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the States' outturn as recorded in the SoOaA compared to the IFRS-based Statement of Comprehensive Net Expenditure is provided in the SoOaA.

SOPS 1.2a Accounting Boundary and Budgeting Boundary

Approvals by the States include:

a) amounts of income from taxation intended to be raised approved by the States in the Budget Statement;

b) appropriations to revenue heads or capital heads of expenditure approved by the States in the Medium Term Financial Plan or Budget Statement, after any amendments approved in accordance with the Public Finances (Jersey) Law 2005. Under the Public Finances (Jersey) Law 2005, the approval by the States of a revenue or capital head of expenditure authorises the body to withdraw amounts not exceeding that approval from the consolidated fund; and

c) estimates of States Trading Operations approved by the States in the Medium Term Financial Plan or Budget Statement.

Income and Expenditure from Special Funds, the Social Security Funds and Subsidiary Companies are not included.

Other Accounting items in the Consolidated such as movements in Pension Liabilities and Finance Leases are also outside of the budgeting boundary.

SOPS 1.2b Near Cash and Non-Cash Amounts

In the Medium Term Financial Plan, revenue expenditure is approved on a Near Cash basis, excluding Non-Cash amounts such as:

- depreciation of Property, Plant and Equipment (PPE)
- amortisation of Intangible assets

- impairments of PPE or Intangible assets
- donations of assets
- gains on disposals of assets.

Estimates of these non-cash amounts are included for information, but Accounting Officers are not held accountable for Outturn against these amounts.

Departments may apply to use Proceeds on Disposals of Fixed Assets for Capital or Revenue purposes, which would then form part of a capital or revenue approval.

SOPS 1.2c Capital Approvals

Under Accounting Standards the cost of Property, Plant and Equipment is recognised over their useful lives through the charge of depreciation to the SoCNE.

Under the Budgeting system, approval must be obtained for the expenditure on a capital project before this expenditure can be incurred. The full cost of the project is therefore considered allocated within the consolidated fund on approval.

Expenditure on Capital may be incurred over a number of years.

Capital Expenditure by SOJDC, Andium Homes, Special Funds and the Social Security Funds is not subject to approval.

SOPS 1.3 Basis of Consolidated Fund Balance

The Consolidated Fund balance is calculated in a way to represent funds available to be spent in future years, and includes:

- Financial Assets (Advances and Investments held at Fair Value through Profit or Loss);
- Net Current Assets or Liabilities (adjusted for elements of Pension, Finance Lease, and other obligations, which will be included in future expenditure approvals);
- Provisions for liabilities and charges.

The Consolidated Fund excludes:

- Assets which cannot be easily converted into cash (Property, Plant and Equipment, Intangible Assets and Strategic Investments);
- Other Long Term Liabilities – which will be settled from future expenditure approvals.

The balance calculated does not take into account withdrawals from the Consolidated Fund that have already been approved (and so are not available to spend). The balance must be adjusted for these to give the balance available, at the end of the year.

- Capital projects are approved on an allocation basis and so any unspent amounts are removed from the available balance.
- Similarly, amounts approved for specific purposes but that have not yet been allocated to departments, and property receipts that will be used to purchase assets under Article 18(5) of the Law are also removed.
- In 2011 an additional provision for the decommissioning of the new EFW plant at the end of its life was been created in line with accounting standards. Approval for this expenditure will not be sought until closer to the end of the EfW plant's useful life, and so the amount of this provision is added back to the available consolidated fund balance.
- Finally, an adjustment must be made for amounts that will be included in a future revenue head of expenditure through the carry forward process.

With the move to three year planning under the MTFP, elements of this balance may be allocated by the States to fund expenditure in future years. 2014 and 2015 expenditure has already been approved by the States in the MTFP 2013–2015.

