States of Jersey

FINANCIAL REPORT AND ACCOUNTS 2013

STATES OF JERSEY TREASURY

TREASURY
& RESOURCES

States of Jersey

FINANCIAL REPORT AND ACCOUNTS

2013

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1.1 The Minister's Report

This has been a busy year for the States, a year in which the Council of Ministers have been developing and progressing solutions to major issues facing the Island. The development of solutions for investment in the Future Hospital, new social and affordable housing and the liquid waste strategy demonstrate our preparedness to tackle the difficult issues which will make a positive difference to Islanders over the long term. In so doing we have been balancing competing priorities, managing a growing demand for services whilst at the same time responding to these demands with innovative funding solutions and within constrained resources.

During the year the Treasury has been supporting the delivery of the Council of Ministers' service priorities of creating jobs, improving health and providing more and better housing for Islanders. In line with the recommendations of the Fiscal Policy Panel, funding mechanisms for three major projects that are essential for the Island's long term infrastructure needs have been agreed.

- Future Hospital
  This project is a vital part of the reform of Health and Social Services. A new hospital will be delivered, fully funded, with no debt and no tax increases. Investment returns from the Strategic Reserve in the coming years will be used to fund the estimated cost of £297 million. The Strategic Reserve investment returns for 2013 were £91.9 million.

- Social and affordable housing
  New housing and improvements to the existing stock to meet decent home standards will be achieved by using the States of Jersey's strong balance sheet to borrow funds for the longer term at low rates of interest. The debt will be repaid from the rental stream. Good progress has been made into the mechanisms by which this funding will be secured, including a strong credit rating and work on the issue of a public bond.

- Liquid Waste
  A new liquid waste infrastructure will be funded without any new cost to the taxpayer. A combination of existing capital budgets, the main capital programme and investment from the Currency Fund in infrastructure will be used to fund these improvements in Jersey's infrastructure.

In November, the States of Jersey was awarded one of the best international credit ratings possible by Standard and Poor's (S&P). S&P assigned a 'long term issuer default rating' of AA+, with a stable outlook. In addition, Jersey was assigned the highest S&P short term rating of A-1+. These ratings are recognition of Jersey's prudent fiscal policies that have resulted in balanced budgets over many years as well as the accumulation of assets that can be drawn down to support growth during periods of weakness (such as the last five years). The 'stable outlook' reflects S&P's view of Jersey's high wealth and government finances.

Protecting and retaining jobs in Jersey has been a particular focus for us this year. We have taken steps to stimulate the local economy by bringing forward ambitious capital schemes. These include using an infrastructure investment to fund a scheme to build first-time buyer homes in Trinity, the renovation of St James' Church and proposals for a new Police Station at Green Street. We have also introduced the Pilot Starter Home Deposit Loan Scheme to help first time buyers purchase housing, further supporting the local economy and the construction industry, as well as helping first time buyers onto the property ladder.

Whilst I recognise the legitimate debate concerning the increase in public spending, it remains key that resources are targeted to help meet the States' Strategic Objectives. The Medium Term Financial Plan (MTFP) identified vital areas of growth in 2013, including investment to help get people into work of £8.2 million, and commitments to the reform of Health and Social Services of £11.8 million. We also increased allocations to Income Support and Supplementation by £11.6 million, to help protect the most vulnerable in our community. These increases were funded in part through further savings of £22.7 million delivered by departments during the year, and the States remains committed to reforming the public sector to ensure that the services expected by Islanders are delivered effectively and efficiently. The 2014 Budget Statement sought to modernise our tax system, and make it fairer for everyone. The Treasury and departments have also invested time in developing a Long Term Capital Plan and a Long Term Revenue Plan, which will help underpin Jersey's future financial planning and ensure that the high quality services the public expect are appropriately funded.

During the year the Chief Minister has undertaken a series of visits including to China and Abu Dhabi, to ensure that Jersey is represented in fast-growing markets, and to strengthen business and diplomatic relations. I have also visited Washington DC and Doha, visits which promoted new business for the Island and helped build productive relationships. These visits are vital to the Island's continuing success.

Managing the Budget: States Income

Despite a challenging economic climate, General Revenue Income was £9.0 million higher than the preceding year. Our healthy income tax receipts show that our zero/ten approach, confirmed as acceptable to the EU Code Group in 2011, combined with the introduction of GST, was the right one. Whilst general revenue income is still not back to 2008 levels we have managed the transition and are returning to balanced budgets. The tax collection rate achieved by the Taxes Office is also enviable, being at an all-time high and exceeding that achieved by the UK government.

Managing the Budget: Expenditure

2013 saw the first year of the Medium Term Financial Plan, promoting longer term financial planning and giving Departments more certainty within which to plan and reorganise service delivery. I am especially pleased that the assumptions within the first Medium Term Financial Plan have held up during 2013.

Departments spent a net amount of just under £636.2 million in 2013 on providing services. This was almost £22.8 million less than the amount available to them once unspent funds from 2012 had been added to their budgets as approved in the 2013 Medium Term Financial Plan. Most of the underspend will be carried forward to 2014, including nearly £19.9 million within Departments. A flexible system means that Departments do not need to "use it or lose it" by the end of December each year, and can plan with more certainty. This allows the funding carried forward to be applied effectively to meet the service priorities set out in the Strategic Plan.

On top of this over £20.7 million of contingency and restructuring expenditure remained at the end of the year and £18.3 million will be carried forward into 2014. I have said previously that I would not expect contingency funding to be spent each year that it is available, but that it should be carefully managed. It is pleasing that so much funding remains at the end of 2013 and it is sensible that we retain the balance as a buffer against unforeseen circumstances without needing to go back to the States for additional funding.

At the same time as spending less than their available budgets, Departments have achieved over £22.7 million of savings in 2013, the third year of the three-year Comprehensive Spending Review programme targeted to achieve £65 million savings. Whilst the time frame to achieve the savings has now been extended to 2016, and there is currently a projected £3.6 million shortfall due to the States' decision not to agree a reduction in subsidies to fee paying schools. This is a tremendous achievement and I would like to thank all Departments for their efforts. A £22.7 million reduction, which permanently comes out of budgets, is the equivalent of, for example, a 1.5% rise in GST.

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 2013 Departments spent £43.2 million on capital projects. Significant projects during the year included: Philips Street Shaft, which will help reduce the risk of flooding in St Helier, improvements to the Prison and a refurbishment of the clinical assessment centre and mental health residential unit at Clinique Pinel, as well as work on the Island's infrastructure and Social Housing stock.

Managing the Balance Sheet

2013 has seen a continued focus on managing the States' balance sheet. This is an area that has, perhaps, been overshadowed in the past by the emphasis on controlling expenditure and raising enough income to pay for it. 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 nearly £3.3 billion. This does not, of course, mean that our assets can simply be sold off to provide additional funding. They are needed to provide essential services to Islanders. We can, however, look at managing those assets better. This approach has the potential to release assets for disposal or alternative use. For example relocation of the Police Headquarters to Green Street will free the Summerland site for Social Housing, and Jersey Property Holdings have rationalised and modernised office accommodation by relocating its staff from three different sites into one at Maritime House.

The value of the States' Strategic Investments increased by £25.0 million in 2013. The Treasury operates a policy of active management of these investments, with regular meetings throughout the year. Together, the four utilities contributed over £11 million in dividends to the States in 2013, which obviates the need for that funding to be raised by taxes. I will continue to work with the Boards of the utilities to deliver the best returns possible to the States to supplement our income, whilst at the same time allowing them to retain sufficient working capital to be able to grow their businesses.

The Common Investment Fund (CIF) saw returns of £260.9 million in 2013, £251.0 million of which is attributable to funds within these Accounts. 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 £743.1 million at the end of 2013, having seen returns of £91.9 million. The States decided in the 2014 Budget Statement to allocate investment returns to fund the Future Hospital project.

Pension past service liabilities reduced by £4.8 million in 2013. This was mostly due to a reduction in the Public Employees Contributory Retirement Scheme pre-1987 liability, which has seen increased repayments in the year as part of the Medium Term Financial Plan. The increased repayments included within the Medium term Financial Plan will enable the States to repay this liability by 2053, 30 years earlier than originally planned, and reduce the cost of repayment by £1.8 billion over the long term. Notwithstanding that, we must make changes to the States Pension Schemes to ensure that they are sustainable for the future and over the last year significant progress has been made with developing proposals that will ensure PECRS is sustainable, affordable and fair for the long term.

Conclusions

I am fortunate, as Minister for Treasury and Resources, to have the benefit of inheriting wise and far sighted decisions by my predecessors as well as to have an innovative and bold Treasurer and staff, who are delivering real change without ever losing sight of the prudence needed when dealing with taxpayers' money. Together they have provided me with the tools I need to make decisions, some of which are difficult, some of which are unpopular, but which are 100% necessary if Jersey's economy is to survive and prosper. I have described how Jersey States' finances are in good shape despite a number of challenges. This has been achieved through sometimes tough decisions and by not squandering taxes when times are better. It is this prudent approach which has resulted in Jersey being awarded one of the best international credit ratings possible.

We are underspending, and the value of our assets is rising. This does not happen by accident and I am grateful to the Treasurer, her staff and my fellow Ministers and their departments. We must not be complacent. If we continue to manage our finances carefully we can continue to direct taxpayers' money to where it is most needed and where it will benefit most Islanders, particularly those who are in need of support in challenging times.

All that remains is for me to thank all the staff in the Treasury and Resources Department and across the States for their hard work this year. In particular I want to thank Laura Rowley, the Treasurer, for her leadership of the department. I also extend my thanks to David Le Cuirot, the Comptroller of Taxes, Mike Robinson, Head of Customs and Immigration, and my Assistant Minster, Eddie Noel, for his help and support.

I am proud to present the Financial Report and Accounts for 2013 and look forward to continuing to prepare the ground so that Jersey is ready to take advantage of recovery.

