



**The States of Jersey
Presentation to Fixed Income Investors
May 2014**



**TREASURY
& RESOURCES**

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Appendix Housing Transformation Programme



Speakers



Senator Philip Ozouf, Minister for Treasury & Resources, Assistant Chief Minister with special responsibility for Financial Services

- Elected as Minister for Treasury and Resources in November 2008, and subsequently re-elected in November 2011
- Born in Jersey he was educated at Victoria College and went on to the European Business School in London, Frankfurt and Paris. He then worked for one of the world's largest multi-nationals on a range of projects across Europe, Africa, Asia Pacific and the United States
- In November 1999, he topped the poll in the Deputy elections in the Island's largest constituency. In the 2002 Senatorial elections he topped the poll again and has since held numerous roles
- During the financial crisis he was responsible for the allocation of fiscal stimulus programmes to support Jersey's economy. In 2012 he changed the Jersey Finance Law changing the way the States of Jersey plans its finances
- He now has joint financial responsibility for International Finance and regularly represents the Island in London and overseas. In January 2014 he was appointed as Assistant Chief Minister with special responsibility for Financial Services



Deputy Andrew Green MBE, Minister for Housing

- Sworn in as a Deputy on 8 December 2008 and subsequently re-elected in November 2011. Elected as Minister for Housing in February 2011 and re-elected to the role in November 2011. Other positions held include Assistant Minister of Education Sport and Culture and Vice Chairman of the States Employment Board
- Born and educated in Jersey, Andrew enjoyed a distinguished career in the army, NHS and Jersey civil service
- As Housing Minister, Andrew led the transformation of social housing, driving through major reform of the provision, availability and standard of homes, separating the operational and regulatory roles
- He has extensive interest outside of States and was a former Panel member in the Island's Youth Court. Founder Chairman of the brain injury charity Headway (Jersey) and now National Chairman of Headway UK (as well as having held various roles in Jersey Scouts he now chairs the Scouts Island Executive). He was awarded the MBE in the Queen's Birthday Honours in 2005



Laura Rowley, Treasurer of the States

- Took up the post of Treasurer of the States of Jersey in November 2010 as Treasurer Designate and was sworn in during January 2011
- A CIPFA qualified accountant, holding an MBA and employed in the public sector for most of her working career. Her previous experience includes Director of Resources at Shropshire Council and senior financial posts at Birmingham City Council, the Audit Commission and London Boroughs of Southwark and Brent
- Played a significant part in developing and implementing a unitary authority council for Shropshire which brought the Shropshire County Council and five district councils into one organisation. This delivered almost £15 million of ongoing annual savings – equivalent to 12% on Shropshire's council tax
- Contributed to the national Lyons Inquiry into the future funding of local government in the United Kingdom, has chaired the CIPFA Education Panel and has contributed in a voluntary capacity to the Board of Staffordshire University and a number of charities and Trusts

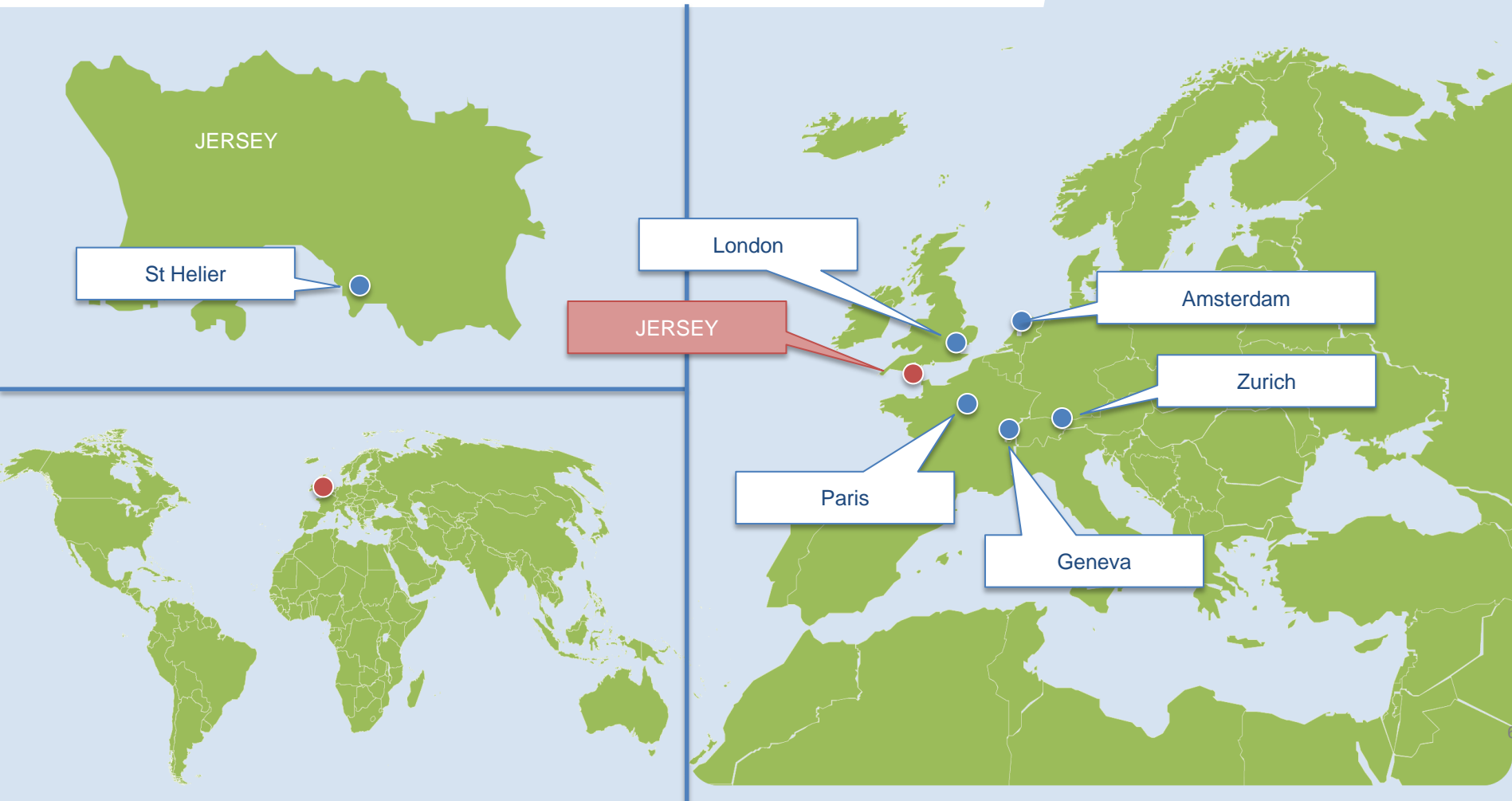
Executive Summary

- The Bailiwick of Jersey (“Jersey”) is a British Crown Dependency with a close relationship with the UK Government which uses the British Pound as its currency
- Jersey has a population of 99,000, gross value added (“GVA”) in 2012 of £3.6 billion, and per capita GVA in that year of £36,700
- Jersey has a strong balance sheet, with £6.2 billion of assets compared to £619 million of liabilities as at 31 December 2013
- Jersey has a long track record of prudent financial management and has invested in long term revenue and capital planning
- Jersey has traditionally maintained budgetary surpluses. Following the global financial crisis, the government forecast three years of deficits (2010, 2011 and 2012), but was able to return to surplus by 2012
- Jersey’s Financial Strength is recognised by Standard & Poor’s with a AA+ with stable outlook long term rating, affirmed on 23 May 2014
- Jersey is looking to raise £250 million to fund a major investment programme in social housing



Section 1

Introduction



Geography, History, Governance and Legal System

An overview of Jersey

- The Bailiwick of Jersey is a British Crown Dependency, located in the Bay of St Malo
- Jersey has a long relationship with the Crown that dates back to 1066 and was confirmed in 1204 and subsequently in 1215
- The Island spans 45.5 square miles, with a population of 99,000
- The largest of the Channel Islands with a separate relationship to the British Crown from other Crown Dependencies
- Independent from other Channel Islands and does not maintain any constitutional or government linkages, other than in certain specific areas of cooperation
- Part of the British Isles, but not part of the United Kingdom. Jersey maintains independent relations with foreign states, but the UK has constitutional responsibility for the defence of Jersey
- Autonomous and self-governing, with its own independent political, fiscal, legal and judicial systems. However, Jersey laws require sanction from Her Majesty in Council (Privy Council)
 - Before proceeding to the Privy Council the UK Ministry of Justice reviews the proposed laws to ensure there is no conflict either with international obligations or any fundamental constitutional principles
- Not independent from the UK in its monetary affairs
- The political system is a parliamentary democracy, albeit with independent members rather than political parties
- The legislature of Jersey is called 'The States of Jersey' (or 'States Assembly'). The constitution is set out in the States of Jersey Law 2005

Timeline

- 1066 – The Duke of Normandy conquered England and became King William I as well as the Duke of Normandy
- 1204 – King Philip II Augustus of France conquered the duchy from King John of England but Jersey remained loyal to the English Crown
- 1215 – In return for its loyalty, King John granted Jersey certain rights and privileges which enabled them to be virtually self-governing subject only to Royal assent and enactments through the Privy Council.