10.3 Revenue Expenditure

A) NET GENERAL REVENUE INCOME AGAINST ESTIMATE

2013 Actual £'000		2014 Budget £'000	2014 Income £'000	Expenditure £'000	Actual £'000	Difference from Budget £'000
	Income Tax					
(356,663)	Individuals	(394,000)	(354,186)	6	(354,180)	(39,820)
(98,472)	Companies	(82,965)	(83,445)	16	(83,429)	464
3,474	Provision for Bad Debts	2,000	–	944	944	1,056
(451,661)	**Net Income Tax**	**(474,965)**	**(437,631)**	**966**	**(436,665)**	**(38,300)**
(77,603)	**Goods and Services Tax (GST)**	**(81,955)**	**(80,502)**	**276**	**(80,226)**	**(1,729)**
	Impôts Duties					
(4,510)	Spirits	(4,747)	(4,801)	–	(4,801)	54
(7,231)	Wines	(7,626)	(7,615)	–	(7,615)	(11)
(986)	Cider	(856)	(988)	–	(988)	132
(5,087)	Beer	(5,548)	(5,285)	–	(5,285)	(263)
(15,048)	Tobacco	(14,789)	(13,788)	–	(13,788)	(1,001)
(20,385)	Motor Fuel	(20,263)	(20,708)	4	(20,704)	441
(234)	Goods Imported	(150)	(161)	–	(161)	11
(839)	Vehicle Emissions Duty	(924)	(761)	–	(761)	(163)
(54,320)	**Impôts Duties**	**(54,903)**	**(54,107)**	**4**	**(54,103)**	**(800)**
	Stamp Duty					
(14,019)	Stamp Duty	(23,127)	(21,988)	–	(21,988)	(1,139)
(2,390)	Probate	(2,500)	(2,735)	–	(2,735)	235
(961)	Land Transactions Tax	(1,775)	(1,254)	–	(1,254)	(521)
(17,370)	**Stamp Duty**	**(27,402)**	**(25,977)**	**–**	**(25,977)**	**(1,425)**
	Fines and Other Income					
(3,342)	Net Investment Income	(3,679)	(11,968)	2,285	(9,683)	6,004
(11,942)	Dividends and Returns	(11,186)	(8,283)	–	(8,283)	(2,903)
(3,792)	Jersey Financial Services Commission Fees	(3,700)	(3,802)	–	(3,802)	102
(1,652)	Returns from States Trading Operations	(1,731)	(1,691)	–	(1,691)	(40)
–	Return from Andium Homes	(13,834)	(13,581)	–	(13,581)	(253)
(1,939)	EUSD Retention Tax	–	(1,650)	2	(1,648)	1,648
(750)	Income Tax Penalties	(1,071)	(1,079)	183	(896)	(175)
(676)	Miscellaneous Income	(559)	(516)	–	(516)	(43)
(24,093)	**Fines and Other Income**	**(35,760)**	**(42,570)**	**2,470**	**(40,100)**	**4,340**
(11,641)	**Island Rate**	**(12,032)**	**(11,896)**	**–**	**(11,896)**	**(136)**
(636,688)	**Net General Revenue Income**	**(687,017)**	**(652,683)**	**3,716**	**(648,967)**	**(38,050)**

B) MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS NET REVENUE EXPENDITURE (NEAR CASH) AGAINST APPROVAL

2013 Actual £'000		MTFP 2014 £'000	Final Approved Budget £'000	2014 Income £'000	2014 Expenditure £'000	2014 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments						
23,223	Chief Minister	22,067	32,544	(2,459)	33,622	31,163	1,381
9,182	– Grant to the Overseas Aid Commission	9,794	9,945	–	9,798	9,798	147
17,015	Economic Development	18,513	24,266	(1,924)	25,857	23,933	333
106,909	Education, Sport and Culture	110,775	118,012	(18,466)	131,992	113,526	4,486
6,238	Department of the Environment	5,971	6,555	(4,605)	10,659	6,054	501
186,723	Health and Social Services	198,457	200,502	(30,074)	226,744	196,670	3,832
47,149	Home Affairs	49,306	35,547	(17,840)	52,283	34,443	1,104
(26,126)	Housing	(27,192)	(10,306)	(21,487)	8,916	(12,571)	2,265
181,782	Social Security	186,619	187,411	(3,895)	183,273	179,378	8,033
25,861	Transport and Technical Services	27,912	28,575	(18,201)	44,738	26,537	2,038
32,359	Treasury and Resources	32,009	35,511	(9,857)	43,393	33,536	1,975
	Non Ministerial States Funded Bodies and the States Assembly						
1,721	Bailiff's Chambers	1,654	1,887	(80)	1,871	1,791	96
7,648	Law Officers' Department	7,961	9,223	(591)	9,035	8,444	779
6,161	Judicial Greffe	6,905	6,812	(1,036)	7,554	6,518	294
1,417	Viscount's Department	1,424	740	(1,395)	1,888	493	247
545	Official Analyst	636	387	(295)	619	324	63
722	Office of the Lieutenant Governor	730	916	(139)	944	805	111
24	Office of the Dean of Jersey	26	28	–	28	28	–
139	Data Protection Commission	234	259	(210)	411	201	58
1,899	Probation Department	2,213	1,944	(175)	2,079	1,904	40
641	Comptroller and Auditor General	769	1,260	(61)	808	747	513
4,954	States Assembly and its services	5,185	10,441	(132)	10,573	10,441	–
636,186	**Net Revenue Expenditure – Near Cash**	**661,968**	**702,459**	**(132,922)**	**807,085**	**674,163**	**28,296**

C) MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS NET REVENUE EXPENDITURE (NON CASH) AGAINST APPROVAL

2013 Actual		MTFP 2014	Final Approved Budget	2014 Income	2014 Expenditure	2014 Actual	Difference from Final Approved Budget
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Ministerial Departments						
428	Chief Minister	485	485	–	623	623	(138)
–	– Grant to the Overseas Aid Commission	–	–	–	–	–	–
–	Economic Development	3	3	–	1	1	2
152	Education, Sport and Culture	276	276	–	142	142	134
103	Department of the Environment	384	384	–	106	106	278
2,614	Health and Social Services	3,308	3,308	(115)	2,720	2,605	703
695	Home Affairs	592	592	–	675	675	(83)
11,589	Housing	19,364	10,321	417	16,552	16,969	(6,648)
–	Social Security	–	–	–	–	–	–
16,674	Transport and Technical Services	20,172	20,164	–	37,141	37,141	(16,977)
19,950	Treasury and Resources	20,621	20,621	–	20,225	20,225	396
	Non Ministerial States Funded Bodies and the States Assembly						
–	Bailiff's Chambers	–	–	–	–	–	–
–	Law Officers' Department	9	9	–	–	–	9
19	Judicial Greffe	19	19	–	19	19	–
21	Viscount's Department	35	35	–	41	41	(6)
42	Official Analyst	47	47	–	36	36	11
4	Office of the Lieutenant Governor	4	4	–	4	4	–
–	Office of the Dean of Jersey	–	–	–	–	–	–
–	Data Protection Commission	–	–	–	–	–	–
27	Probation Department	27	27	–	2	2	25
–	Comptroller and Auditor General	–	–	–	–	–	–
1	States Assembly and its services	11	11	–	–	–	11
52,319	**Net Revenue Expenditure – Non Cash**	**65,357**	**56,306**	**302**	**78,287**	**78,589**	**(22,283)**

D) TRADING OPERATIONS NET REVENUE EXPENDITURE AGAINST APPROVAL

2013 Actual £'000		MTFP 2014 £'000	Final Approved Budget £'000	2014 Income £'000	2014 Expenditure £'000	2014 Actual £'000	Difference from Final Approved Budget £'000
(1,852)	Jersey Airport	(1,954)	(1,260)	(30,173)	28,182	(1,991)	731
764	Jersey Harbours	1,310	1,310	(15,771)	15,979	208	1,102
(398)	Jersey Car Parking	(361)	(361)	(6,540)	6,015	(525)	164
(58)	Jersey Fleet Management	(246)	(246)	(4,422)	4,284	(138)	(108)
(1,544)	**Net Revenue (Income)/ Expenditure – Trading Operations**	**(1,251)**	**(557)**	**(56,906)**	**54,460**	**(2,446)**	**1,889**

10.4 Capital Expenditure

A) CAPITAL EXPENDITURE FROM THE CONSOLIDATED FUND

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Computer Development Vote	20	1,312	2,200	888
E Government	908	1,427	1,777	350
Upgrade Microsoft Desktop Tech	165	1,005	1,415	410
Web Development	182	969	1,025	56
T&R JDE System	–	395	771	376
Application Compatibility with Windows 8	166	166	500	334
Enterprise Systems Development	(124)	22	420	398
HR Transform (Change Team Transformation)	–	–	77	77
Chief Minister's Department Total	**1,317**	**5,296**	**8,185**	**2,889**
Education, Sport & Culture				
Le Rocquier	40	22,587	22,700	113
Sports Strategy Infrastructure	1,021	1,021	1,500	479
School ICT	–	–	778	778
ESC Minor Capital/AUCC	39	360	625	265
ESC ICT Strategy Phase 3	142	395	538	143
Victoria College	39	48	400	352
Education, Sport & Culture Total	**1,281**	**24,411**	**26,541**	**2,130**
Department of the Environment				
Central Environmental Management	–	933	1,038	105
Equipment, Maintenance, Minor	40	525	629	104
Fisheries Vessel Mid Year Refit	80	414	426	12
Met Radar Refurbishment	79	79	350	271
Urban Renewal 2006	–	315	327	12
Automatic Weather Station	36	212	265	53
Countryside Infrastructure	70	70	193	123
Department of the Environment Total	**305**	**2,548**	**3,228**	**680**
Health & Social Services				
Equipment, Maintenance & Minor Capital	2,655	9,674	12,197	2,523
Laundry Batch Washer – Planning	29	43	500	457
PSA Oxygenators	263	295	380	85
Tube System Upgrade – Planning	(7)	97	104	7
Health & Social Services Total	**2,940**	**10,109**	**13,181**	**3,072**

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Home Affairs				
Minor Capital	904	2,408	4,830	2,422
Tetra Radio Replacement	75	2,031	2,483	452
Prison Control Room	45	1,661	1,839	178
Biometric Passports	87	477	1,183	706
Prison Security Measures	–	877	943	66
Prison Cell Call System	(3)	101	200	99
Joint Emergency Control Room	(21)	163	163	–
Prison IS Strategy Implement	(2)	153	153	–
Fire Service Building Repairs	80	89	90	1
Prison 2009 Minor Capital	–	33	51	18
Home Affairs Total	**1,165**	**7,993**	**11,935**	**3,942**
Housing				
Housing Rolling Vote	8,672	59,780	59,780	–
Housing Total	**8,672**	**59,780**	**59,780**	**–**
Transport and Technical Services				
EFW Plant La Collette	(724)	118,424	119,189	765
Infrastructure	8,776	37,158	41,274	4,116
South La Collette Reclamation	10	26,582	26,600	18
Sludge Thickener Project	6,289	11,849	14,284	2,435
Town park	(85)	12,109	12,118	9
Liquid Waste Strategy	1,802	2,020	10,100	8,080
Phillips Street Shaft	1,172	5,081	5,600	519
Fire Fighting System	58	4,306	4,371	65
Waste: Ash Pit La Collette	58	2,642	3,699	1,057
In-Vessel Composting	–	2,055	2,062	7
New Public Recycling Centre	303	362	2,050	1,688
Replacement Assets	282	689	1,747	1,058
Bottom Ash Recycling	–	–	1,538	1,538
Fiscal Stimulus Parish Project	543	588	1,252	664
EFW Replacement Assets	786	786	1,136	350
Scrap Yard Infrastructure	63	115	1,025	910
Clinical Waste Refurbishment	154	331	1,000	669
Eastern Cycle Network	4	252	582	330
Asbestos Waste Disposal	46	47	447	400
Contingency Infrastructure Maintenance	–	137	145	8
Transport and Technical Services Total	**19,537**	**225,533**	**250,219**	**24,686**