Philip Ozouf

Senator Philip Ozouf

Date: 12 May 2014

2 The Treasurer's Report

2.1 Introduction

The Financial Statements presented in Sections 8 and 9 of this Financial Report and Accounts are prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) which applies International Financial Reporting Standards (IFRS) as adapted or interpreted for the Public Sector in Jersey. The Treasurer's Report supplements these statutory statements, expanding on the results for the year and presenting them in a format more comparable to approvals made by the States Assembly. This includes the out-turn of General Revenue Incomes in Section 2.2, including Tax and Duties, which form the main source of income for States Departments spending and are approved in the Annual Budget Statement. Results for Near-Cash Revenue Expenditure of States Departments (the amount spent on day-to-day activities of the States) are considered in Section 2.3. The results of Trading Operations and Special Funds are also examined, as is Capital Expenditure and the Financial Position of the States.

2.1.1 Summary of Performance

The original Budget for 2013 was to end the year with a net operating surplus of £19.8 million. We have in fact ended the year with a net operating surplus of £0.5 million.

States Net General Revenue Income was £9.3 million less than originally budgeted, at £636.7 million.

- Net Income tax was £3.3 million less than budgeted, due mostly to a £20 million underachievement in Personal Tax, due to changes to distribution rules and the current economic environment, an £18 million overachievement in Business Tax due to increases in revenues from large finance sector companies and one-off revenue.
- Stamp Duty was £7.2 million less than budgeted, due to a slower than expected economic recovery.
- Fines and Other Income were £3.5 million more than budgeted, due to an additional Jersey Post dividend.

Departmental Near Cash Net Revenue Expenditure (the amount spent on day-to-day activities) was £10.0 million more than the MTFP, but £22.8 million less than the approved amount after carry forwards and other allocations, at £636.2 million.

- Education Sport and Culture was £4.0 million less than budgeted, due to the system of delegated financial management arrangement, which allows schools to manage the difference between the academic and financial year.
- Treasury and Resources was £3.6 million less than budgeted, due to the timing of spend on ongoing projects.
- Social Security was £2.8 million less than budgeted, due to lower claimant numbers than expected.
- Departments will be carrying forward nearly £19.9 million of these approvals into 2014 for projects and other spending pressures, and £0.9 million will be transferred to contingency.

In addition £20.7 million of Central Contingency was not needed in 2013. £3.3 million was returned to the Consolidated Fund, as planned in the MTFP, and the remainder will be carried forward into 2014.

After adjusting for Trading Operations, Special Funds and other accounting adjustments there was an accounting surplus of £285.6 million for the year – this in general relates to the amounts that are not available for everyday expenditure.

- Depreciation and charges relating to the use of Property, Plant and Equipment by the States for Ministerial and Non-Ministerial departments were more than budgeted by £10.7 million, increasing due to the higher carrying value of assets as a result of the 2012 Valuation.

- Special Funds and the Social Security Funds saw Net Income of over £320.9 million. This is mostly attributable to returns on investments held by the Strategic Reserve (£91.9 million) and the Social Security (Reserve) Fund (£195.3 million). Neither of these funds is available for current expenditure.

- A large amount of Special Funds' income relates to returns on Investments held in the Common Investment Fund (CIF). The CIF generated significant income for the States of Jersey during 2013, earning net income of £251.0 million in total, representing a return on capital of around 15.9%. Whilst much of this gain was attributable to rallies in the markets in which the CIF invested, the CIF's investment managers also exceeded their combined benchmarks by 1.3% (equivalent to £20.5 million).

- The most significant Accounting Adjustment was associated with Pension liabilities (£4.7 million), due mostly to a reduction in the value of the PECRS pre-1987 debt due to changes in actuarial assumptions.

The States also spent £43.2 million on Capital projects in the year, including improvements to Social Housing and the Island's Infrastructure. The States Balance Sheet remains strong

- The States owns Fixed Assets worth £3.3 billion, including £0.7 billion of Social Housing assets.

- Strategic Investments in utility companies increased by £25.0 million, and are now valued at £313.8 million.

- Pensions liabilities relating to past service liabilities have decreased by £4.8 million to £343.4 million.

2.1.2 At a Glance – Financial Results

TABLE 1 – SUMMARY OF FINANCIAL RESULTS

Restated 2012 Actual £m		2013 Budget / MTFP £m	2013 Final Approved Budget £m	2013 Actual £m
(627.7)	States Net General Revenue Income	(646.0)	(646.0)	(636.7)
600.6	Departmental Net Revenue Expenditure – Near Cash	626.2	659.0	636.2
(27.1)	**Operating (Surplus)/Deficit for the Year**	**(19.8)**	**13.0**	**(0.5)**
45.0	Depreciation and other Non-Cash Expenditure	41.7	41.7	52.3
21.4	Trading Operations Net Revenue Expenditure/(Income)	0.1	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**	**22.0**	**55.4**	**(285.6)**

2.2 General Revenue Income

NET GENERAL REVENUE INCOME

1.4% 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, financial returns and investment income.

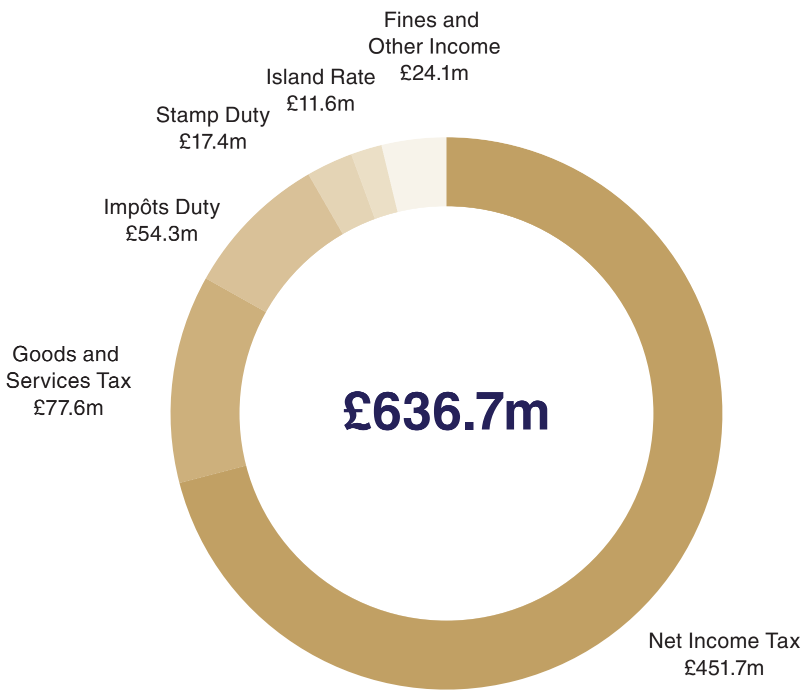
In the Budget Statement, General Revenue Income is voted net of directly related expenditure, such as Irrecoverable Debts or Investment Management fees, to represent the amount that is available to be spent on providing services. Net General Revenue Income for 2013 was £636.7 million, compared to £627.7 million for 2012.

Directly related expenditure totalled £6.2 million in 2013 (2012: £4.7 million), giving gross General Revenue Income of £642.9 million. The remainder of income received by the States includes charges raised by departments 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



2.2.1 Net Income Tax

NET INCOME TAX

0.7% 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 (27%). 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 £3.3 million or 0.7% less than the 2013 budget. This was primarily due to a £20 million underachievement in Personal Tax, an £18 million overachievement in Business Tax and an increase in bad debt provisions of £1.9 million.

The main reason for the shortfall in Personal Tax is the impact of changes to distribution rules and an economic environment that was worse than predicted at the time of the MTFP. The Business Tax performance is largely attributable to £10 million one-off revenue plus an increase in revenues from large finance sector taxpayers.

The increase in the bad debt provision is attributable to the continuing effects of the economic downturn.

2.2.2 Goods and Services Tax

GOODS AND SERVICES TAX

2.7% 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.

The £2.2 million underachievement in GST is due to two main factors. The primary reason was an increase in bad debt provisions of £1.7 million attributable to both the economic downturn and the effect of increasing the GST rate from 3% to 5%. A small decline in GST revenues was also experienced, compared to an expected increase by RPI at the time of the MTFP – there were variances in several sectors, the most significant being a reduction in GST from the construction sector.

2.2.3 Impôts Duty

IMPÔTS DUTY

0.4% 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.

2.2.4 Stamp Duty

STAMP DUTY

29.2% 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.

A slower than expected economic recovery resulted in a lower average transaction value than forecast culminating in £7.2 million less Stamp Duty than budgeted. Stamp Duty income is particularly sensitive to small volume but high value property transactions and these have been less frequent during 2013 than in previous years.

2.2.5 Island Rate

ISLAND RATE

0.2% 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 new Income Support system.

2.2.6 Fines and Other Income

FINES AND OTHER INCOME

17.3% better than budget

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

Other Income is £3.5 million or 17.3% higher than budgeted, primarily as a result of an additional Jersey Post dividend which was agreed with Jersey Post after the budget was set. Dividends received from utilities including Jersey Telecom were also higher than budgeted based on cashflow performance.

TABLE 2 – NET GENERAL REVENUE INCOME – OUTCOME COMPARED TO BUDGET STATEMENT 2013 SUMMARY TABLE A

2012 Actual £'000		2013 Budget £'000	2013 Actual £'000	Difference from Budget £'000
(430,460)	Net Income Tax	(454,965)	(451,661)	(3,304)
(79,559)	Goods and Services Tax	(79,761)	(77,603)	(2,158)
(54,236)	Impôts Duty	(54,534)	(54,320)	(214)
(21,172)	Stamp Duty	(24,529)	(17,370)	(7,159)
(11,380)	Island Rate	(11,670)	(11,641)	(29)
(30,926)	Fines and Other Income	(20,545)	(24,093)	3,548
(627,733)	**Net General Revenue Income**	**(646,004)**	**(636,688)**	**(9,316)**

2.2.7 Changes in Net General Revenue Income

Figure 2 shows how Net General Revenue Income has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2013 prices using the RPI(X), to take into account the effects of inflation. Budgets for 2002 – 2005 have been adjusted for accounting restatements made in the 2006 Accounts to improve comparability.