Relationship with the UK and EU

The close relationship between Jersey and the UK is set out in a 2007 Agreement

- In 2007 the most recent formal framework was established for the development of the international identity of Jersey. This work was undertaken by the Chief Minister and the UK Secretary of State for Constitutional Affairs, the main provisions of which are:
 - The UK has no democratic accountability in and for Jersey. In the context of the UK's responsibility for Jersey's international relations:
 - The UK will not act internationally on behalf of Jersey without prior consultation; and
 - The UK recognises that Jersey's interests may differ to its own
 - The UK recognises that Jersey is a long-standing, small democracy and supports the principle of Jersey further developing its international identity
 - Jersey and the UK commit themselves to open, effective and meaningful dialogue on any issue that may come to affect their constitutional relationship
 - The UK and Jersey will work together to resolve or clarify any differences which may arise between their respective interests
 - Jersey and the UK will work jointly to promote the legitimate status of Jersey as a responsible, stable and mature democracy with its own broad policy interests

Whilst Jersey is not part of the European Union, it does enjoy benefits of a close relationship

- Whilst not a Member or Associate Member of the EU, it is treated as part of the European Community for the purposes of free trade in goods
- Under Protocol 3 of the UK's Treaty of Accession of 1972, Jersey is part of the European Community, whereby common customs tariffs and other import measures apply to trade between Jersey and non-Member States
- The Channel Islands Brussels Office (CIBO) ensures that Jersey's interests are promoted in Europe. As well as representing Jersey to EU institutions, CIBO also advises the States of Jersey on EU policy issues



Monetary System

Monetary Integration

- Jersey is fully integrated into the UK monetary system (i.e. it does not operate a currency union). The government consequently does not have any international reserves
- All financial/electronic transactions on the Island are denominated in Sterling

Government Role

- The government does not operate a central bank or any equivalent
- The government has no legal obligation to provide Jersey banks with Sterling, and never does so. Jersey banks independently order Sterling, and arrange for delivery of Sterling, for use on the Island
- The government has no obligation to provide wholesale liquidity or access to Sterling for financial institutions. Faltering UK or other overseas bank branches or subsidiaries resident in Jersey would have to rely upon their parent banks and the Bank of England (or equivalent) for support

The Depositors Compensation Scheme

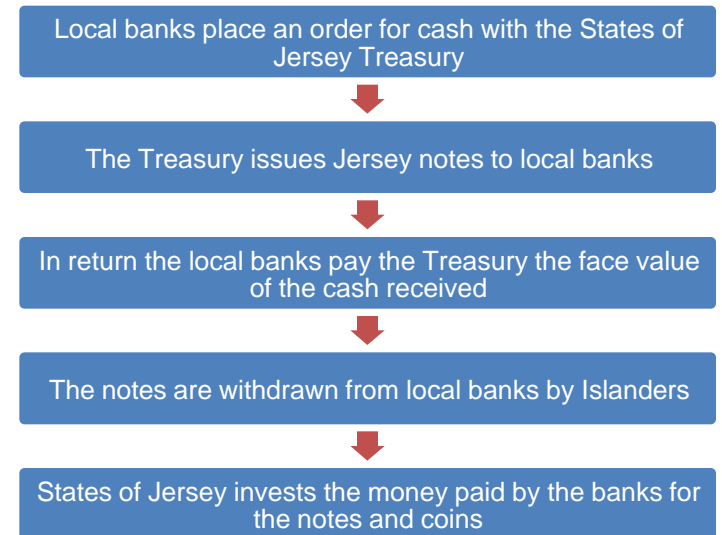
- This scheme is funded primarily by Jersey registered banks
- In the event that a Jersey registered bank is declared bankrupt, the Bank Depositors Compensation Scheme ensures that compensation of up to £50,000 is paid to depositors
- The Scheme is funded by a levy on banks operating in Jersey, with levies spread up to 5 years. Where the total bank levy is insufficient to meet the full cost of the Scheme, the States of Jersey is required to make a contribution. In this scenario, the Strategic Reserve Fund would be used to provide the required financial support, up to a cap of £100 million



Jersey Pound

- **The Jersey Pound is a local, cash currency**
- The currency of Jersey is the Jersey Pound and is pegged 1:1 to the British Pound Sterling
 - For every Jersey Pound in issuance there is a British Pound Sterling held by Jersey Treasury
- The Jersey Pound circulates along with British, Scottish and Guernsey currency in Jersey. Although it is not legal tender outside the Island, traders in the UK may choose to accept it and it can be exchanged at a UK bank on a one-for-one basis
- The States of Jersey started issuing its own notes and coins on a regular basis in 1963
- There is usually about £70 million of Jersey notes in circulation
- Under the Currency Notes (Jersey) Law 1959, the Minister for Treasury and Resources has the power to issue Jersey notes to a cumulative maximum of £100 million. The States is entitled to vary the amount of the currency note issue in circulation at any point in time
- The Jersey Pound is a cash currency only. There are no financial and other electronic transactions conducted in the Jersey pound, nor are any financial assets such as bank deposits held in Jersey pounds

How Jersey's currency generates cash for the Island



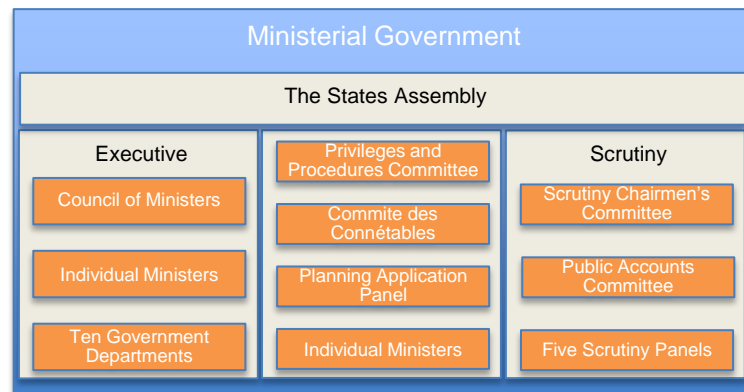
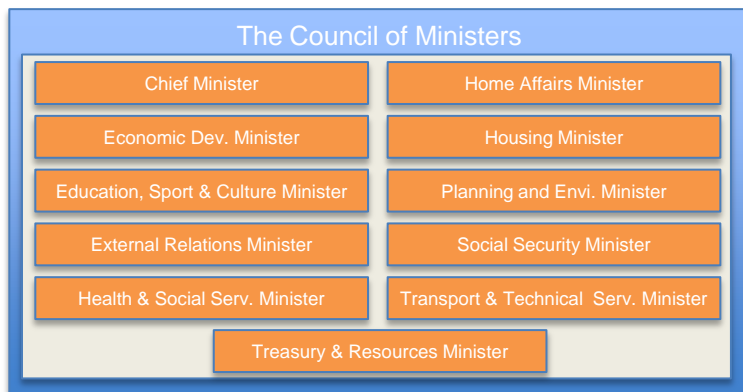
Government and Institutional Framework

The States of Jersey

- 'The States of Jersey' or 'The States Assembly' is the parliament and government of Jersey
- The constitution of Jersey is documented in the States of Jersey Law 2005
- There are 51 elected members of The States Assembly with voting rights
 - 10 Senators (Reduced from 12 in 2011, will reduce to 8 in 2014), 12 Connétables (heads of each Parish), 29 Deputies (representing districts within the Parishes)
- In addition there are;
 - 5 non-elected members (Bailiff, Lieutenant-Governor, Dean of Jersey, Attorney-General and Solicitor-General)
 - 3 officers (Greffier of the States, Deputy Greffier of the States and Viscount)
- Ministerial system of Government with a Council of Ministers working alongside Scrutiny Panels
 - Up to 22 of the 51 elected members can hold ministerial positions, to ensure that the Executive is always a minority

The principal functions of the States Assembly are:

- To pass Laws (which require the sanction of Her Majesty in Council) and Regulations on all domestic matters
- To approve annual estimates of public expenditure (revenue and capital)
- To appoint a Council of Ministers (the Executive arm of Government) charged with responsibility for the different aspects of public business
- To appoint a Public Accounts Committee (PAC) and scrutiny panels to hold the Executive to account
- To determine policy on propositions presented by Ministers, scrutiny panels and other bodies or individual members, and executive matters such as compulsory purchases
- To debate and decide issues of public importance
- To consider petitions for the redress of grievances; and
- To represent the people of Jersey



Section 2

Economy



Economic Objectives

Strategic plan



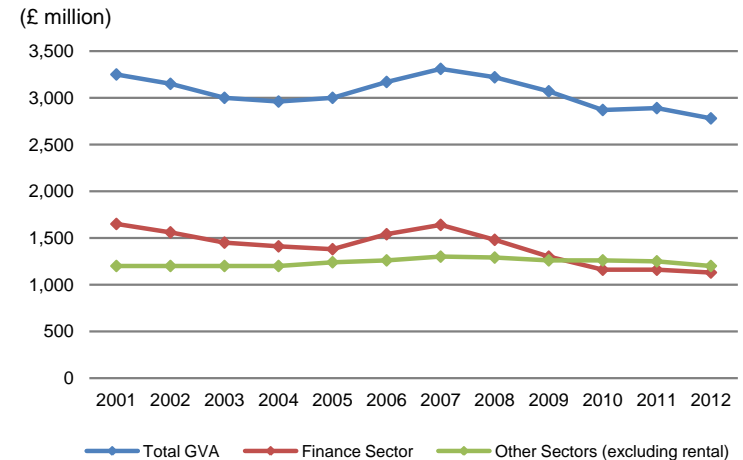
Economic Growth and Diversification Strategy

- There are four main strategic aims:
 - Encourage innovation and improve Jersey's international competitiveness
 - The States, in partnership with business, will encourage innovation to improve the Island's competitive advantage
 - Grow and diversify the financial services sector, capacity and profitability
 - Financial services will continue to be the main pillar of the island's economy. There are significant opportunities to generate even greater value and create new market opportunities
- Create new businesses and employment in high value sectors
 - A new Enterprise Strategy will focus on creating and growing high value businesses, creating new quality job opportunities for the island's residents
- Raise the productivity of the whole economy and reduce reliance on inward migration
 - The island's economy has become reliant on importing labour, especially in lower value sectors. New strategic priorities will aim to limit migration to fulfil these roles

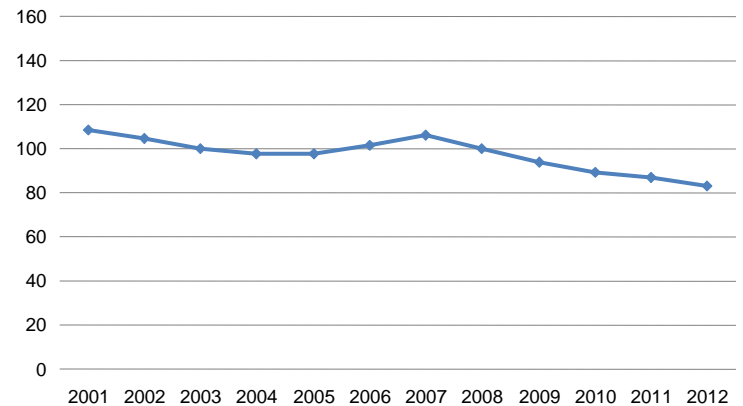
High Gross Value Added Per Capita

- GVA per capita for Jersey in 2012 was £36,700, higher than the GVA per capita of the UK (£21,300)*
- The States of Jersey Statistic Units measures Economic performance based on Gross Value Added ("GVA") rather than GDP
 - This is due to shortfalls in the currently available data on exports and final consumption expenditure
 - The Statistics Unit is able to calculate internal estimates of GDP which suggest only relatively small differences between the GVA and estimated GDP figures
- As for most European economies, Jersey's economy has been impacted by the global economic crisis since 2008
- Net inward migration over the past decade, particularly in 2006-2008, when it represented over 1% of total population p.a.

Real GVA in constant (2003) values



GVA per Capita in real terms 2001-2012

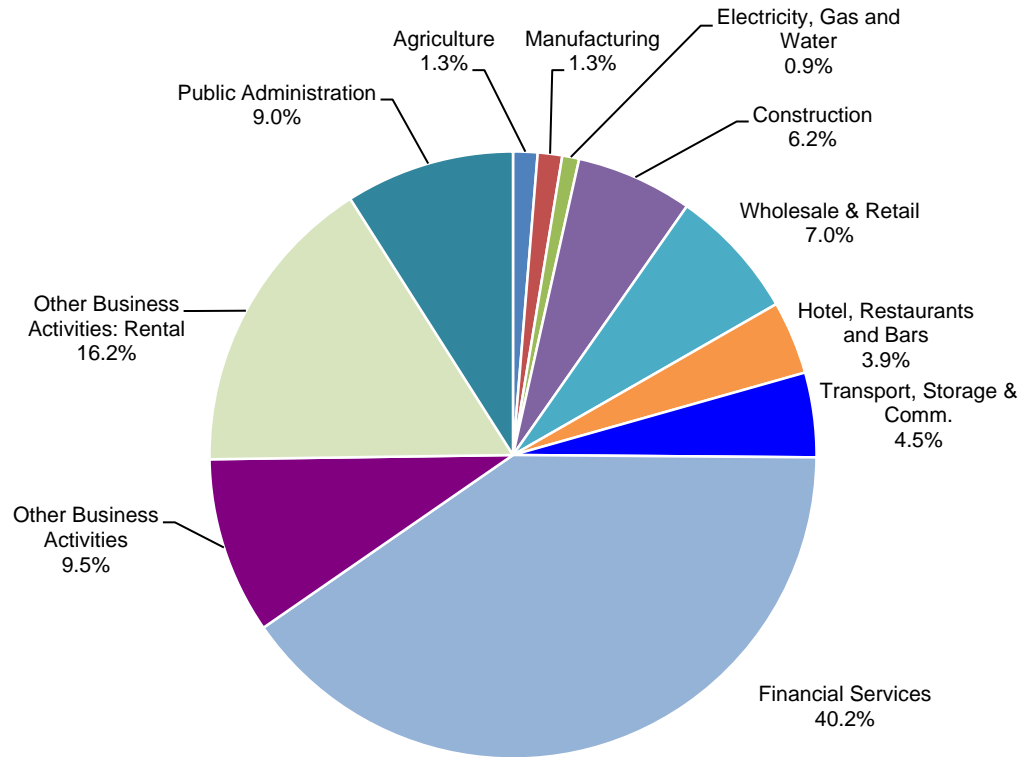


*Source: Office for National Statistics: Regional Gross Value Added (Income Approach), December 2013

Source: Statistics Unit: www.gov.je/statistics "Measuring Jersey's Economy: Gross Value Added (GVA) 2012"

Gross Value Added – Sector Contributions

- The Financial Services sector accounted for 40.2% of total GVA in 2012
- The remainder of the economy is well diversified across sectors

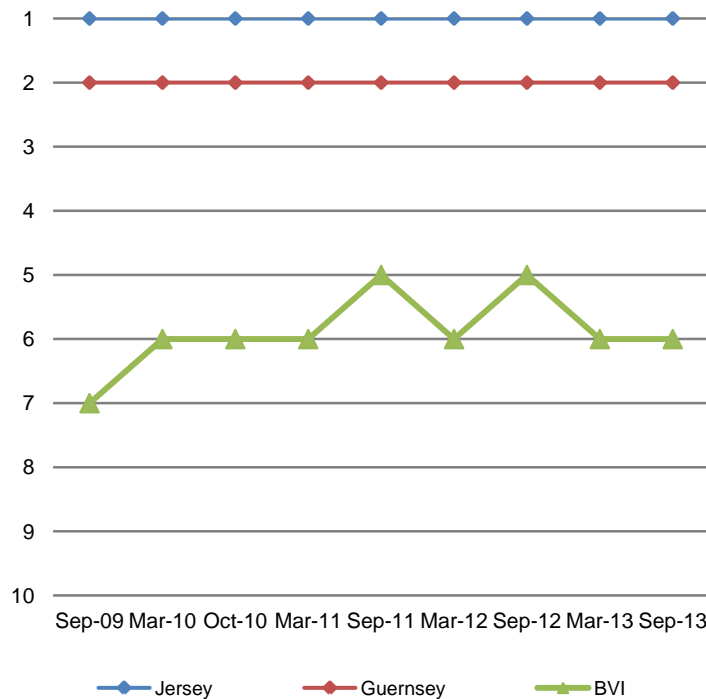


Source : Statistics Unit: www.gov.je/statistics "Measuring Jersey's Economy: Gross Value Added (GVA) 2012".