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Treasury and Resources				
On behalf of Education, Sport and Culture				
Additional Primary School Accommodation	1,312	1,395	8,188	6,793
St Martin	3,498	5,052	7,732	2,680
T&R Grainville Phase 4a	50	4,521	4,558	37
Youth Service Works – Various	1,418	1,936	3,028	1,092
Victoria College Capital Project	389	1,162	1,299	137
Crabbe Silver Jubilee Works	924	924	926	2
FB Fields Running Track	766	766	810	44
Les Quennevais Artificial Pitch	649	649	650	1
Les Quennevais Rep School	196	198	320	122
On behalf of Health and Social Services				
Future Hospital	1,315	1,315	10,114	8,799
Main Theatre Upgrade	254	416	6,483	6,067
Adult Care Homes	46	64	4,000	3,936
Oncology Extension & Refurbishment	719	2,868	3,332	464
Clinique Pinel Upgrade	1,054	2,839	2,868	29
Intensive Care Unit Upgrade	79	2,301	2,500	199
Children's Homes	777	996	2,075	1,079
A&E/Radiology Extension (Phase 2)	7	1,961	1,982	21
Rosewood House Refurbishment	32	1,936	1,936	–
Autism Support	337	338	1,066	728
Replace General Hospital – Planning	–	–	500	500
Integrated Assessment & IM Care	22	22	500	478
Replacement Hospital – Feasibility	(216)	1	350	349
Mental Health Facilities – Overdale – Feasibility	–	–	350	350
Relocate Ambulance and Fire Station – Feasibility	3	5	100	95
Limes Upgrade	(37)	38	38	–
Refurbishment Sandybrook	–	–	–	–
On behalf of Home Affairs				
Police Relocation (Phase 1)	1,746	3,353	23,589	20,236
Prison Improvement Phase 4	463	9,769	9,881	112
Other projects				
Office Rationalisation	18	1,604	1,719	115
Public Markets Maintenance	37	1,957	3,462	1,505
Green St Car Park Extension	64	88	1,500	1,412
ITAX Development-Taxes Office	279	1,208	1,208	–
Tax Transformation Programme & IT System	433	742	1,200	458
Demolition Fort Regent Pool	–	–	750	750
Integrated Property System	–	227	305	78
Relocation of Sea Cadets	(193)	–	107	107
Fiscal Stimulus and Parish Projects	–	–	–	–
Treasury and Resources Total	**16,441**	**50,651**	**109,426**	**58,775**
Non Ministerial States Funded				
Magistrates Court	–	9,170	9,289	119
Non Mins – Minor Capital	77	236	1,202	966
Court Management System	–	35	43	8
Non Ministerial States Funded Total	**77**	**9,441**	**10,534**	**1,093**
Total	**51,735**	**395,762**	**493,029**	**97,267**

B) CAPITAL EXPENDITURE FROM TRADING FUNDS

	2014 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Engineering/ARFFS Building	1,311	1,497	8,737	7,240
Arrivals/Pier/Forecourt	–	575	4,764	4,189
ATC Equipment	–	3,306	3,446	140
Primary Radar Les Platons	40	2,766	3,001	235
Regulatory Compliance 2010	566	1,046	2,990	1,944
Minor Capital Assets	552	1,179	1,623	444
Fuel Farm	935	935	1,500	565
Regulatory Compliance	–	300	1,300	1,000
X-Rays for Hand Baggage	–	–	518	518
Public Address/Fire Alarm	22	58	398	340
Instrument Runway Visual Range	–	–	363	363
Airfield Stop Bars	280	280	350	70
Departures Hall Access Lobby	–	–	300	300
CCTV Airport Wide	51	63	300	237
CCTV Checkpoints	–	162	200	38
Les Platons UPS	41	154	154	–
Fire Pump Replacement	4	4	125	121
Touch Down Wind	–	–	100	100
Jersey Airport Total	**3,802**	**12,325**	**30,169**	**17,844**
Jersey Harbours				
Elizabeth Harbour EB/WB Walkways	2,552	5,716	5,716	–
St Helier Marina	1,384	1,499	3,801	2,302
Gorey Pierhead	944	1,200	3,000	1,800
MCA	263	1,482	2,353	871
Port Crane	293	823	1,803	980
Elizabeth Harbour Trailer Park	1,191	1,769	1,769	–
Marine Ops Refurbishment	143	143	1,100	957
Replace Pilot Vessel	–	–	922	922
Sub Station Upgrades NNQ	268	438	500	62
St Helier Marina Gate Replacement	–	–	450	450
Elizabeth Pontoon Fingers	–	–	240	240
Offshore Beacons	44	208	208	–
CCTV Upgrade	20	78	200	122
Warehouse Development	–	–	200	200
CCTV (Phase II)	3	3	150	147
Jersey Harbours Total	**7,105**	**13,359**	**22,412**	**9,053**
Jersey Car Parking				
Anne Court Car Park	20	339	9,000	8,661
Car Park Maintenance and Refurbishment	1,086	2,508	3,217	709
Automated Charging System	21	165	1,000	835
Jersey Car Parking Total	**1,127**	**3,012**	**13,217**	**10,205**
Jersey Fleet Management				
Vehicle and Plant Replacement	1,715	7,952	9,957	2,005
Jersey Fleet Management Total	**1,715**	**7,952**	**9,957**	**2,005**
Total	**13,749**	**36,648**	**75,755**	**39,107**