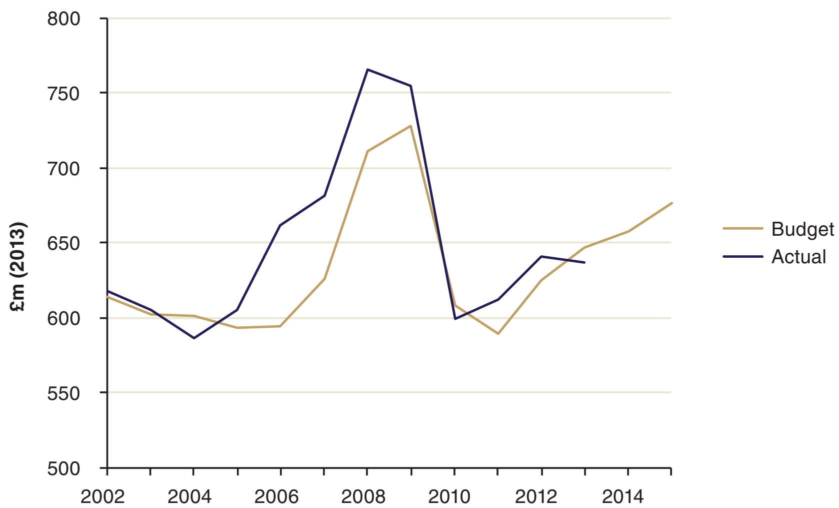
The graph shows a large drop in General Revenue Income between 2009 and 2010, which was anticipated in the budget. Actual income in 2013 was higher than in 2012 by £9.0 million (or £4.2 million less after taking into account the effects of inflation).

The main changes from 2012 were an increase in Income Tax of £21.2 million, primarily as a result of a £10 million one off Business Tax payment and increased payments from the largest Personal and Business tax payers. This was offset by decreases in GST of £2.0 million due to a fall in construction activity and increased bad debt provisions, Stamp Duty of £3.8 million due to the impact of the Probate cap and a reduction in average property transaction values and other income of £6.5 million due to significant one off dividends received in 2012.

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.

FIGURE 2 – GENERAL REVENUE INCOME AT 2013 PRICES



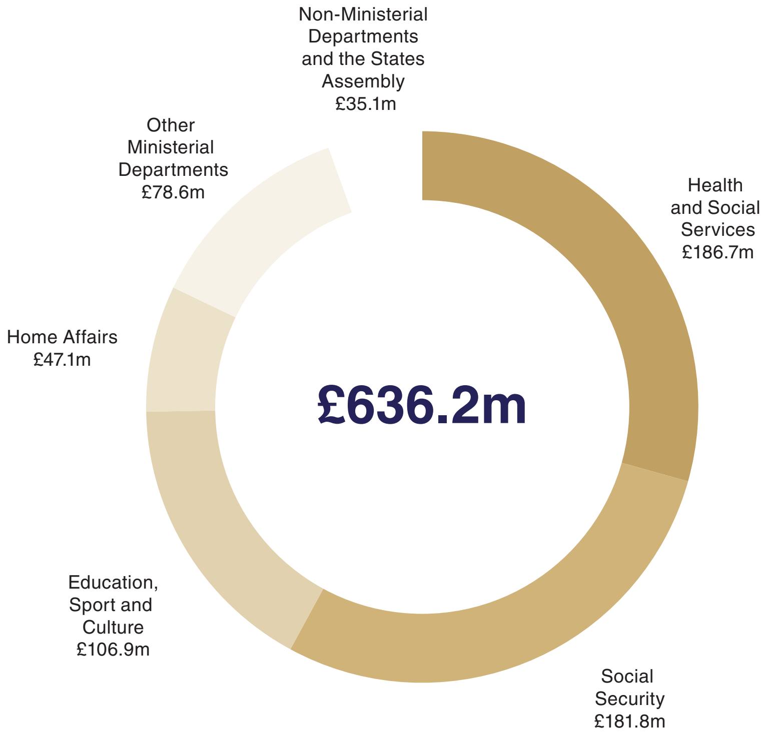
2.3 Ministerial and Non-Ministerial Departments' Revenue Expenditure

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 Business Plan and MTFP approve Net Revenue Expenditure (NRE) limits for departments, which take into account this income, and so represent the amount that needs to be funded from taxes.

In 2013 Near Cash Net Revenue Expenditure for these departments was £636.2 million (2012: £600.6 million). This included departmental income of £127.6 million (2012: £130.0 million), giving gross expenditure of £763.8 million, (2012: £730.6 million).

As well as Near Cash there were also non-cash amounts of £52.3 million 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)



2.3.1 Departments' Near Cash Net Revenue Expenditure

MTFP 2013 Approval £626.2 million	Actual 2013 £636.2 million	3.5% Less than Final Approved Budget
Budget Carried Forward from 2012 £22.1 million	Underspend £22.8 million	
Other Allocations and Transfers £10.7 million		

Near Cash Expenditure represents amounts that are transacted in cash during the year, or will be shortly after (e.g. 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 2.3.6. Accounting Officers are held accountable for Near-Cash amounts.

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)	**626,224**
2012 departmental approvals carried forward to 2013	22,126
Allocation of Contingency	16,804
Additional amounts voted by the States of Jersey	217
Capital to Revenue Transfers	(6,363)
Final Approved Budget	**659,008**

2.3.2 Ministerial Departments Near Cash Net Revenue Expenditure

Chief Minister's Department

Business Plan 2013 Approval	Near Cash Expenditure 2013	Carry Forward to 2014
£18.9 million	£23.2 million	£2.0 million
Budget Carried Forward from 2012	**Underspend**	
£2.3 million	£2.2 million	
Other Allocations and Transfers		
£4.2 million		

The Chief Minster's Department provides support and advice to the Chief Minister and Council of Ministers, and co-ordinates policies and strategies across the States. It is also responsible for a range of services, including international relations, constitutional issues, States staffing and IT, statistics, and the Law Draftsman's Office.

The underspends mainly relate to significant ongoing projects spanning more than one year in Public Sector Reform, Freedom of Information, Household Expenditure Survey and Joint Safeguarding Boards .

Economic Development

Business Plan 2013 Approval	Near Cash Expenditure 2013	Carry Forward to 2014
£18.3 million	£17.0 million	£0.9 million
Budget Carried Forward from 2012	**Underspend**	
£0.9 million	£1.1 million	
Other Allocations and Transfers		
£(1.0) million		

The Economic Development Department is responsible for all areas of economic policy and development in Jersey, including support for the agriculture, fisheries, tourism, and finance industries. It also maintains an overview of policies that may affect the harbours, airport, postal and telecommunications services. It also oversees consumer and regulatory services.

The underspends mainly relate to Ofcom income from wireless telephony licence fees and the timing of Skills Accelerator schemes.

Education, Sport and Culture

Business Plan 2013 Approval
£104.3 million

Budget Carried Forward from 2012
£3.6 million

Other Allocations and Transfers
£2.9 million

Near Cash Expenditure 2013
£106.9 million

Underspend
£4.0 million

Carry Forward to 2014
£4.0 million

The Education, Sport and Culture Department provides educational, sporting and cultural opportunities for the people of Jersey, supporting Jersey's commitment to encourage lifelong learning and enabling everyone to realise their potential.

The underspends mainly relate to the delegated financial management arrangement whereby school budgets are managed over financial years to take account of the differential between the academic and financial years as well as the highly variable higher education budget.

Department of the Environment

Business Plan 2013 Approval
£5.6 million

Budget Carried Forward from 2012
£0.6 million

Other Allocations and Transfers
£0.4 million

Near Cash Expenditure 2013
£6.2 million

Underspend
£0.4 million

Carry Forward to 2014
£0.4 million

The Department of the Environment is responsible for all planning and building control matters. It is also responsible for Jersey's environment in its widest sense, including environmental policy and regulation, and water resources and waste management regulation.

The underspends mainly relate to ongoing projects spanning more than one year including the completion of the Water Framework Directive and an invest to save initiative to improve data management and storage.

Health and Social Services

Business Plan 2013 Approval	£184.3 million
Budget Carried Forward from 2012	£1.2 million
Other Allocations and Transfers	£3.5 million
Near Cash Expenditure 2013	**£186.7 million**
Underspend	£2.3 million
Carry Forward to 2014	£2.3 million

The Health and Social Services Department promotes health and social wellbeing for the whole community, providing prompt services to all and protecting the interests of the frail and the vulnerable.

The underspend mainly relates to the phased implementation of the White Paper service specifications.

Home Affairs

Business Plan 2013 Approval	£46.7 million
Budget Carried Forward from 2012	£2.0 million
Other Allocations and Transfers	£(0.1) million
Near Cash Expenditure 2013	**£47.1 million**
Underspend	£1.5 million
Carry Forward to 2014	£1.5 million

The Home Affairs Department is responsible for the States of Jersey Police, the Fire and Rescue Service, the Prison Service, Customs and Immigration, criminal justice policy, and the registration of births, deaths and marriages.

The underspends mainly relate to planned budget management to enable succession planning and recruitment within the Police and management of recurring savings.

Housing

Business Plan 2013 Approval	£(26.8) million (Net Income)
Budget Carried Forward from 2012	£1.0 million
Other Allocations and Transfers	£0.7 million
Near Cash Expenditure 2013	**£(26.1)** million
Underspend	£1.1 million
Carry Forward to 2014	£1.1 million

The Housing Department is responsible for the provision of social housing and estates management.

The underspends mainly relate to the timing of the ongoing Housing Transformation Programme which spans more than one year and includes a provision for relocation expenses.

Social Security

Business Plan 2013 Approval	£183.4 million
Budget Carried Forward from 2012	£2.9 million
Other Allocations and Transfers	£(1.7) million
Near Cash Expenditure 2013	**£181.8** million
Underspend	£2.8 million
Carry Forward to 2014	£0.8 million

The Social Security Department is responsible for the administration of contributions and benefits, the Health and Safety Inspectorate, and a number of employment services, including the Work Zone.

The underspend mainly relates to the impact of lower claimant numbers than expected at the time of the MTFP and Employment and Community Job Fund grants spanning more than one year.

Transport and Technical Services

Business Plan 2013 Approval	Near Cash Expenditure 2013	Carry Forward to 2014
£25.6 million	£25.9 million	£1.6 million
Budget Carried Forward from 2012: £1.8 million	Underspend: £1.5 million	
Other Allocations and Transfers: £(0.1) million		

The Transport and Technical Services department manages the highways, public transport and traffic management network, and has the responsibility for all transport policy in Jersey. It also ensures vehicles are roadworthy, manages the disposal of the Island's waste and provides cleaning and parks and gardening services.