International Position as a Financial Centre

Jersey has long been viewed as a premier International Financial Centre, consistently topping the Global Financial Services Index for Offshore Jurisdictions

Global Financial Services Index Offshore Jurisdiction rankings



Comparison with other Financial Centres

Location	Position in GFCI Index 11 Offshore Centres Ranking	G20/OECD Whitelist	No. of first tier law firms (ref Legal 500)	Number of Banking licences
Jersey	1	April 2009	5	42
Bermuda	4 (Hamilton)	June 2009	2	4
BVI	6	August 2009	5	6
Cayman	3	August 2009	2	222
Guernsey	2	April 2009	4	32
Isle of Man	5	April 2009	3	32

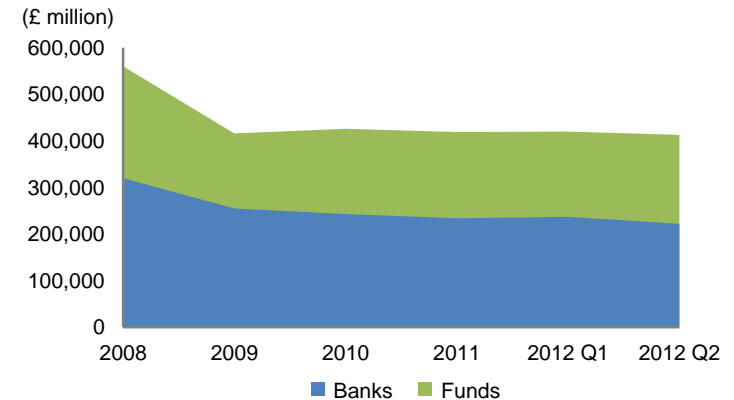
Source: Jersey Finance Limited. "Jersey: a leading International Finance Centre"

Financial Sector Overview

Jersey has a stable financial sector with recent declines now mitigated by initiatives to attract new business to the sector

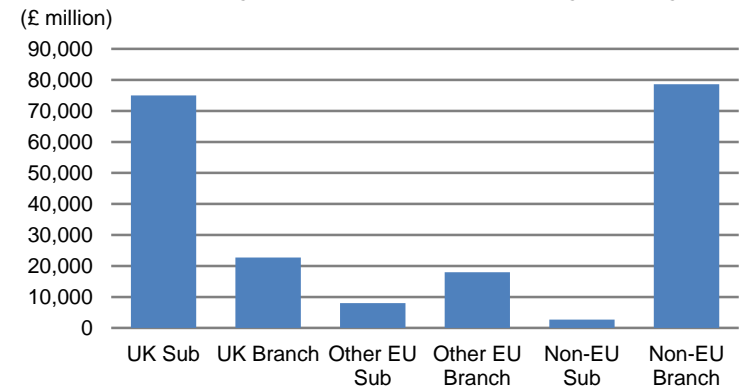
- Financial sector asset value was over 100x GVA in 2012
- The financial sector in Jersey can be broadly split into the following sub areas:
 - Banking – subsidiaries or branches of top-tier international banks are the dominant part of the sector
 - Fund management and associated services – second largest part of the sector
 - Trust companies (including the private wealth trust sector) – significant contributor
 - Insurance sector – small part of the Jersey financial sector
- Jersey is seeking to mitigate the decline in the sector since 2008 by focusing on:
 - Developing a forward looking strategy. McKinsey and Capital Economics produced a detailed report on diversification within financial services
 - Attracting new top tier banks to Jersey
 - Inward investment opportunities for funds
 - Refreshing existing product offerings, innovation and new product development; and
 - Attracting new business from growth markets

Asset Values for Banks and Funds



Source: JFSC, Banking Statistics: Assets & Funds Statistics: Summary of Statistical Survey of Funds Serviced in Jersey as at 30 September 2012

Breakdown of Jersey's Banks Financial Assets by Bank Type



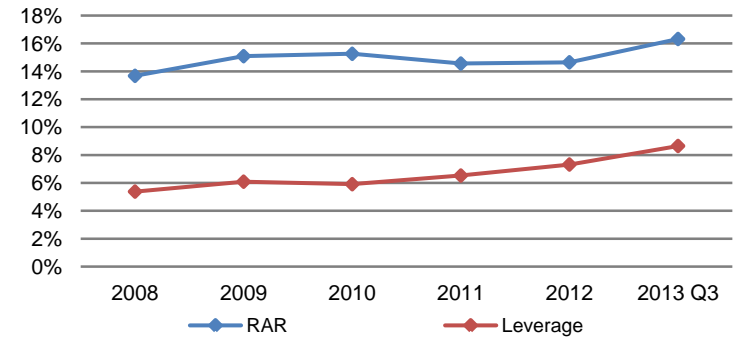
Source: Jersey Financial Services Commission

Regulatory Framework

The Financial Sector in Jersey is regulated by the Jersey Financial Services Commission (JFSC)

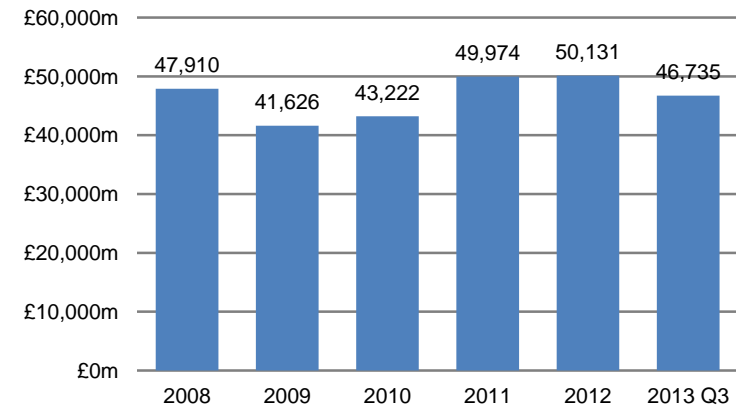
- The JFSC aims to maintain Jersey's position as an international finance centre with high regulatory standards
- Following a 2008 IMF review, the JFSC regulation and supervision is considered to be of a "high standard" and "comply well" with the Basel II Committee's Core Principles for Effective Banking Supervision and the International Association of Insurance Supervisors' Insurance Core Principles
- The JFSC has undertaken to work closely with regulators around the world as regulatory requirements increase and regulation becomes more complex
- The JFSC imposes higher regulatory requirements than Basel II for banks incorporated in Jersey (10% minimum capital requirement). The JFSC has yet to adopt Basel III. Jersey incorporated banks have reported surplus capital resources:
 - Total capital to total risk weighted assets for Jersey-incorporated banks is over 16%
 - Capital and reserves to total assets was 8.6% as at 30 September, 2013
- Simple Zero/Ten business taxation system. In September 2011, the EU Code of Conduct Group confirmed that there were no harmful elements to the business tax regime giving certainty to those seeking to place business within the Island

Key Risk Ratios



Source: JFSC, Banking Statistics: Key Risk Ratios of Jersey Banks

Risk Weighted Assets (Jersey Incorporated Banks Only)



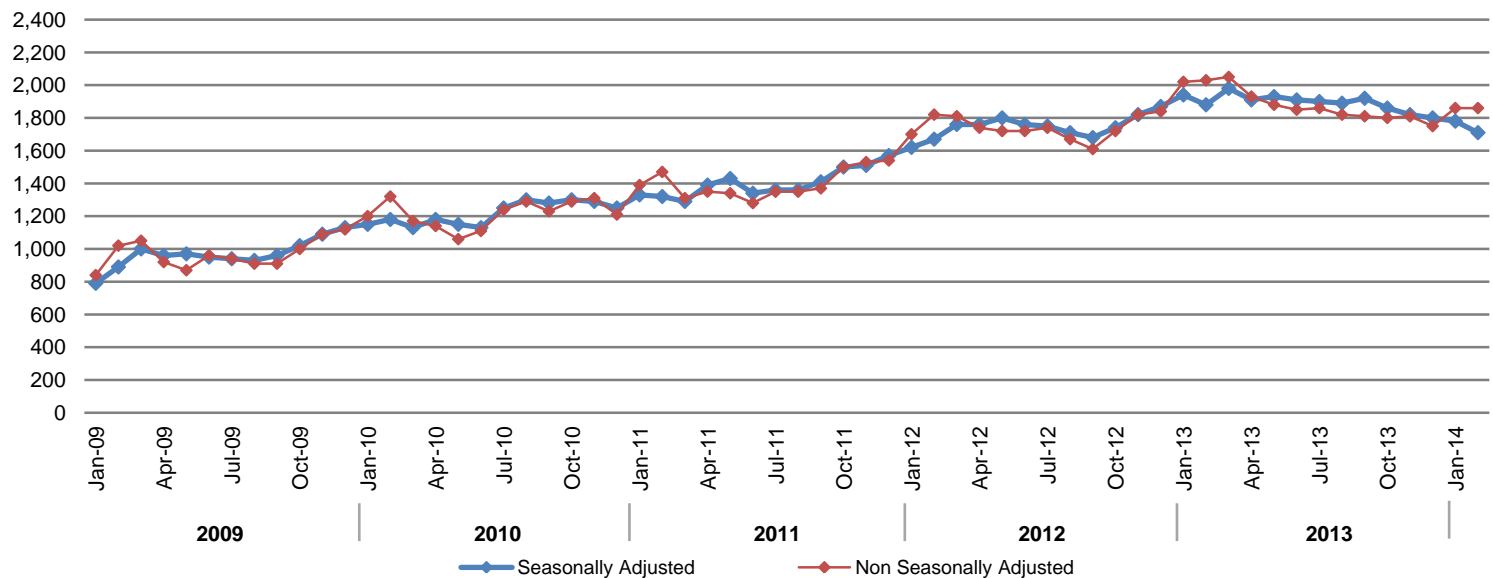
Source: JFSC, Banking Statistics: Assets