10.5 Reconciliations

A) RECONCILIATION OF FINAL APPROVED BUDGET TO THE MEDIUM TERM FINANCIAL PLAN

Department	MTFP 2014 Total NRE Near Cash £'000	Carry Forward from 2013 £'000	Allocation of Contingency £'000	Allocation of Additional Funding £'000	Transfers between capital and revenue £'000	Departmental Transfers £'000	2014 Final Approved Budget Near Cash £'000	MTFP 2014 Total NRE Non Cash £'000	In Year Adjustments £'000	2014 Final Approved Budget Non Cash £'000	2014 Final Approved Budget £'000
Ministerial Departments											
Chief Minister	22,067	1,997	3,603	290	4,855	(268)	**32,544**	485	–	**485**	**33,029**
Grant to the Overseas Aid Commission	9,794	151	–	–	–	–	**9,945**	–	–	**–**	**9,945**
Economic Development	18,513	899	35	5,000	–	(181)	**24,266**	3	–	**3**	**24,269**
Education, Sport and Culture	110,775	3,959	1,697	–	1,394	187	**118,012**	276	–	**276**	**118,288**
Department of the Environment	5,971	397	121	–	66	–	**6,555**	384	–	**384**	**6,939**
Health and Social Services	198,457	2,280	(77)	–	(49)	(109)	**200,502**	3,308	–	**3,308**	**203,810**
Home Affairs	49,306	1,463	(2,798)	43	(12,964)	497	**35,547**	592	–	**592**	**36,139**
Housing	(27,192)	1,064	130	13,834	1,909	(51)	**(10,306)**	19,364	(9,043)	**10,321**	**15**
Social Security	186,619	757	(16)	–	–	51	**187,411**	–	–	**–**	**187,411**
Transport and Technical Services	27,912	1,610	(92)	–	(855)	–	**28,575**	20,172	(8)	**20,164**	**48,739**
Treasury and Resources	32,009	3,599	(3,527)	–	3,474	(44)	**35,511**	20,621	–	**20,621**	**56,132**
Non Ministerial States Funded Bodies											
Bailiff's Chamber	1,654	60	137	–	–	36	**1,887**	–	–	**–**	**1,887**
Law Officers' Department	7,961	225	229	–	–	808	**9,223**	9	–	**9**	**9,232**
Judicial Greffe	6,905	88	(57)	–	(88)	(36)	**6,812**	19	–	**19**	**6,831**
Viscount's Department	1,424	318	(3)	–	(318)	(681)	**740**	35	–	**35**	**775**
Official Analyst	636	83	(2)	–	(330)	–	**387**	47	–	**47**	**434**
Office of the Lieutenant Governor	730	119	41	–	–	26	**916**	4	–	**4**	**920**
Office of the Dean of Jersey	26	2	–	–	–	–	**28**	–	–	**–**	**28**
Data Protection Commission	234	75	–	–	(50)	–	**259**	–	–	**–**	**259**
Probation Department	2,213	187	(3)	–	(187)	(266)	**1,944**	27	–	**27**	**1,971**
Comptroller and Auditor General	769	500	(9)	–	–	–	**1,260**	–	–	**–**	**1,260**
States Assembly and its services	**5,185**	**40**	**5,185**	**–**	**–**	**31**	**10,441**	**11**	**–**	**11**	**10,452**
Allocations for Contingencies	**7,633**	**18,345**	**(4,594)**	**700**	**–**	**–**	**22,084**	**–**	**–**	**–**	**22,084**
Net Revenue Expenditure	**669,601**	**38,218**	**–**	**19,867**	**(3,143)**	**–**	**724,543**	**65,357**	**(9,051)**	**56,306**	**780,849**