The underspend mainly relates to funds allocated and carried forward for the disposal of approximately 220 containers of asbestos.

Treasury and Resources

Business Plan 2013 Approval	Near Cash Expenditure 2013	Carry Forward to 2014
£30.0 million	£32.4 million	£3.6 million
Budget Carried Forward from 2012: £4.4 million	Underspend: £3.6 million	
Other Allocations and Transfers: £1.6 million		

The Treasury and Resources department manages the Island's finances and assets, ensuring the protection and good use of public funds. It is responsible for the collection of tax and tax policy, States budgets and financial policies, pension fund investment and administration, treasury management, investment management and procurement policy. It also manages States property and represents the States shareholder interests in publicly-owned companies.

The underspends mainly relate to significant ongoing projects spanning more than one year. These include Procurement Transformation and the implementation of Long Term Care.

2.3.3 Non Ministerial Departments and the States Assembly Near Cash Net Revenue Expenditure

Business Plan 2013 Approval
£26.7
Million

Budget Carried Forward from 2012
£1.4
million

Other Allocations and Transfers
£0.1
million

Near Cash Expenditure 2013
£25.9
million

Underspend
£2.3
million

Carry Forward to 2014
£1.7
million

Non Ministerial Departments do not come under direct Ministerial control, due to the nature of the work they perform.

The States Assembly is the highest decision-making authority of the Island, and more information about its operation is given in section 5.3.2.

The Bailiff's Chambers provides support to the Bailiff who is head of the judiciary, president of the States and civic head of Jersey. The Law Officers' Department provides legal advice to the Crown and the States, including States Departments and other Departments. The Judicial Greffe provides administrative and secretarial support to ensure the effective operation of Jersey's courts and the Viscount's Department is responsible for ensuring the decisions of Jersey's Courts and States Assembly are carried out. The Probation and After-care Service works with the judicial system, the courts, victims of crime and the community to help reduce criminal activity in Jersey.

The Official Analyst carries out authoritative and impartial scientific analysis to support the work of other States departments, local businesses and individuals.

The Lieutenant Governor of Jersey is the representative of Her Majesty the Queen in the Bailiwick of Jersey, and the Dean of Jersey is the leader of the Church of England in Jersey.

The Data Protection Commission promotes respect for the private lives of individuals through ensuring privacy of their personal information. The Commissioner also provides advice on data protection issues to the States, individuals and businesses.

The Comptroller and Auditor General examines how public bodies spend money, and looks at how best they can achieve value for money, by managing their finances to the highest standards.

The underspends mainly relate to the timing of the new Comptroller and Auditor General's appointment and the subsequent backlog of work to be addressed. There were also planned underspends in Judicial Greffe, Viscount's Department, Data Protection and Probation to provide funding for software replacement and upgrades.

TABLE 4 – NEAR CASH NET REVENUE EXPENDITURE/(INCOME) – OUTCOME COMPARED TO MEDIUM TERM FINANCIAL PLAN SUMMARY TABLE B

Restated 2012 Actual £'000		MTFP 2013 £'000	Final Approved Budget £'000	2013 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments				
20,148	Chief Minister	18,856	25,379	23,223	2,156
8,878	– Grant to the Overseas Aid Commission	9,324	9,333	9,182	151
17,299	Economic Development	18,256	18,152	17,015	1,137
103,229	Education, Sport and Culture	104,334	110,868	106,909	3,959
6,249	Department of the Environment	5,602	6,635	6,238	397
175,472	Health and Social Services	184,262	189,003	186,723	2,280
47,089	Home Affairs	46,730	48,611	47,149	1,462
(24,375)	Housing	(26,798)	(25,038)	(26,126)	1,088
164,406	Social Security	183,354	184,574	181,782	2,792
26,868	Transport and Technical Services	25,599	27,371	25,861	1,510
30,203	Treasury and Resources	30,002	35,959	32,359	3,600
	Non Ministerial Departments and the States Assembly				
1,813	Bailiff's Chambers	1,595	1,780	1,721	59
6,851	Law Officers' Department	7,651	7,888	7,648	240
6,635	Judicial Greffe	6,640	6,263	6,161	102
956	Viscount's Department	1,368	1,735	1,417	318
573	Official Analyst	610	628	545	83
712	Office of the Lieutenant Governor	688	840	722	118
25	Office of the Dean of Jersey	26	26	24	2
141	Data Protection Commission	223	267	139	128
2,043	Probation Department	2,124	2,272	1,899	373
560	Comptroller and Auditor General	751	1,201	641	560
4,795	States Assembly and its services	5,027	5,261	4,954	307
600,570	**Net Revenue Expenditure – Near Cash**	**626,224**	**659,008**	**636,186**	**22,822**

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 2012.

2.3.4 Changes in Departments' Near Cash Net Revenue Expenditure

Figure 4 shows how Near Cash Net Revenue Expenditure has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2013 prices using the RPI(X) to take into account the effects of inflation. 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.

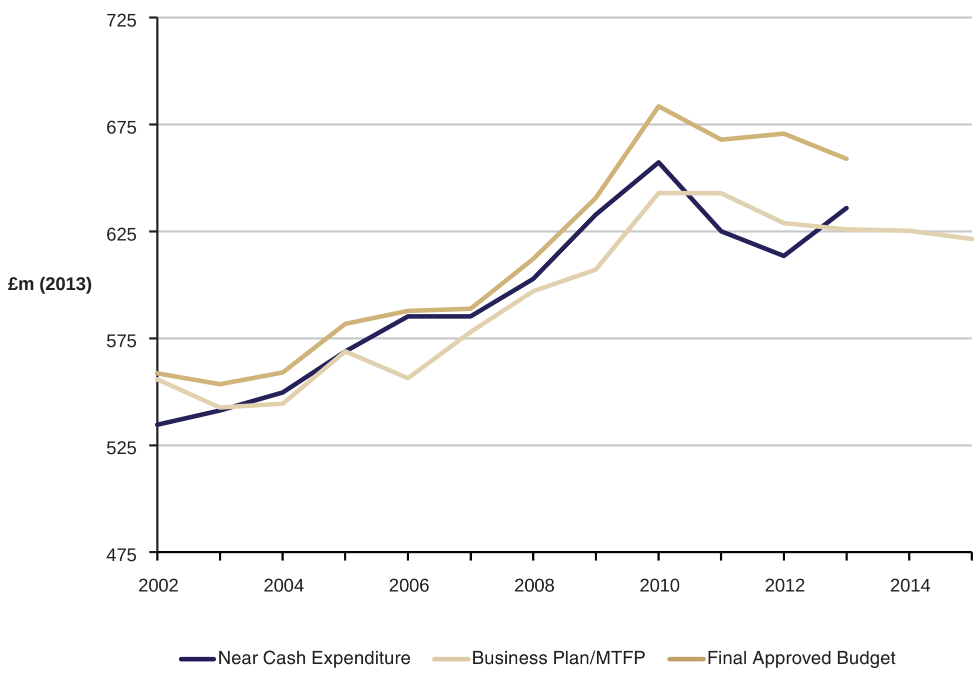
Net Revenue Expenditure on a Near Cash basis increased by 5.9% from 2012, and taking inflation at 2.1% equates to a £22.4 million increase in real terms.

The MTFP identified a further £22.7 million of department savings and user pays initiatives in 2013, contributing to the total CSR savings target. These reductions were offset by £19.2 million of targeted MTFP growth allocations, focussing on getting people into work and providing funding for the reform of Health and Social Services.

There were also increases in allocations for Income Support (£10.3 million) and Supplementation (£1.3 million) based on forecast economic conditions and levels of unemployment at the time the MTFP.

Further increases included £6.3 million of Health funding previously funded from the Health Insurance Fund, a 2% growth allocation in Health equating to £3.5 million and the impact of the 1% consolidated pay award and separately agreed doctors and nurses pay awards totalling £4.6 million.

FIGURE 4 – NEAR CASH NET REVENUE EXPENDITURE AT 2013 PRICES



2.3.5 Allocations for Contingency

Business Plan 2013 Approval	Contingency Allocated in 2013	Carry Forward to 2014
£7.5 million	£16.8 million	£18.3 million
Unused Amounts Carried Forward from 2012	**Unallocated Amounts at the year end**	
£30.0 million	£20.7 million	

The allocations made during the year included:

- £5.8 million for the agreed Pay awards
- £1.4 million for the modernisation of Doctors and Nurses pay
- £5.5 million for restructuring projects such as Public Sector Reform, Procurement Transformation and Taxes Transformation

At the end of 2013 £3.3 million was returned to the Consolidated Fund from Contingency in line with the MTFP. Offsetting this, Departmental underspends of £0.9 million were transferred to Contingency via the carry forward process.

2.3.6 Departments' Non Cash Expenditure

The 2013 Business Plan approved a total of £41.7 million for depreciation as part of individual departments approved expenditure limits. Depreciation and amortisation for 2013 was £12.3 million more than budgeted at £53.9 million. This was mostly due to increased depreciation in Housing and Treasury and Resources as a result of higher asset values due to the revaluation of Property Plant and Equipment carried out in 2012, which was after the budget had been set.

Impairments are recognised where required by the Jersey Financial Reporting Manual (JFReM), and further details are given in Note 9.14 – Property, Plant and Equipment.

Gains or losses on disposal of assets are also not included in the Business Plan, as these should be rare. 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

Restated 2012 Actual £'000		2013 Business Plan £'000	Final Approved Budget £'000	2013 Actual £'000	Difference from Final Approved Budget £'000
39,548	Depreciation and Amortisation	41,657	41,657	53,929	(12,272)
5,714	Impairments			(1,328)	1,328
(103)	(Gain)/Loss on Disposal of Assets			(153)	153
(171)	Other Non-Cash adjustments			(129)	129
44,988	**Total Non-Cash Amounts**	**41,657**	**41,657**	**52,319**	**(10,662)**

2.4 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, and work is ongoing on this project.