Employment

- The latest internationally comparable (ILO) measure of unemployment for Jersey was estimated to be 5.7% in June 2013. This compares with a figure of 7.7% in the UK at that time
- The behaviour of the ILO unemployment rate for Jersey during the last decade has been:
 - 2000-2008: relatively flat at around 2%
 - 2008-2013: increased from 2.3% to 5.7%, driven by the global economic crisis
 - The rate of 5.7% in June 2013 corresponded to 3,200 people being unemployed at that time

Total number of individuals registered as Actively Seeking Work, Jan 2009 – Feb 2014



Source: Statistics Unit: www.gov.je/statistics "Registered Actively Seeking Work February 2014".

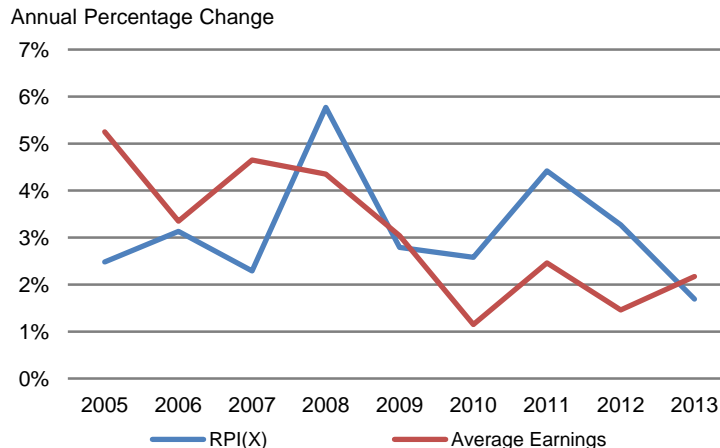
Source: Graph data from Statistics Unit: www.gov.je/statistics "Registered Actively Seeking Work February 2014". Jersey ILO unemployment data from Statistics Unit: www.gov.je/statistics "Jersey Labour Market at June 2013" UK ILO unemployment data from Office for National Statistics: Labour Market Statistics

Inflation and House Prices

Inflation

- Inflation in Jersey, measured by the RPI, and underlying inflation have followed similar behaviour to that of the UK since 2005
- Historically, earnings growth in Jersey has exceeded consumer price inflation, but a combination of price inflation and low earnings growth since the start of the global economic crisis has resulted in a decline in earnings in real terms during the past few years

June annual percentage change in Average Earning Index and RPI (X)

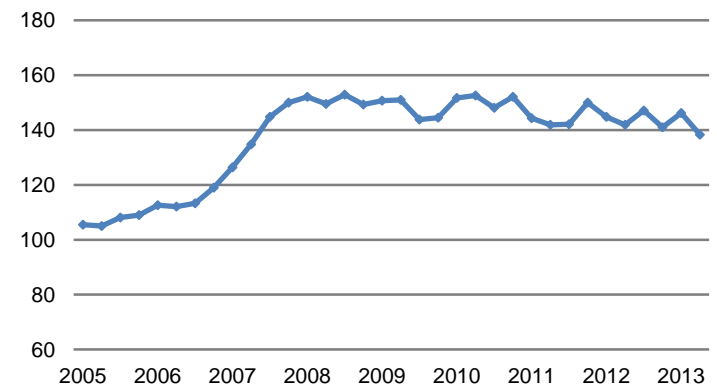


Source: Statistics Unit: www.gov.je/statistics "Index of Average Earnings June 2013" and "Jersey Retail Prices Index June 2013"

House prices

- Jersey had 44,700 private dwellings in March 2011, with c.7% vacant. Of those occupied, 54% were owner-occupied (compared with 64% in the UK)
- The average "mix adjusted" house price in Jersey in Q4 2013 was £388,000, compared with £250,000 in the UK
- Since 2008, house prices in Jersey have seen a marginal decline of c.1% p.a.

Jersey House Price index



Source: Statistics Unit: www.gov.je/statistics "Jersey House Price Index Fourth Quarter 2013"

Section 3

Public Finances

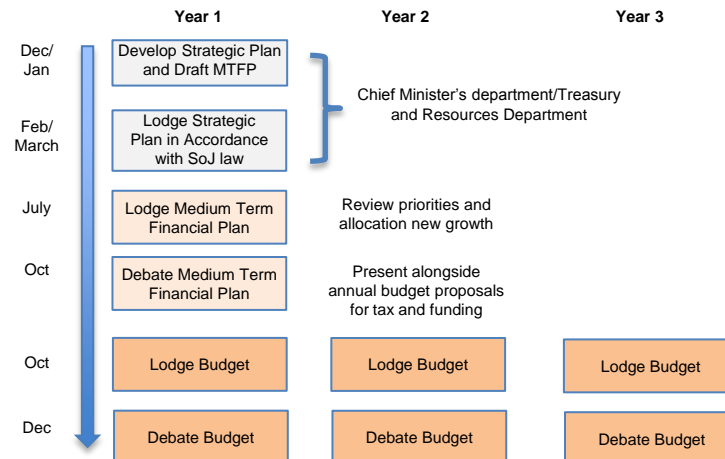


Fiscal Policy

- Jersey has a history of prudent fiscal management:
 - A track record of fiscal surpluses
 - Recycling surpluses into a Stabilisation Fund
 - No material external debt
- Three levels of financial planning operate as set out in the Public Finance (Jersey) Law 2005:
 - The Strategic Plan proposes strategic objectives and includes a Resource Statement setting out tax and spending principles
 - The 3 year Medium Term Financial Plan (“MTFP”) proposes 3 year States Expenditure and Income Targets with tax and funding measures for each year to keep the Consolidated Fund (States Bank Account) in balance
 - The Annual Budget is developed by Treasury and Resources Ministers, agreed with the Council of Ministers and then proposed to the States usually in October in advance of debate in December. The Annual Budget also approves detailed Capital and Growth expenditure allocations for the following year

- The MTFP for 2013 to 2015 is based on three pillars;
 - cutting spending by £65 million;
 - promoting economic growth; and
 - raising taxes by £35 million

Budget planning cycle



Year End Position 2013 – Financial Results at a Glance

States income and expenditure

- £9 million shortfall in Net General Revenue Income, reflecting:
 - Lower revenue from Personal Tax (£20 million)
 - Higher revenue from Company Tax (£18 million)
 - Lower revenue from Stamp Duty (£7 million)
- £44 million under-spend in Departmental expenditure (against Final Approved Budget)
 - £23 million within Departments
 - £21 million due to unused contingency amounts

2012 Actual £m	2013 Final Approved Budget £m	2013 Budget £m	2013 Actual £m
627.7	States Net General Revenue Income	646.0	636.7
600.6	Department Net Revenue Expenditure – Near Cash	659.0	636.2
27.1	Operating Surplus/(Deficit) for the Year	(13.0)	0.5
(45.0)	Depreciation and other Non-Cash Expenditure	(41.7)	(52.3)
(21.4)	Trading Operations Net Revenue Expenditure	(0.7)	1.5
184.3	Net Revenue Income of Special Funds and SOJDC	-	323.4
42.9	Other (Income)/Expenditure and Accounting Adjustments	-	12.5
187.9	Net Accounting Surplus/(Deficit) for the Year	(55.4)	285.6