B) RECONCILIATION OF CAPITAL APPROVALS

	Previous Approvals £'000	2014 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Disposal Receipts Applied £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2014 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 14 £'000
Chief Minister's Department											
Computer Development Vote	2,200	–	–	–	–	**2,200**	1,292	**908**	20	–	**888**
E Government	1,685	–	92	–	–	**1,777**	519	**1,258**	908	–	**350**
Upgrade Microsoft Desktop Tech	1,415	–	–	–	–	**1,415**	840	**575**	165	–	**410**
Web Development	855	170	–	–	–	**1,025**	787	**238**	182	–	**56**
T&R JDE System	401	370	–	–	–	**771**	395	**376**	–	–	**376**
Appl Rem. Windows 8	–	500	–	–	–	**500**	–	**500**	166	–	**334**
Enterprise Systems Development	1,792	–	(1,372)	–	–	**420**	146	**274**	(124)	–	**398**
HR Transform (Change Team Transformation)	77	–	–	–	–	**77**	–	**77**	–	–	**77**
Chief Minister's Department Total	**8,425**	**1,040**	**(1,280)**	**–**	**–**	**8,185**	**3,979**	**4,206**	**1,317**	**–**	**2,889**
Education, Sport & Culture											
Le Rocquier	22,750	–	(50)	–	–	**22,700**	22,547	**153**	40	–	**113**
Sports Strategy Infrastructure	–	1,550	(50)	–	–	**1,500**	–	**1,500**	1,021	–	**479**
School ICT	1,000	1,000	(1,222)	–	–	**778**	–	**778**	–	–	**778**
ESC Minor Capital/AUCC	528	–	97	–	–	**625**	321	**304**	39	–	**265**
ESC ICT Strategy Phase 3	538	–	–	–	–	**538**	253	**285**	142	–	**143**
Victoria College	400	–	–	–	–	**400**	9	**391**	39	–	**352**
Education, Sport & Culture Total	**25,216**	**2,550**	**(1,225)**	**–**	**–**	**26,541**	**23,130**	**3,411**	**1,281**	**–**	**2,130**
Department of the Environment											
Central Environmental Management	1,038	–	–	–	–	**1,038**	933	**105**	–	–	**105**
Equipment, Maintenance, Minor	629	–	–	–	–	**629**	485	**144**	40	–	**104**
Fisheries Vessel Mid Year Refit	334	100	(8)	–	–	**426**	334	**92**	80	–	**12**
Met Radar Refurbishment	–	350	–	–	–	**350**	–	**350**	79	–	**271**
Urban Renewal 2006	327	–	–	–	–	**327**	315	**12**	–	–	**12**
Automatic Weather Station	265	–	–	–	–	**265**	176	**89**	36	–	**53**
Countryside Infrastructure	51	200	(58)	–	–	**193**	–	**193**	70	–	**123**
Department of the Environment Total	**2,644**	**650**	**(66)**	**–**	**–**	**3,228**	**2,243**	**985**	**305**	**–**	**680**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2014 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Disposal Receipts Applied £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2014 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 14 £'000
Health & Social Services											
Equipment, Maintenance & Minor Capital	9,360	2,789	48	–	–	**12,197**	7,019	**5,178**	2,655	–	**2,523**
Laundry Batch Washer – Planning	500	–	–	–	–	**500**	14	**486**	29	–	**457**
PSA Oxygenators	380	–	–	–	–	**380**	32	**348**	263	–	**85**
Tube System Upgrade – Planning	104	–	–	–	–	**104**	104	**–**	(7)	–	**7**
Health & Social Services Total	**10,344**	**2,789**	**48**	**–**	**–**	**13,181**	**7,169**	**6,012**	**2,940**	**–**	**3,072**
Home Affairs											
Minor Capital	3,430	200	1,200	–	–	**4,830**	1,504	**3,326**	904	–	**2,422**
Tetra Radio Replacement	2,512	–	(29)	–	–	**2,483**	1,956	**527**	75	–	**452**
Prison Control Room	1,839	–	–	–	–	**1,839**	1,616	**223**	45	–	**178**
Biometric Passports	1,183	–	–	–	–	**1,183**	390	**793**	87	–	**706**
Prison Security Measures	943	–	–	–	–	**943**	877	**66**	–	–	**66**
Prison Cell Call System	200	–	–	–	–	**200**	104	**96**	(3)	–	**99**
Joint Emergency Control Room	184	–	(21)	–	–	**163**	184	**(21)**	(21)	–	**–**
Prison IS Strategy Implement	155	–	(2)	–	–	**153**	155	**(2)**	(2)	–	**–**
Fire Service Building Repairs	50	–	40	–	–	**90**	9	**81**	80	–	**1**
Prison 2009 Minor Capital	51	–	–	–	–	**51**	33	**18**	–	–	**18**
Home Affairs Total	**10,547**	**200**	**1,188**	**–**	**–**	**11,935**	**6,828**	**5,107**	**1,165**	**–**	**3,942**
Housing											
Housing Rolling Vote	74,170	–	(1,909)	(14,873)	2,392	**59,780**	51,108	**8,672**	8,672	–	**–**
Housing Total	**74,170**	**–**	**(1,909)**	**(14,873)**	**2,392**	**59,780**	**51,108**	**8,672**	**8,672**	**–**	**–**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2014 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Disposal Receipts Applied £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2014 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 14 £'000
Transport and Technical Services											
EFW Plant La Collette	119,189	–	–	–	–	**119,189**	119,148	**41**	(724)	–	**765**
Infrastructure	33,332	6,657	1,285	–	–	**41,274**	28,382	**12,892**	8,776	–	**4,116**
South La Collette Reclamation	26,600	–	–	–	–	**26,600**	26,572	**28**	10	–	**18**
Sludge Thickener Project	14,227	–	57	–	–	**14,284**	5,560	**8,724**	6,289	–	**2,435**
Town park	12,118	–	–	–	–	**12,118**	12,194	**(76)**	(85)	–	**9**
Liquid Waste Strategy	500	10,100	–	(500)	–	**10,100**	218	**9,882**	1,802	–	**8,080**
Phillips Street Shaft	5,600	–	–	–	–	**5,600**	3,909	**1,691**	1,172	–	**519**
Fire Fighting System	4,371	–	–	–	–	**4,371**	4,248	**123**	58	–	**65**
Waste: Ash Pit La Collette	3,286	1,051	(638)	–	–	**3,699**	2,584	**1,115**	58	–	**1,057**
In-Vessel Composting	2,062	–	–	–	–	**2,062**	2,055	**7**	–	–	**7**