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 for the Trading Operations includes Non-Cash amounts relating to the use of Assets such as depreciation and impairments. The valuation of assets in 2012 resulted in £19.7 million of impairments in Jersey Airport and £2.3 million in Jersey Harbours, and there were no comparable amounts in 2013. During the year Jersey Airport saw more income than budgeted (£1.9 million) and Jersey Car parks saw an additional £1.1 million of income received.

TABLE 6 – TRADING OPERATIONS NET REVENUE EXPENDITURE/(INCOME) – OUTCOME COMPARED TO MEDIUM TERM FINANCIAL PLAN

Restated 2012 Actual £'000		2013 Medium Term Financial Plan £'000	Final Approved Budget £'000	2013 Actual £'000	Difference from Final Approved Budget £'000
19,187	Jersey Airport	(531)	163	(1,852)	2,015
1,691	Jersey Harbours	251	251	764	(513)
639	Jersey Car Parking	689	689	(398)	1,087
(137)	Jersey Fleet Management	(290)	(290)	(58)	(232)
21,380	**Net Revenue Expenditure/(Income)**	**119**	**813**	**(1,544)**	**2,357**

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.

2.5 Other Income and Expenditure and Accounting Adjustments

2.5.1 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 2013 Special Funds saw Net Revenue Income (NRI) of £97.3 million. The majority of this figure was income in the Strategic Reserve which saw returns on its investments of £91.9 million (14% on its opening investment value). This return represented both positive market conditions and good performance by investment managers as explained in section 2.7.2. The States decided in the 2014 Budget Statement to allocate investment returns to fund the Future Hospital project.

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

Under the changes to the Public Finances (Jersey) Law 2005 approved by the States under P.73/2013 the Insurance Fund has now been formally established as a Special Fund Named in the law. Amounts relating to insurance were previously included as part of the Consolidated Fund, and figures have been restated to ensure comparability between the two 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 and can only be used for the purposes specified in those laws. These funds are being consolidated into the States Accounts for the first time in 2013, and the prior year figures have been restated. The reasons for the change in the Accounting Boundary are set out more fully in Section 6.1. The Jersey Dental Scheme is also consolidated in this category.

During 2013 the Funds saw Net Revenue Income (NRI) of £223.5 million. The largest element of this income is returns on investments held in the Social Security Reserve Fund of £195.3 million (20.3% on its opening investment value). More detail on investment performance is given in section 2.7.2. This Fund sets aside funds for the future provision of pension benefits for those currently in employment, and as such is not available for current spending.

The other Funds also saw net income, as contributions 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 Limited

The States of Jersey Development Company Limited (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 P.73/2010, 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 2013 the SOJDC showed a small profit.

TABLE 7 – NET REVENUE INCOME OF SPECIAL FUNDS AND SOJDC

Restated 2012 Actual £'000		2013 Actual £'000
(60,011)	Special Funds Net Revenue Income[1]	(97,308)
(124,075)	Social Security Funds Net Revenue Income	(223,544)
(149)	States of Jersey Development Company Limited Net Revenue Income	(2,504)
(184,235)	**Net Revenue Income of Special Funds and SOJDC**	**(323,356)**

TABLE 8 – PURPOSE OF SPECIAL FUNDS NAMED IN THE LAW

Special Fund	Function
Strategic Reserve Fund	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	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	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	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.

1 Net Income for the Insurance Fund was previously included in Other Income/Expenditure (Table 11).

TABLE 9 – PURPOSE OF SPECIAL FUNDS FOR SPECIFIC PURPOSES

Special Fund	Function
Dwelling Houses Loans Fund	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.
Assisted House Purchase Scheme	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	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.
Agricultural Loans Fund	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	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	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	Established under P.124/2012, the fund will make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.
Housing Development Fund	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 Drug Trafficking Confiscation Fund Civil Asset Recovery Fund	These funds are established under the Proceeds of Crime (Jersey) Law 1999, Drug Trafficking Offences (Jersey) Law 1988, 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.

TABLE 10 – PURPOSE OF SOCIAL SECURITY FUNDS

Special Fund	Function
Social Security Fund	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	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	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	Established under the Long-Term Care (Jersey) Law 2012, 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	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.

2.5.2 Other Income/(Expenditure) and Accounting Adjustments

There are some items of income and expenditure 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 2013 the value of Pension Liabilities reduced by £3.6 million, due to a decrease of £8.1 million in the PECRS past service liability, offset by increases in the JTSF past service liability (£3.3 million) and other scheme liabilities (£1.2 million). £1.1 million of actuarial losses were charged to Other Comprehensive Income rather than expenditure, giving total net negative expenditure relating to Pension Liabilities of £4.7 million. More details on these amounts are given in Note 9.29 – Past Service Liabilities and Note 9.30 – 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.

In addition, under Accounting Standards the depreciation of the assets of the Housing Department is required to cease on reclassification as a "discontinuing operation", as explained in Section 2.8.2. As the Housing Department is continuing to use its stock, depreciation has continued to be charged, and an adjustment made on consolidation, reducing the total depreciation charged by £7.1 million.

TABLE 11 – OTHER INCOME/EXPENDITURE AND ACCOUNTING ADJUSTMENTS

Restated 2012 Actual £'000		2013 Actual £'000
(41,583)	Pension liabilities	(4,651)
(1,289)	Other (Income)/Expenditure[1]	(810)
1	Consolidation Adjustments	(7,066)
(42,871)	**Other (Income)/Expenditure and Accounting Adjustments**	**(12,527)**

1 Net Income for the Insurance Fund is now included in Special Fund Income.

2.5.3 Reconciliation of Reported Figures to Consolidated Income and Expenditure

The figures reported in the sections above are based on the States of Jersey budgeting framework. The Financial Statements are prepared in line with Accounting Standards, which includes, for example, definitions of Income and Expenditure. This means that income and expenditure amounts are reported for General Revenue Income and Departmental Net Expenditure, even though the States budgets for the Net Amounts. Table 12 shows how these reported figures split into income and expenditure, tying into the amounts reported in the Primary Statements and Notes to the Accounts.

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

	Table	Reported Figure £'000	Income £'000	Expenditure £'000
Net General Revenue Income	2	(636,688)	(642,918)	6,230
Departmental Net Revenue Expenditure (Near Cash)	4	636,186	(127,573)	763,759
Departmental Non-Cash Expenditure	5	52,319	(129)	52,448
Trading Operations Net Revenue Income	6	(1,544)	(53,426)	51,882
Special Funds Net Revenue Income	7	(97,308)	(109,923)	12,615
Social Security Funds Net Revenue Income	7	(223,544)	(464,018)	240,474
SOJDC Net Revenue Income	7	(2,504)	(4,987)	2,483
Other (Income)/Expenditure	11	(5,461)	(1,436)	(4,025)
Gross (Income)/Expenditure		**(278,544)**	**(1,404,410)**	**1,125,866**
Consolidation Adjustments	11	(7,066)	120,998	(128,064)
Consolidated (Income)/Expenditure		**(285,610)**	**(1,283,412)**	**997,802**
Housing Department Net Revenue Income		(23,080)	(42,069)	18,989
Total Consolidated (Income)/Expenditure from Continuing Operations		**(262,530)**	**(1,241,343)**	**978,813**

2.6 Capital Expenditure

2.6.1 Consolidated Fund – the Capital Programme

The Medium Term Financial Plan included a capital expenditure allocation from the Consolidated Fund of £56.1 million, with £18.8 million funded from expected proceeds from property and social housing disposals. During the year £6.4 million was transferred from Revenue to Capital and £0.4 million from other sources, giving an effective capital approval of up to £62.9 million. There were also £98.9 million of unspent approvals from previous years.

During 2013 actual capital expenditure from the Consolidated Fund amounted to a total of £43.2 million. The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1 million being shown separately.

TABLE 13 – CONSOLIDATED FUND CAPITAL PROGRAMME

	2013 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Computer Development Vote	914	1,292	2,200	908
E Government	519	519	1,685	1,166
Enterprise Systems Development	147	147	1,792	1,645
Upgrade Microsoft upgrade	629	840	1,415	575
Other projects	404	2,119	2,271	152
Chief Minister's Department Total	**2,613**	**4,917**	**9,363**	**4,446**
Education, Sport and Culture				
Other projects	96	656	2,741	2,085
Education, Sport and Culture Total	**96**	**656**	**2,741**	**2,085**
Department of the Environment				
Other projects	227	905	1,305	400
Department of the Environment Total	**227**	**905**	**1,305**	**400**
Health and Social Services				
Equipment, Maintenance and Minor Capital	1,581	2,111	4,451	2,340
Other projects	12	150	984	834
Health and Social Services Total	**1,593**	**2,261**	**5,435**	**3,174**
Home Affairs				
Tetra Radio Replacement	129	1,929	2,485	556
Prison Control Room	11	1,616	1,839	223
Minor Capital	344	1,070	3,014	1,944
Other projects	110	1,348	2,346	998
Home Affairs Total	**594**	**5,963**	**9,684**	**3,721**

	2013 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Housing				
Housing Rolling Vote	16,491	49,060	72,123	23,063
Other projects	66	1,799	1,799	–
Housing Total	**16,557**	**50,859**	**73,922**	**23,063**
Transport and Technical Services				
In-Vessel Composting	25	1,685	1,691	6
EFW Plant La Collette	589	106,355	106,396	41
Fire Fighting System	205	3,781	3,904	123
Town park	191	10,958	10,958	–
Sludge Thickener Project	468	4,421	13,088	8,667
Phillips Street Shaft	2,833	3,909	5,600	1,691
Infrastructure	6,212	14,486	19,391	4,905
Other projects	1,301	31,733	34,318	2,585
Transport and Technical Services Total	**11,824**	**177,328**	**195,346**	**18,018**
Treasury and Resources				
On behalf of Education, Sport and Culture				
Highlands (A Block)	17	795	795	–
Grainville Phase 4a	19	4,471	4,728	257
Victoria College Capital Project	554	774	1,299	525
St Martin School	1,259	1,554	7,732	6,178
Other projects	514	1,441	3,317	1,876
On behalf of Health and Social Services				
A&E/Radiology Extension (Phase 2)	3	1,954	1,982	28
Clinique Pinel Upgrade	1,480	1,784	2,868	1,084
Intensive Care Unit Upgrade	605	2,222	2,500	278
Main Theatre Upgrade	91	151	3,152	3,001
New Maternity Theatre	–	10	1,494	1,484
Oncology Extension and Refurbish	760	2,149	3,332	1,183
Rosewood House Refurbishment	107	1,904	1,936	32
Limes Upgrade	4	75	1,700	1,625
Adult Care Homes	18	18	4,000	3,982
Childrens Homes	220	220	2,000	1,780
Other projects	224	890	1,570	680
On behalf of Home Affairs				
Police Relocation (Phase 1)	292	1,607	20,789	19,182
Prison Improvement Phase 4	1,119	9,306	9,881	575
Public Markets Maintenance	9	75	1,605	1,530
HD Farm Building and Incinerator	3	1,615	1,615	–
Repurchase of Land at Mont Mado	–	1,337	1,337	–
Office Rationalisation	1,586	1,586	1,719	133
Other projects	760	2,407	3,102	695
Treasury and Resources Total	**9,644**	**38,345**	**84,453**	**46,108**
Non Ministerial States Funded				
Magistrates Court	17	9,171	9,289	118
Other projects	40	251	264	13
Non Ministerial States Funded Total	**57**	**9,422**	**9,553**	**131**
Total	**43,205**	**290,656**	**391,802**	**101,146**

Some of the more significant projects incurring expenditure in 2013 were:

Sludge Thickener Project: The sludge thickener project begun 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 begun 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.