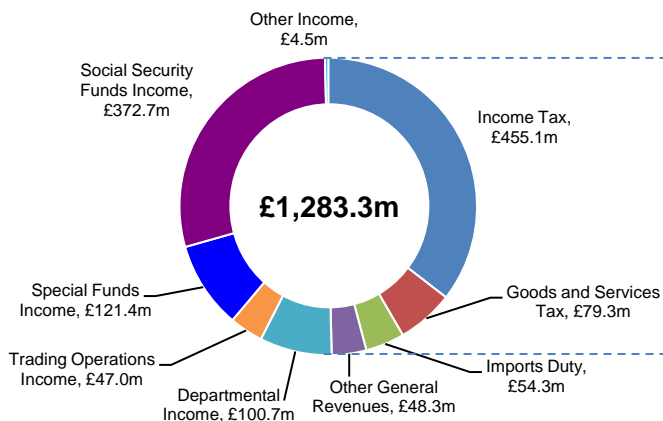
Comparative Fiscal Balance

£ million	2009	2010	2011	2012*	2013*
States Income	674	546	587	628	637
Departmental Net Revenue Expenditure	(565)	(599)	(599)	(601)	(636)
Operating surplus/(deficit)	109	(53)	(12)	27	1
Other Income and Expenditure	(63)	(176)	(23)	161	285
Accounting surplus/(deficit)	46	(229)	(35)	188	286
GVA	3,629	3,555	3,650	3,617	
Surplus/(deficit) as % of GVA	1.3%	(6.4%)	(1.0%)	5.2%	

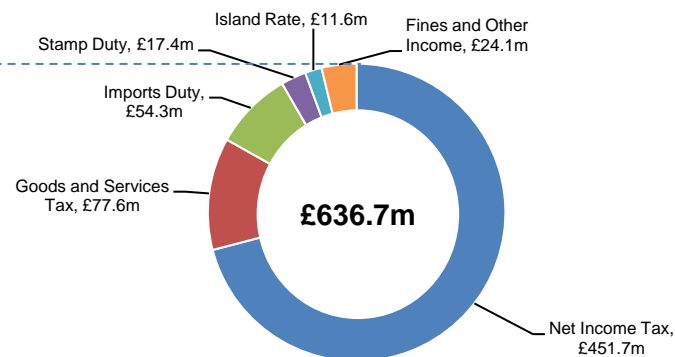
#Sources: States of Jersey Financial Report and Accounts, Jersey Economic Trends 2012, Medium Term Financial Plan * From 2013 the Social Security Funds were included in the Financial Report and Accounts, and 2012 figures restated.

Government Income and Expenditure – 2013

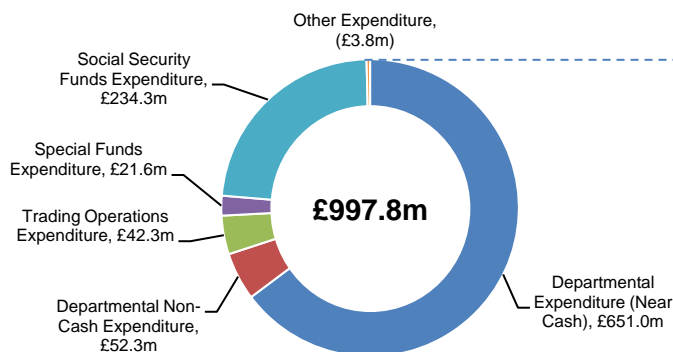
Breakdown of Consolidated Income



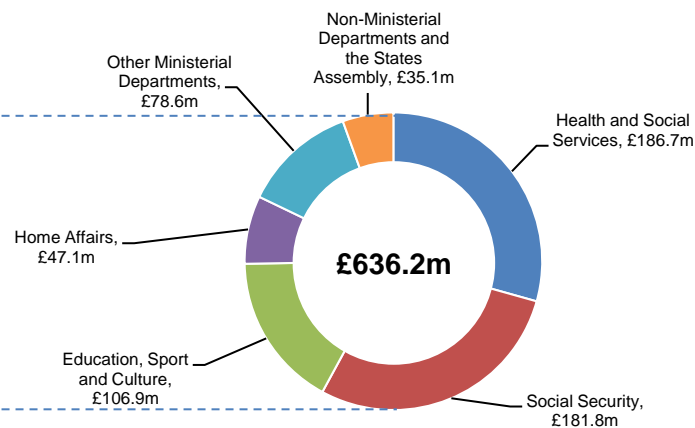
Breakdown of Net General Revenue Income



Breakdown of Consolidated Expenditure



Breakdown of Departmental Near Cash Net Revenue Expenditure (adjusted for Departmental Income and Consolidation Adjustments)



Source: States of Jersey Annual Accounts, 2013

Balance Sheet Strength

Net Assets

- Consolidated net assets at December 2013 were £5,611 million:

Cash and Equivalents

- £100 million of cash in bank deposit and current accounts
- Additional £88 million in cash and equivalents held in the Consolidated Fund to which the States has direct access

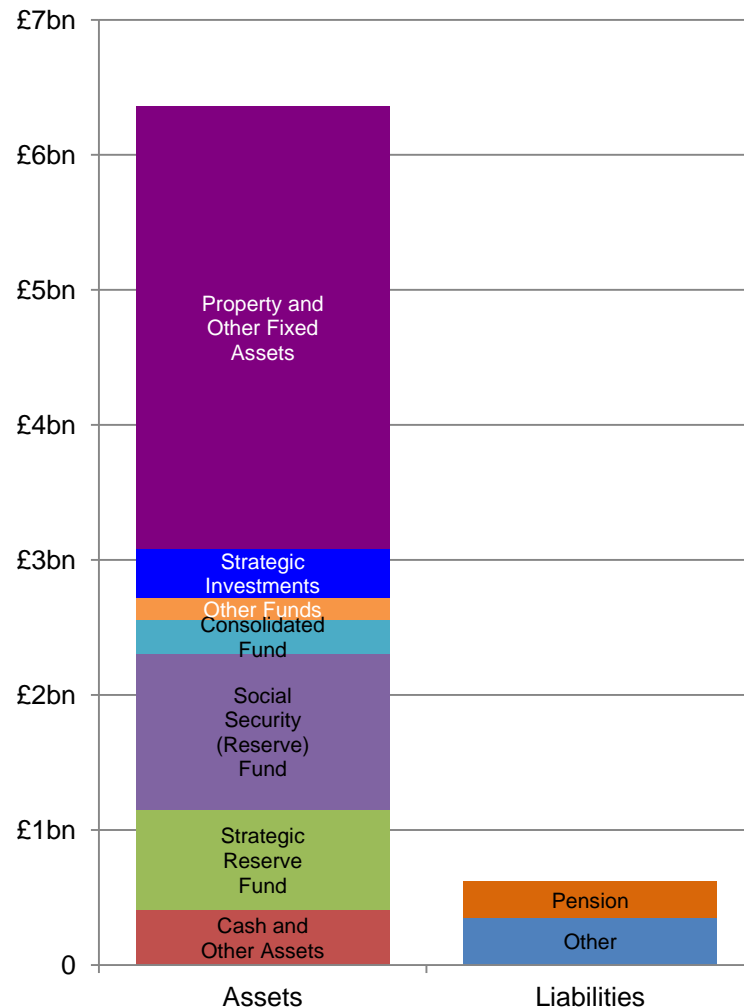
Funds

- The States maintains a number of funds as part of its balance sheet management
- Jersey also benefits from a £1,158 million Social Security (Reserve) Fund as at December 2013

Guarantees

- Small number of guarantees totalling c. £20 million as at December 2013 that are not recognised on the balance sheet
- These apply to the Jersey New Waterworks Company, the Jersey Arts Trust, Student Loans and Small Firms