New Public Recycling Centre	200	2,050	–	(200)	–	**2,050**	59	**1,991**	303	–	**1,688**
Replacement Assets	504	633	152	450	8	**1,747**	407	**1,340**	282	–	**1,058**
Bottom Ash Recycling	–	1,538	–	–	–	**1,538**	–	**1,538**	–	–	**1,538**
Fiscal Stimulus Parish Project	–	–	–	1,252	–	**1,252**	45	**1,207**	543	–	**664**
EFW Replacement Assets	–	1,586	–	(450)	–	**1,136**	–	**1,136**	786	–	**350**
Scrap Yard Infrastructure	150	1,025	–	(150)	–	**1,025**	52	**973**	63	–	**910**
Clinical Waste Refurbishment	700	300	–	–	–	**1,000**	177	**823**	154	–	**669**
Eastern Cycle Network	582	–	–	–	–	**582**	248	**334**	4	–	**330**
Asbestos Waste Disposal	447	–	–	–	–	**447**	1	**446**	46	–	**400**
Contingency Infrastructure Maintenance	145	–	–	–	–	**145**	137	**8**	–	–	**8**
Transport and Technical Services Total	**224,013**	**24,940**	**856**	**402**	**8**	**250,219**	**205,996**	**44,223**	**19,537**	**–**	**24,686**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2014 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Disposal Receipts Applied £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2014 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 14 £'000
Treasury and Resources											
On behalf of Education, Sport and Culture											
Additional Primary School Accommodation	250	8,188	–	(250)	–	**8,188**	83	**8,105**	1,312	–	**6,793**
St Martin	7,732	–	–	–	–	**7,732**	1,554	**6,178**	3,498	–	**2,680**
T&R Grainville Phase 4a	4,728	–	(170)	–	–	**4,558**	4,471	**87**	50	–	**37**
Youth Service Works – Various	528	2,500	–	–	–	**3,028**	518	**2,510**	1,418	–	**1,092**
Victoria College Capital Project	1,299	–	–	–	–	**1,299**	773	**526**	389	–	**137**
Crabbe Silver Jubilee Works	926	–	–	–	–	**926**	–	**926**	924	–	**2**
FB Fields Running Track	–	810	–	–	–	**810**	–	**810**	766	–	**44**
Les Quennevais Artificial Pitch	–	650	–	–	–	**650**	–	**650**	649	–	**1**
Les Quennevais Rep School	320	–	–	–	–	**320**	2	**318**	196	–	**122**
On behalf of Health and Social Services											
Future Hospital	–	10,200	(86)	–	–	**10,114**	–	**10,114**	1,315	–	**8,799**
Main Theatre Upgrade	4,646	1,837	–	–	–	**6,483**	162	**6,321**	254	–	**6,067**
Adult Care Homes	4,000	–	–	–	–	**4,000**	18	**3,982**	46	–	**3,936**
Oncology Extension & Refurbishment	3,332	–	–	–	–	**3,332**	2,149	**1,183**	719	–	**464**
Clinique Pinel Upgrade	2,868	–	–	–	–	**2,868**	1,785	**1,083**	1,054	–	**29**
Intensive Care Unit Upgrade	2,500	–	–	–	–	**2,500**	2,222	**278**	79	–	**199**
Children's Homes	2,000	–	75	–	–	**2,075**	219	**1,856**	777	–	**1,079**
A&E/Radiology Extension (Phase 2)	1,982	–	–	–	–	**1,982**	1,954	**28**	7	–	**21**
Rosewood House Refurbishment	1,936	–	–	–	–	**1,936**	1,904	**32**	32	–	**–**
Autism Support	50	1,066	–	(50)	–	**1,066**	1	**1,065**	337	–	**728**
Replace General Hospital – Planning	–	500	–	–	–	**500**	–	**500**	–	–	**500**
Integrated Assessment & IM Care	–	500	–	–	–	**500**	–	**500**	22	–	**478**
Replace General Hospital – Feasibility	350	–	–	–	–	**350**	217	**133**	(216)	–	**349**
Mental Health Facility Overdale – Feasibility	350	–	–	–	–	**350**	–	**350**	–	–	**350**
Relocate Ambulance and Fire Station – Feasibility	100	–	–	–	–	**100**	2	**98**	3	–	**95**
Limes Upgrade	1,700	–	(1,662)	–	–	**38**	75	**(37)**	(37)	–	**–**
Refurbishment of Sandybrook	100	1,700	(1,700)	(100)	–	**–**	–	**–**	–	–	**–**
On behalf of Home Affairs											
Police Relocation (Phase 1)	20,788	1,000	8,201	–	–	**29,989**	1,607	**28,382**	1,746	6,400	**20,236**
Prison Improvement Phase 4	9,881	–	–	–	–	**9,881**	9,306	**575**	463	–	**112**
Other projects											
Office Rationalisation	1,719	–	–	–	–	**1,719**	1,586	**133**	18	–	**115**
Public Markets Maintenance	3,450	–	12	–	–	**3,462**	1,920	**1,542**	37	–	**1,505**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals	2014 Allocation	Revenue to Capital transfers	Other Transfers	Disposal Receipts Applied	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2014 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 14
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Green Street Car Park Extension	100	1,500		(100)	–	**1,500**	24	**1,476**	64	–	**1,412**
ITAX Development-Taxes Office	928	–	280	–	–	**1,208**	929	**279**	279	–	**–**
Tax Transformation Programme & IT System	850	500	100	(250)	–	**1,200**	309	**891**	433	–	**458**
Demolition Fort Regent Pool	–	750	–	–	–	**750**	–	**750**	–	–	**750**
Integrated Property System	305	–	–	–	–	**305**	227	**78**	–	–	**78**
Relocation of Sea Cadets	600	–	(493)	–	–	**107**	193	**(86)**	(193)	–	**107**
Fiscal Stimulus and Parish Projects	–	1,252	–	(1,252)	–	**–**	–	**–**		–	**–**
Treasury and Resources Total	**80,318**	**32,953**	**4,557**	**(2,002)**	**–**	**115,826**	**34,210**	**81,616**	**16,441**	**6,400**	**58,775**
Non Ministerial States Funded											
Magistrates Court	9,289	–	–	–	–	**9,289**	9,170	**119**	–	–	**119**
Non Mins – Minor Capital	158	70	974	–	–	**1,202**	159	**1,043**	77	–	**966**
Court Management System	43	–	–	–	–	**43**	35	**8**	–	–	**8**
Non Ministerial States Funded Total	**9,490**	**70**	**974**	**–**	**–**	**10,534**	**9,364**	**1,170**	**77**	**–**	**1,093**
Total	**445,167**	**65,192**	**3,143**	**(16,473)**	**2,400**	**499,429**	**344,027**	**155,402**	**51,735**	**6,400**	**97,267**