Phillips Street Shaft: The shaft and associated tunnels will connect the existing eastern town drainage system to the tunnel linking the cavern with Gas Place to reduce the risk of flooding in the Minden Place and Beresford Street / West Centre areas of Town. Enabling and ground works are now complete and the main contract was awarded to Murphy's. Murphy's have completed the concrete piling and begun the excavation of shaft P2. The majority of the commitments relate to the main contract (Murphy's) and to the UK consultants (Donaldson's Associates), stage payments will continue into 2014. These payments are staged and will be made to the contractor upon the certification of various stages of the contract.

St Martin School: Construction of a new Primary school and nursery in St Martin to replace the existing school. The existing school will be returned to the Parish for alternative community use. The contractor is currently on site and on schedule and expected completion date is January 2015.

Clinique Pinel: This project entails an upgrade and major refurbishment to existing clinical assessment centre and mental health residential unit. The project is currently on schedule and on site and completion is expected to be May 2014.

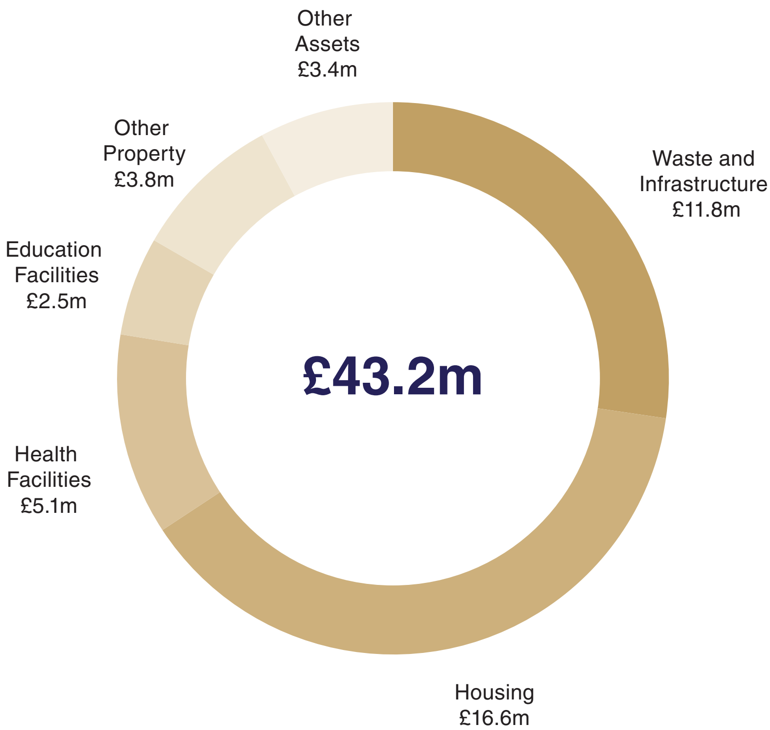
Prison Improvement Phase 4: This phase of the prison improvement included the creation of new visitor and staff facilities, the project was completed in December 2012 significantly under budget. As a result the remaining budget was used to build an additional storage facility within the prison. Expected completion is due to be February 2014.

Office Rationalisation: Phase one of the Office rationalisation project involves upgrading Maritime House to enable better use of space by Customs and Immigration and Jersey Property Holdings. JPH have moved into the second floor of Maritime House, work is on-going to finalise the third floor section of the project.

Police Relocation: Construction of a new Police Headquarters at the Green Street site, this project is currently behind schedule however the tender process for the main supplier is expected to commence during the first quarter of 2014.

FIGURE 5 – PLANNED PRISON IMPROVEMENTS – STORE ROOM

FIGURE 6 – CAPITAL PROJECTS



2.6.2 Trading Operations Capital Expenditure

During 2013 actual capital expenditure from Trading Funds amounted to a total of £8.3 million. The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1 million being shown separately.

TABLE 14 – TRADING OPERATIONS CAPITAL EXPENDITURE

	2013 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Engineering/ARFFS Building	187	187	8,737	8,550
Arrivals/Pier/Forecourt	37	575	4,764	4,189
Primary Radar Les Platons	89	2,726	3,001	275
Secondary Radar Les Platons	114	114	202	88
Regulatory Compliance 2010	–	480	2,990	2,510
Other projects	1,328	1,667	4,301	2,634
Jersey Airport Total	**1,755**	**5,749**	**23,995**	**18,246**
Jersey Harbours				
St Helier Marina	115	115	2,110	1,995
Gorey Pierhead	81	255	3,000	2,745
Port Crane	392	529	1,900	1,371
Elizabeth Harbour EB/WB Walkways	2,614	3,164	5,619	2,455
Elizabeth Harbour Trailer Park	92	578	1,965	1,387
Other projects	568	1,364	4,582	3,218
Jersey Harbours Total	**3,862**	**6,005**	**19,176**	**13,171**
Jersey Car Parking				
Anne Court Car Park	–	34	9,000	8,966
Automated Charging System	16	145	1,000	855
Concrete Repairs	–	1,297	2,531	1,234
Jersey Car Parking Total	**16**	**1,476**	**12,531**	**11,055**
Jersey Fleet Management				
Vehicle and Plant Replacement	2,669	2,669	3,798	1,129
Jersey Fleet Management Total	**2,669**	**2,669**	**3,798**	**1,129**
Total	**8,302**	**15,899**	**59,500**	**43,601**

Some of the more significant projects incurring expenditure in 2013 were:

Engineering/ARFS Building: Relocation of the Engineering workshops, the project is scheduled to commence early 2014. The business case has been approved and completion is expected to be the end of 2014.

Elizabeth Harbour EB/WB Walkways: This is replacement of Linkspan and walkways at Elizabeth harbour. Work has commenced with contractors on site. Expected completion is due 2014.

Vehicle and Plant Replacement: From the beginning of 2012, all States vehicle purchases, servicing and repairs should be made through Jersey Fleet Management and to facilitate this additional funding of £5 million will be injected into the Jersey Fleet Management Trading Fund from the Consolidated Fund between 2012 and 2015.

A number of these projects have budgets approved, but were not scheduled to begin incurring expenditure in 2013. For example, the Anne Court Car Park project is dependent on the content of the North of Town Masterplan. Similarly works at the Airport on the Arrivals Pier and the Engineering Building are at the planning stage, and are likely to commence in 2014.

FIGURE 7 – THE NEW ROLL-ON/ROLL-OFF RAMP IN TRANSIT FROM THE NETHERLANDS

2.7 The States Balance Sheet

2.7.1 Key Movements in Assets and Liabilities

During the year the value of Property, Plant and Equipment (excluding assets of the Housing Department) increased by £2.0 million to nearly £2.6 billion. During the year a revaluation of Networked Assets (including the road network, the foul and surface water network and the Island's sea defence network) was carried out, and resulted in an increase in value of £19.1 million. £33.9 million was spent on additions, and £50.2 million of depreciation was charged. More details of movements in the value of Property are set out in Note 9.14.

A full valuation of the Housing Departments Social Housing portfolio was also carried out in 2013, and resulted in an increase in value of £88.3 million. Housing also spent £8.3 million on capital additions, and £6.9 million of depreciation was charged (after consolidation adjustments). More details on the Housing Department's property assets are given in Note 9.42 .

Overall the value of Strategic Investments' increased by £25.0 million. This is mostly due to a £12.2 million increase in the value of the States' holding in the Jersey Electricity Company due to a higher share price at the year end, and increases in the holdings of Jersey Water and Jersey Post. Further details on the valuations are given in Note 9.18 .

The States held more cash at the end of 2013 than at the end of 2012, due to variations in the cash requirements of the organisation between the two years. The total value of Investments held at Fair Value through Profit or Loss increased by £284.1 million. This was due to the increase in the value of investments in the various Special Funds and Social Security Funds (notably the Strategic Reserve and Social Security (Reserve) Fund), and a lower level of investments held in the Consolidated Fund at the year end.

Pensions liabilities relating to past service liabilities have reduced by £4.8 million, as set out in Note 9.29. The PECRS pre 87 debt decreased by £8.1 million, whilst the provision for JTSF pre 2006 debt increased by £3.3 million. The value of both liabilities is calculated by the Scheme Actuaries, and details of the assumptions are given in the Note.

WHERE CAN I READ MORE?

The Notes to the Accounts give more details of the States Assets and Liabilities.