States Assets and Liabilities



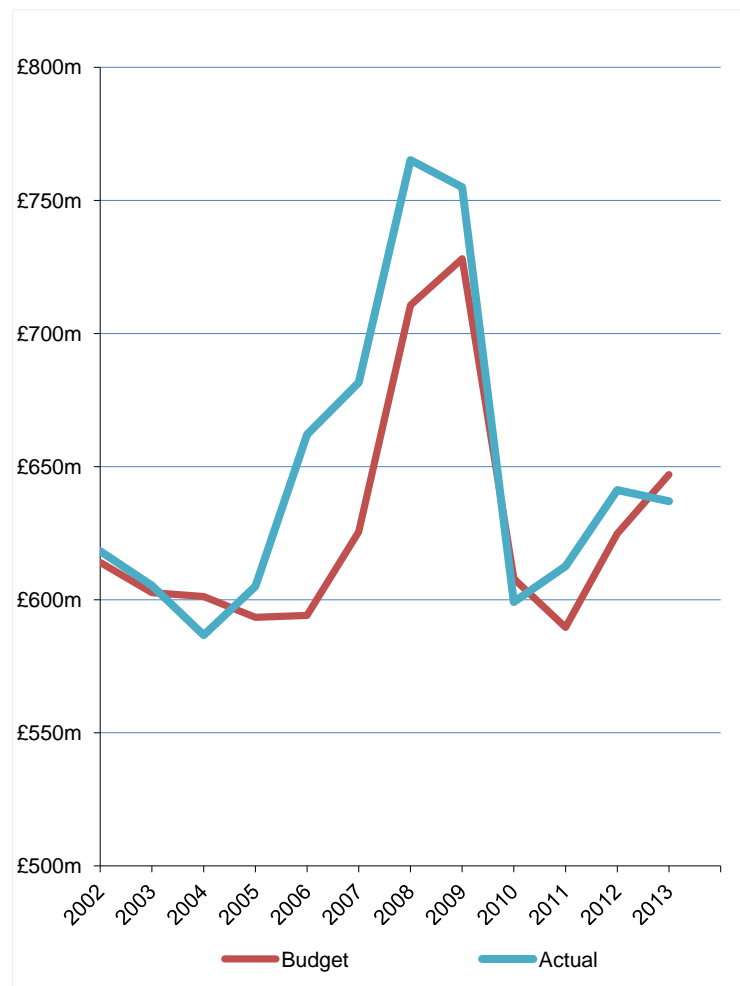
Source: States of Jersey Financial Report and Accounts, As at December 2013

General Revenue – Budget and Actual

Revenue Planning

- In 2008, Jersey introduced Goods & Services Tax (“GST”) and the zero/ten tax regime to further broaden and stabilise Jersey’s tax base
- Since 2011, preferential tax rates can apply for high net worth individuals to attract investment in Jersey

General Revenue Income (“GRI”) - Budget



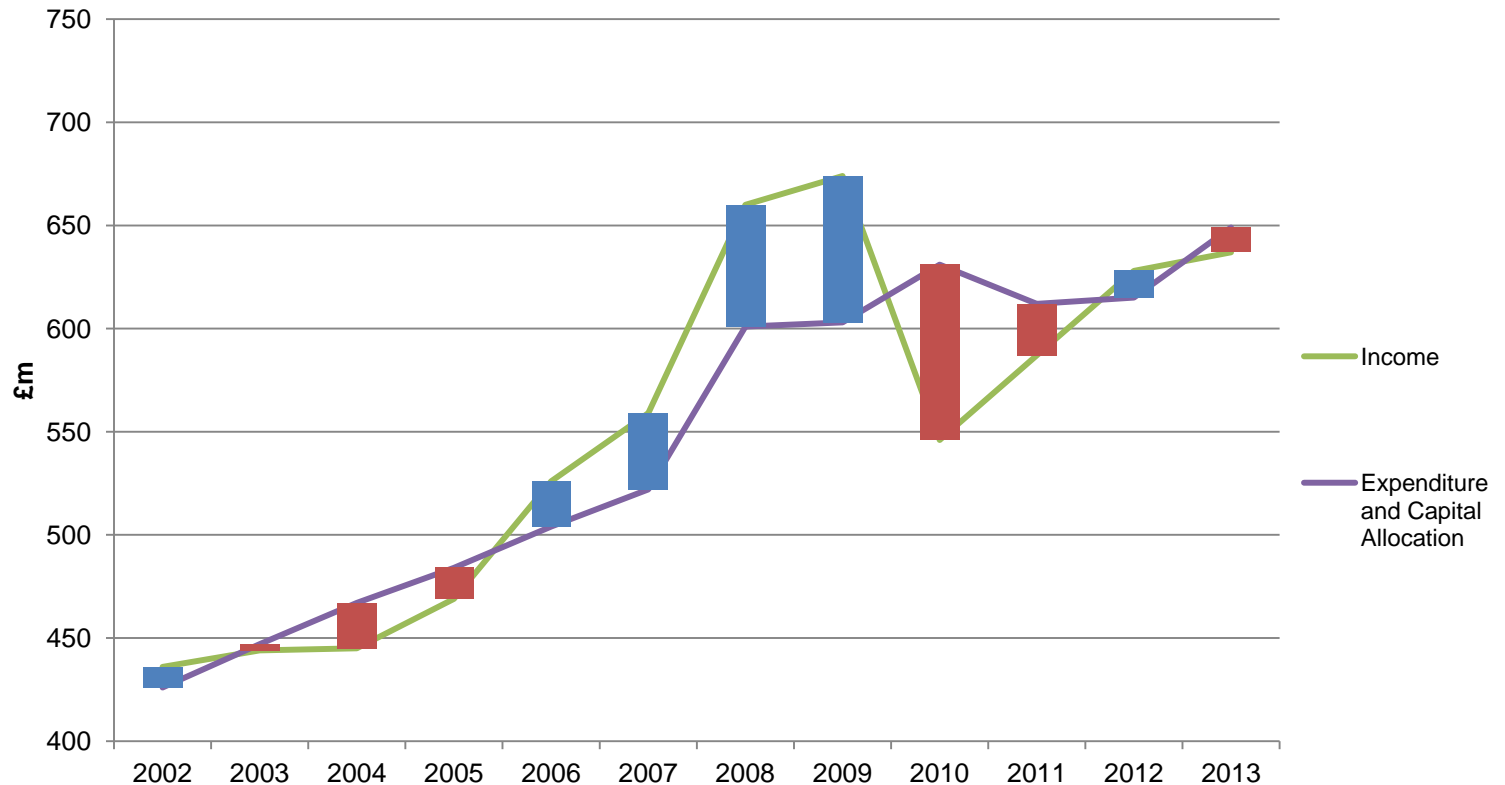
Source: States of Jersey Medium Term Financial Plan



Fiscal Surpluses and the Stabilisation Fund

Stabilisation Fund

- The States invests budget surpluses in a Stabilisation Fund and withdrawals from this fund have allowed Jersey to finance deficits in the wake of the global financial crisis without recourse to debt



Source: States of Jersey Medium Term Financial Plan

Pensions

The States of Jersey's primary pension scheme, PECRS, is fully funded

- The States of Jersey operates a number of pension schemes, including the Public Employees Contributory Retirement Scheme (PECRS) and the Jersey Teachers' Superannuation Fund (JTSF)
- PECRS is the public sector pension scheme for all employees working for the States of Jersey except teachers who have their own scheme - JTSF
- The following table highlights the net asset value of the PECRS and JTSF funds* as at December 2013

	Net Asset Value (£m)
PECRS	£1,536 million
JTSF	£386 million

Source: States of Jersey Financial Report and Accounts

- In order to ensure that its long term objectives for PECRS are achievable, the States has in 2013:
 - Consulted with the Committee of Management and negotiated with the Pensions Joint Negotiation Group (JNG)
 - Sought to ensure that the changes are broadly in line with the UK changes so as to continue participation in the "public sector transfer arrangement"
- Achievement of the States' pension objectives was governed by the following:
 - Career Average Revalued Earnings (CARE) scheme
 - Retirement age being linked to Jersey state pension age
 - Higher employee contribution rates
 - Equity and fairness to all employees
 - A contribution cap for employees, employers and tax payers

* Excluding assets attributable to other admitted bodies to the schemes

Standard & Poor's Rating

- On 22 November, 2013 Standard & Poor's ("S&P") assigned the States of Jersey a AA+ with stable outlook long term rating. This was affirmed on 23 May, 2014

- S&P highlighted Jersey's;
 - high wealth
 - strong fiscal flexibility; and
 - public-policy stability

- S&P reflected on Jersey's reliance on the Financial Services sector, but they noted that the risk was mitigated by;
 - strong system liquidity and capital
 - the same lending and underwriting standards as the (mostly U.K. based) parent banks
 - a funded banking sector depositors' compensation scheme; and
 - the sector's role in providing offshore banking services to clients of U.K. banks