C) RECONCILIATION OF MOVEMENT IN UNALLOCATED CONSOLIDATED FUND BALANCE

	2013 £'000	2014 £'000
Opening Balance	**31,160**	**7,493**
Net General Revenue Income	636,688	648,967
Net Revenue Expenditure – Near Cash	(636,186)	(674,163)
Transfer of Housing Underspend to Andium	–	(2,265)
Add Back: Carry Forwards from 2012/2013	52,110	38,217
Add Back: Additional Allocations	217	1,033
Remove: Transfers between Capital and Revenue	–	–
Rephasing of Capital	–	7,820
Other	(6,363)	(10,963)
Approvals Carried Forward:		
Departmental Carry forwards	(19,872)	(13,011)
Carry forward of Contingency	(18,345)	(9,966)
Capital Approval in the Year	(12,566)	(65,192)
Transfer to Jersey Fleet Management for Asset Replacement	–	(1,500)
Other Capital Funding Sources	(24,760)	–
Funding from the Central Planning Vote	800	500
Funding from Strategic Reserve for new Hospital	–	10,200
Funding from Currency Fund	–	3,000
JPH Receipts Applied	2,348	2,874
Return from Andium	–	38,490
Transfers from:		
Dwelling House Loan Fund	2,000	6,914
Insurance Fund	–	2,500
Stabilisation Fund	–	1,058
Currency Fund	–	3,500
Jersey Car Parks	–	2,635
Returns to the Consolidated Fund	141	–
COCF Funding previously spent from Consolidated Fund	–	6,400
Other	–	–
Other Movements	121	166
Fund Movement	**(23,667)**	**(2,786)**
Closing Balance	**7,493**	**4,707**

States of Jersey

States of Jersey Treasury

Cyril Le Marquand House
PO Box 353
Jersey, Channel Islands
JE4 8UL

Telephone: +44 (0)1534 440215
Facsimile: +44 (0)1534 445522

www.gov.je