FIGURE 8 – STATES ASSETS AND LIABILITIES

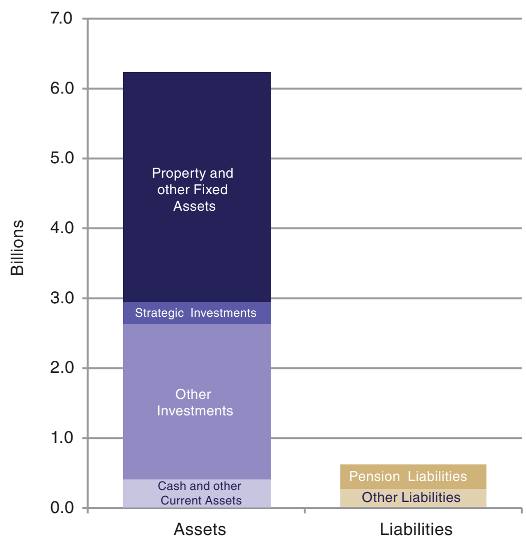
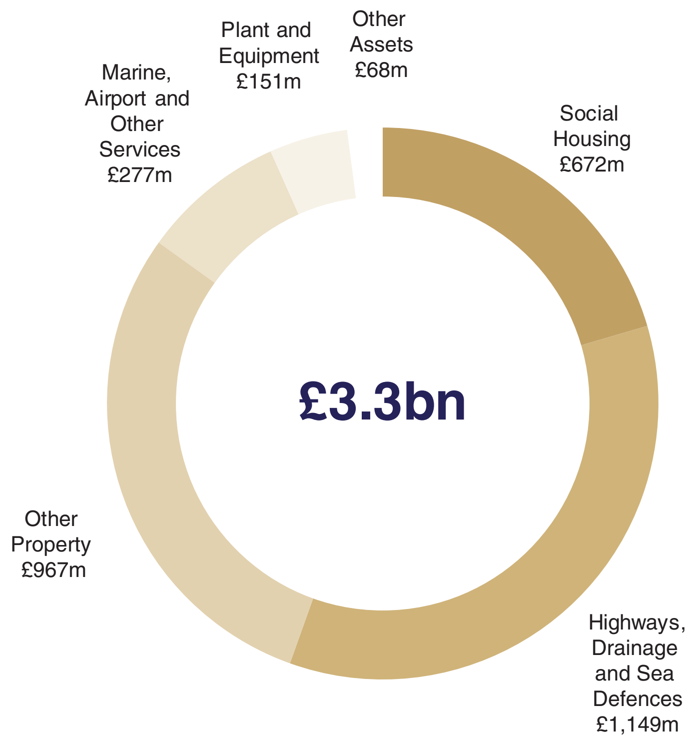


FIGURE 9 – BREAKDOWN OF PROPERTY AND OTHER FIXED ASSETS



2.7.2 Performance of States Investments

The States Investment Holdings are now predominantly invested via the 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 2013 was £2.4 billion, up from £1.6 billion at the close of 2012. This represents both investment returns and the successful integration of additional States Funds.

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. Passive managers, unlike active managers, do not attempt to outperform the market through the application of various investing strategies but simply seek to generate returns which mirror a market index. This approach allows passive managers to provide returns at a lower cost but sacrifice the potential for outperformance for reduced risk of underperformance relative to the market benchmark. A significant proportion of the Legal and General managed funds were transferred into the CIF during the year, with further transfers anticipated as appropriate asset classes and capacity become available.

By the end of the year the value of assets held outside the CIF amounted to £281.3 million; £266.3 million remained invested with Legal and General down from £423.9 million at the end of the prior year and £14.9 million invested in infrastructure investments, up from £10 million in 2012.

During the year the CIF as a whole generated returns of £251.0 million, a rate of return, net of fees, of 15.9%; this represented both positive market conditions and good performance by the underlying investment managers. Individual CIF pools are set a appropriate benchmark tracking a recognised index, for example the UK Equity Pool's benchmark is the FTSE All-Share Index. The overall CIF benchmark reflects that of each individual pool apportioned monthly in accordance with the value of that pool relative to that of the portfolio as a whole. The apportioned benchmark for the CIF saw increases of 14.6%, and the additional return of 1.3% is attributable purely to manager outperformance and added an estimated £20.5 million to the CIF return.

The only significant investment holdings outside the CIF, the funds passively managed by Legal and General on behalf of the Social Security (Reserve), generated returns of £51.7 million, a net return of 13.6%. As passive funds, these investments successfully tracked their benchmark throughout the year.

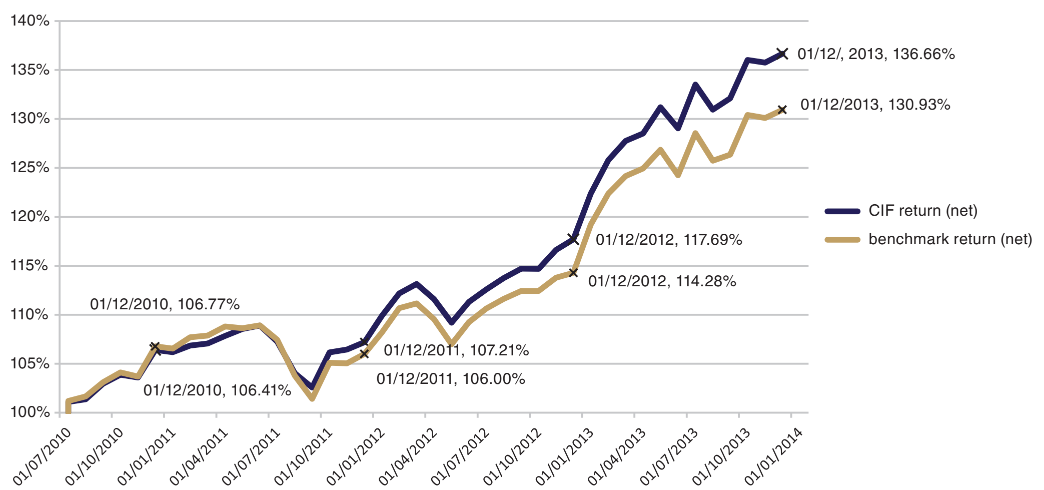
Returns were not generated evenly and significant variation in performance was seen both between asset classes and in the performance of individual managers. The main asset classes in the CIF are equity, bonds, cash and alternative investments. Each primary class can be broken down into a number of subclasses, for example bonds includes UK Gilts, Index Linked UK Gilts, UK Corporate Bonds and Absolute Return Bonds. Over the year equity produced, by a considerable margin, the highest return of CIF asset classes generating gains of 26.5% relative to the market which produced a benchmark return of 22.9%. Reflecting the strategies of the underlying participating funds, a considerable proportion of the CIF is held in this asset class. By the end of the year 67.6% of the overall CIF was held in equity.

The number of equity managers was expanded during the year, with three additional managers joining at the end of the third quarter, these managers joined at the same time as the new participating Fund, the Jersey Teachers Superannuation Fund. These managers joined too late in the year to add to the outperformance of the equity class which was mostly attributable to the existing managers.

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 pool, these pools make up £544.1 million or 23% of the CIF as at the year end. During the year the corporate bond portfolio was restructured with the long and short term corporate bond pools superseded by the UK corporate bond pool and the global absolute return bond pool. Although the overall bond asset class generated a positive net return there was an overall marginal underperformance relative to market benchmark, this underperformance was generated mostly by the two superseded corporate bond pools. The restructure was completed during the third quarter of 2013 but insufficient time has passed since the appointment of the new managers to significantly impact the 2013 investment returns.

The remaining asset classes of property and cash make up the remaining 9.5% 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 was established late in the 4th quarter and as per the restructured corporate bond pools, has had insufficient time to significantly impact the 2013 investment returns.

FIGURE 10 – CIF PERFORMANCE COMPARED TO BENCHMARK



2.7.3 Financial Position of States Funds

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

Consolidated Fund

At the end of 2013, the unallocated Consolidated Fund Balance was £7.5 million. The 2013 Budget Statement forecast an unallocated balance in the Consolidated Fund of £18.7 million. This was revised in the 2014 Budget Statement to £12.1 million, due to a slightly lower than anticipated opening balance and the proposed transfer of £5.0 million to the Innovation Fund . More details can be found in the 2014 Budget Statement.

The actual balance was £4.6 million less than expected. This difference is primarily as a result of lower than expected General Revenue Income (£9.3 million) and property receipts (£3.6 million), offset by a delay in the payment to the Innovation Fund (£5.0 million), a return of underspends from the Social Security Department (£2.0 million), and other smaller differences.

Trading Operations

The total balance in the Trading Funds increased by £5.5 million during 2013, with Jersey Airport and Jersey Car Parking balances increasing, and Jersey Harbours and Jersey Fleet Management decreasing slightly. However, 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 £91.9 million during the year, and now holds over £743.1 million. The increase was due to returns on its investments held in the Common Investment Fund. As agreed in the 2014 Budget Statement (P122/2013), returns on the Fund's investments will be used to fund new hospital services as part of the proposals agreed by the States on 23rd October 2012 in adopting the proposition "Health and Social Services: a new way forward" (P.82/2012).

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 in each of the four Social Security Funds increased in 2013, most notably the Social Security (Reserve) Fund which grew by £195.6 million due to investment returns on both investments held in the CIF, and by the Fund directly.

WHERE CAN I READ MORE?

The relevant pages in the Annex give more information about the performance and position of the funds.

2.7.4 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 sixth annual report published in October 2013, 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 ensure that planned fiscal stimulus to the economy is delivered in 2013 and 2014.

The Stabilisation Fund was used in the 2009–2011 period to provide fiscal stimulus funding and the current balance is just over £1 million. It is intended that this Fund will be rebuilt once the economy begins to recover.

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 £743.1 million. The FPP did not recommend a transfer in or out of the Strategic Reserve in their October 2013 report. The 2014 Budget proposed the use of future investment returns on the Strategic Reserve to fund the Future Hospital project. This exceptional use of the Strategic Reserve would allow this key project to be delivered with no new cost to the taxpayer and without incurring debt.

The unallocated Consolidated Fund balance at the end of 2012 was £7.5 million and this is broadly in line with the forecast in the MTFP. 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 2014 Budget Statement also shows that a balance of £20 million will not be achieved in 2014 with a balances of £5.4 million forecast. The next MTFP will consider the forecast Consolidated Fund Balance from 2016.

The balances held in the Social Security Funds are not available for in year funding. 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 in 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 law.

The liquidity 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 2041 to 2072.