Section 4

Conclusion



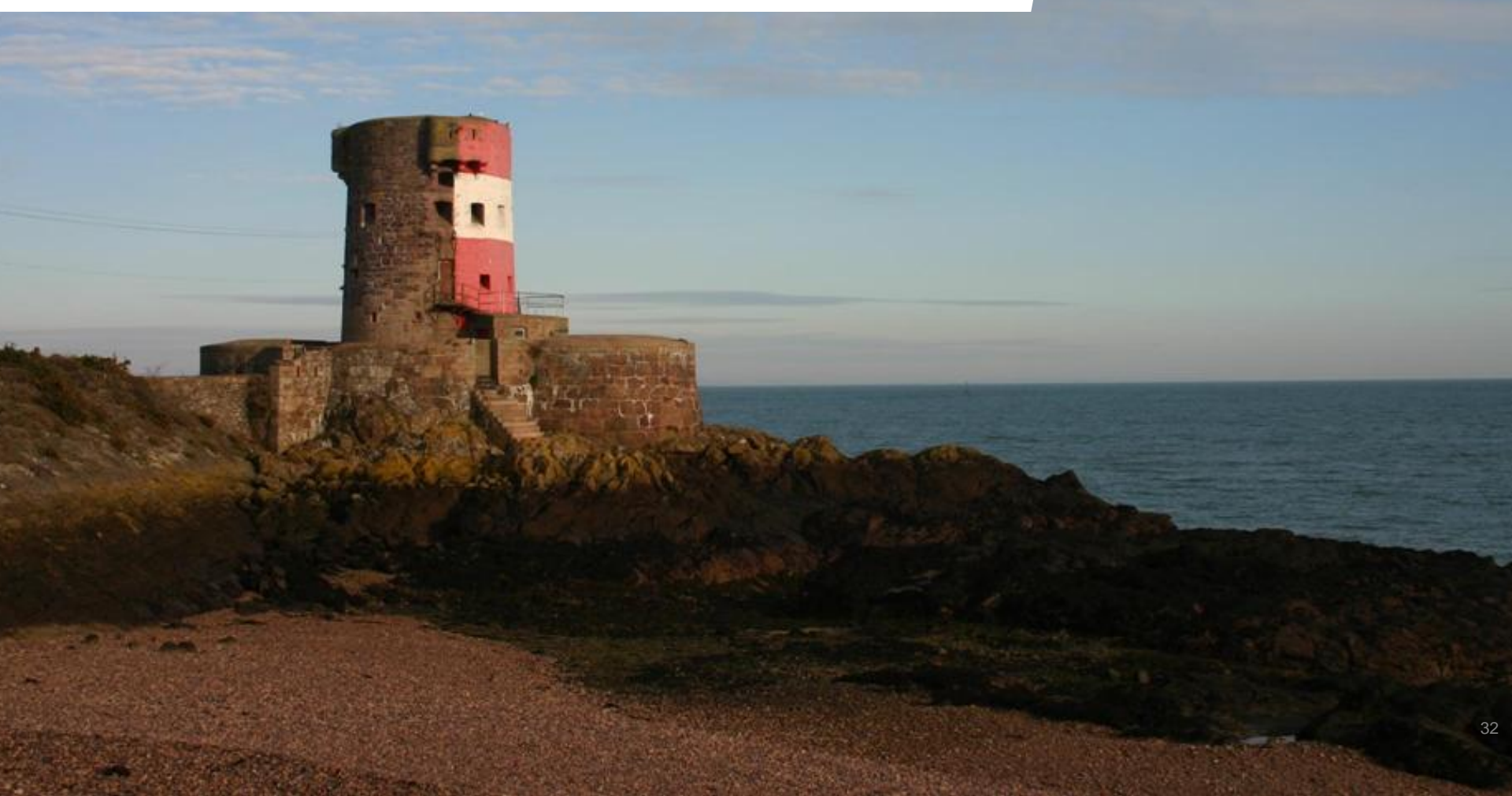
Conclusion

- Jersey is an independent Sovereign with a close relationship with the UK Government which uses the British Pound as its currency
- Jersey has a population of 99,000, gross value added (“GVA”) in 2012 of £3.6 billion, and per capita GVA in that year of £36,700
- Jersey has an exceptionally strong balance sheet, with £6.2 billion of assets compared to £619 million of liabilities as at 31 December 2013
- Jersey has a long track record of prudent financial management and has invested in long term revenue and capital planning
- Jersey has traditionally maintained budgetary surpluses. Following the global financial crisis, the government forecast three years of deficits (2010, 2011 and 2012), but was able to return to surplus by 2012
- Jersey’s Financial Strength is recognised by Standard & Poor’s with a AA+ with stable outlook long term rating, affirmed on 23 May 2014
- Jersey is looking to raise £250 million to fund a major investment programme in social housing



Appendix

Jersey's Investments



Jersey Funds

The States of Jersey operates a number of funds both inside and outside its accounting boundary. The following table provides an overview of some of the main funds it operates

Fund Name	Inside the States of Jersey Accounting Boundary	Total Investment Value (31 December 2013)	Purpose of the Fund
Strategic Reserve Fund	✓	£743 million	A permanent reserve, to be used only in exceptional circumstances to insulate the Island's economy from severe structural decline (such as a sudden collapse of a major island industry) or from major natural disasters
Stabilisation Fund	✓	£1 million	Provides protection from the adverse impact of economic cycles (by taking money out of the economy when it is strong, and releasing it when it is weaker), creating a more stable economic environment with low inflation. Proceeds from this fund are used to budget any potential budget deficits and ensure that a balanced budget is achieved
Consolidated Fund	✓	£246.3 million	The 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
Dwelling Houses Loans Fund	✓	£3.6 million	Lends money to residentially qualified first-time buyer individuals for acquisition of housing
Jersey Currency Fund	✓	£8.2 million*	Established under the Public Finances (Jersey) Law 2005, and 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
Social Security Fund	✓	£76 million	To ensure that a state pension will continue to be available to working age contributors who are funding the pensions of the current generation of pensioners
Social Security (Reserve) Fund	✓	£1,158 million	The mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time and a buffer to contribute towards the rising burden of pension costs as Jersey faces up to the pressures arising from an ageing population
Health Insurance Fund	✓	£78.7 million	Established under the Health Insurance (Jersey) Law 1967, the Health Fund receives allocations from Social Security Contributions for the purpose of paying claims for medical benefits and pharmaceutical benefit as defined in the above law

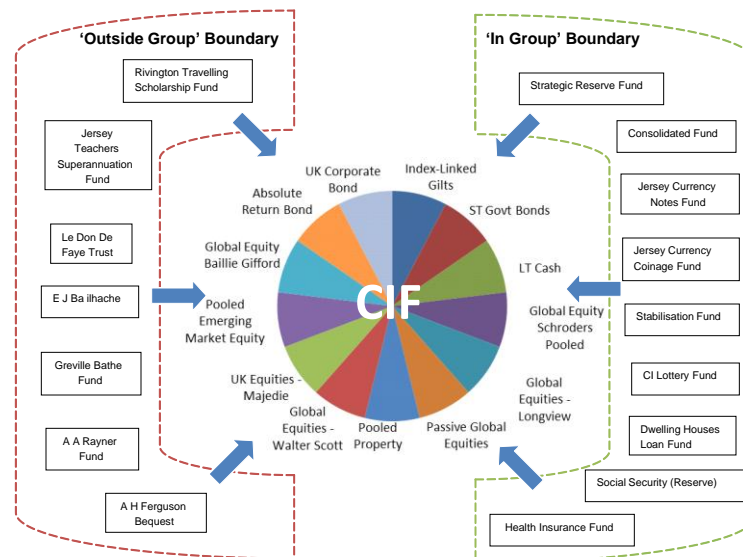
* Surplus in these funds shown, i.e. Sterling held less notes / coins in circulation. At 31 December 2013, the gross value of the Jersey Currency Fund was £100.4 million

Source: States of Jersey Financial Report and Accounts

The Common Investment Fund

The Common Investment Fund (“CIF”), valued at £2,372 million at 31 December 2013, creates the opportunity for States managed funds to pool resources and benefit from greater investment opportunities and economies of scale

- The CIF pools assets from a range of Funds and invests the underlying assets, as per the Fund’s agreed strategies
- The States consolidated £1,968 million of the CIF’s total value (£2,372 million) into its balance sheet in 2013
- The CIF is arranged into various pools, each representing an asset class and managed independently by an investment manager
- Participants are able to invest in individual pools or combinations of pools to meet their stated investment strategies
- The Minister for Treasury and Resources presents the investment strategy for all funds to the States. These strategies include asset allocation and investment ranges for each asset class
- The participant is then invested in ‘units’ of the relevant CIF pools to meet their stated investment strategy



Appendix

Housing Transformation Programme



The Housing Transformation Programme

- 10 year achievement of Decent Homes Standards – 1,225 homes currently do not meet that standard
- The plan is to deliver a net gain of 427 new units
 - 899 new units built
 - 164 units demolished
 - 308 units sold
- In addition, 258 new units will be delivered by Housing Trusts

Clos Gosset

Le Squez

Before



After



Source: Housing Transformation Programme