2.7.5 Financing, Treasury and other policies

Financing

States expenditure is substantially funded through accumulated and current year revenues rather than borrowing. Only 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, and work on the issue of such a bond is ongoing 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 2013 compliance of 89% was achieved as an average throughout the year on properties within the direct management of JPH, which compares favourably with industry standards. 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

2013 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 and improvement works for 2013 was £7.4 million that provided for a programme comprising some 100 individual projects ranging from large scale projects such as Gwyneth Huelin Wing outpatient internal refurbishment (£520,000) to small scale, but equally important work, such as replacement of alarm monitoring to pipe medical gas systems in the Hospital (£5,000).

Forty six 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 £2.9 million. The remaining £4.4 million related to projects across the remainder of the estate, of which £2.3 million is directed to Education, Sports and Culture properties. The balance relates to works undertaken on the office estate and miscellaneous works, such as rockface stabilisation, public toilet improvements and other schemes.

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 being delivered.

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 2013 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.

The phased programme of reviewing States of Jersey offices which began in 2011 will continue with the development of an office modernisation strategy and implementation plan by mid-2014. One of the key preliminary moves has been the co-location of JPH within a floor of Maritime House, which has been established to demonstrate and test many of the principles and standards which can be applied in the future. The development of the office modernisation strategy has commenced as part of the public sector reform programme. With the support of external advisers, this project aims to develop a strategy which will consolidate the office estate, reduce its size and provide a modern working environment.

These reviews are likely to lead to a rationalisation of these portfolios through better utilisation of buildings with opportunities to dispose of buildings with alternative use value.

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 will be transferred to the States of Jersey Development Company for development, subject to the necessary approvals, with JPH disposing of surplus small sites and parcels of land directly to the market. In 2013 disposal receipts of £2.4 million were achieved.

2.7.6 Review of the Pension Schemes

The States two main public sector pension schemes are extremely important to the Island, with over 1 in 3 Jersey households relying 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.

The TWG report was published in March 2013 with the aim of introducing changes to PECRS in 2015. The high level proposals included:

- Career Average Revalued Earnings (CARE) Scheme
- Normal retirement age linked to Jersey state pension age
- Higher employee contribution rate (average increase in UK 3% of pay)
- Equity and fairness – treat all employees fairly
- Risk sharing between employer and employees
- Contribution cap for employees, employers and tax-payers

In March 2013 the States Employment Board agreed the TWG report.

During 2013 negotiations have been on-going with the Joint Negotiating Group (JNG), a co-ordinating group dealing with pension negotiations on behalf of its constituent Unions and Staff Associations. Through these negotiations revised proposals have been developed and costed. The revised proposals remain within the cost envelope agreed by the States Employment Board. The enabling Law which will facilitate changes to the Scheme and the new regulations was lodged in March 2014.

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

2.7.7 Pension Schemes not recognised on the Statement of Financial Position

In addition to the defined benefit schemes outlined in Note 9.30, 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 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. The data in this section is included for the information of the reader of the Accounts, and is not subject to audit.

Financial Assumptions

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

	2011 % p.a.	2012 % p.a.	2013 % p.a.
Jersey Price Inflation	3.30	3.20	3.70
Rate of general long-term increase in salaries	4.00	3.90	4.40
Discount rate for scheme liabilities	4.60	4.30	4.40
Rate of increase to pensions in payment payable by PECRS	3.00	3.05	3.55
Rate of increase to pensions in payment payable by JTSF	3.30	3.20	3.70

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)

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 31 December 2013 was £1.5 billion (2012: £1.3 billion).

The results of the most recent actuarial valuation of the PECRS indicated that the Scheme has an actuarial surplus of £40.6 million. This surplus will be treated in accordance with the terms of the Scheme's Regulations.

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 £242.4 million at 31 December 2013 (2012: £250.5 million), and more details are given in Note 9.29. 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 2013 was £5.2 million (2012: £4.1 million).

Demographic Assumptions

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

	2012	2013
Males		
Future lifetime from aged 62 (currently aged 62)	25 years	25 years
Future lifetime from aged 62 (currently aged 45)	27 years	27 years
Females		
Future lifetime from aged 62 (currently aged 62)	28 years	28 years
Future lifetime from aged 62 (currently aged 45)	29 years	29 years
Commutation		
	Each member assumed to exchange 17.5% of their pension entitlements	

Assets of the scheme and the weighted average expected rate of return on assets

	2012		2013	
	Long-term rate of return expected % p.a.	Value £'000	Long-term rate of return expected % p.a.	Value £'000
Equities	8.00	901,844	7.50	1,042,410
Property	7.50	88,056	7.00	106,451
Fixed Interest Gilts	2.70	–	3.60	7
Index-Linked Gilts	2.50	–	3.40	–
Corporate Bonds	3.10	140,627	4.10	109,142
Cash	1.00	32,857	0.90	80,963
Other	8.00	150,883	7.70	197,322
Total market value of assets		**1,314,267**		**1,536,295**
Present value of scheme liabilities		(2,081,084)		(2,303,206)
Net pension liability		**(766,817)**		**(766,911)**

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

Changes to the present value of the scheme liabilities during the year

	2012 £'000	2013 £'000
1 January	**1,880,420**	**2,081,084**
Current service cost	52,883	60,873
Past service cost	46,271	170
Interest cost	87,055	89,852
Actuarial loss on scheme liabilities	53,378	118,672
Contributions by scheme participants	12,411	12,871
Net benefits paid out	(51,334)	(60,316)
31 December	**2,081,084**	**2,303,206**

Changes to the fair value of the scheme assets during the year

	2012 £'000	2013 £'000
1 January	**1,182,414**	**1,314,267**
Expected return on scheme assets	79,855	93,304
Actuarial gains on scheme assets	55,022	137,874
Contributions paid by the employer	35,899	38,295
Contributions by scheme participants	12,411	12,871
Net benefits paid out	(51,334)	(60,316)
31 December	**1,314,267**	**1,536,295**

The scheme assets generated a gain of £231.2 million in the year (2012: gain of £134.9 million).

Amounts for current period and previous four periods

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Scheme assets	1,110,963	1,265,584	1,182,414	1,314,267	1,536,295
Defined benefit obligation	(1,680,165)	(1,791,829)	(1,880,420)	(2,081,084)	(2,303,206)
Deficit	(569,202)	(526,245)	(698,006)	(766,817)	(766,911)
Experience gains/(losses) on scheme assets	133,596	63,342	(171,956)	55,022	137,874
Experience gains/(losses) on scheme liabilities *	27,835	47,676	13,731	14,283	40,034

* 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 valuation at 31 December 2013 showed a small increase in the scheme deficit from £766.8 million to £766.9 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 2013 was £386.1 million (2012: £326.9 million).

The results of the actuarial valuation as at 31 December 2010 concluded that there was no surplus or deficit in the scheme after taking account of the States of Jersey's expected future payments to cover the pension increase debt. The details and timing of these expected future payments are currently being developed.

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% and the actuary has confirmed that this will repay the past service liability over 80 years (from 2007).

Demographic Assumptions

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

	2012	2013
Males		
Future lifetime from aged 60 (currently aged 60)	27 years	27 years
Future lifetime from aged 60 (currently aged 45)	28 years	29 years
Females		
Future lifetime from aged 60 (currently aged 60)	30 years	30 years
Future lifetime from aged 60 (currently aged 45)	31 years	31 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

	2012		2013	
	Long-term rate of return expected % p.a.	Value £'000	Long-term rate of return expected % p.a.	Value £'000
Equities	8.00	275,863	7.50	321,297
Property	7.50	23,533	7.00	35,886
Fixed Interest Gilts	2.70	25,168	3.60	–
Index-Linked Gilts	2.50	–	3.40	25,341
Corporate Bonds	3.10	–	4.10	–
Other	1.00	2,288	0.90	3,555
Total market value of assets		**326,852**		**386,079**
Present value of scheme liabilities		(624,842)		(685,141)
Net pension liability		**(297,990)**		**(299,062)**

Note: Values shown are at bid value.

Changes to the present value of the scheme liabilities during the year

	2012 £'000	2013 £'000
1 January	**569,772**	**624,842**
Current service cost	13,504	11,695
Past service cost	–	–
Interest cost	26,208	26,799
Actuarial loss on scheme liabilities*	28,902	36,739
Contributions by scheme participants	2,994	2,571
Net benefits paid out	(16,538)	(17,505)
31 December	**624,842**	**685,141**

* Includes changes to the actuarial assumptions.

Changes to the fair value of the scheme assets during the year

	2012 £'000	2013 £'000
1 January	**301,850**	**326,852**
Expected return on scheme assets	21,300	23,447
Actuarial gains on scheme assets	8,798	43,459
Contributions paid by the employer	8,448	7,255
Contributions by scheme participants	2,994	2,571
Net benefits paid out	(16,538)	(17,505)
31 December	**326,852**	**386,079**

The scheme assets generated a gain of £66.9 million in the year (2012: gain of £30.1 million).

Amounts for current period and previous four periods

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Scheme assets	274,001	319,362	301,850	326,852	386,079
Defined benefit obligation	(512,961)	(561,106)	(569,772)	(624,842)	(685,141)
Deficit	(238,960)	(241,744)	(267,922)	(297,990)	(299,062)
Experience gains/(losses) on scheme assets	39,847	27,765	(36,989)	8,798	43,459
Experience (losses)/gains on scheme liabilities*	(302)	14,643	14,253	(31,453)	12,804

* 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 valuation at 31 December 2013 showed an increase in the scheme deficit from £298.0 million to £299.1 million.

2.8 Explanation of the Structure of the States of Jersey

2.8.1 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.

2.8.2 The States of Jersey Accounting Boundary

The entities included within the States of Jersey Accounting Boundary are shown in the following diagram. 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 2.5.1.

Social Security Funds

For 2013 the Accounting Boundary has been expanded to include the Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long Term Care Fund, which were previously specifically excluded by the JFReM. The Jersey Dental Scheme has also been 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 2.5.1, and the reasons for the change in the Accounting Boundary are set out more fully in Section 6.1.

Future Changes to the Accounting Boundary

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 will be effective from the 1st July 2014. The newly formed company will be accounted for as a Strategic Investment in the Accounts, rather than a consolidated entity.

To reflect this change results of the Housing Department are shown separately as a Discontinuing Operation in the Financial Statements in 2013 (as required by the JFReM), but continue to be included in the analysis against approvals in this report and the Annex to the Accounts. The basis of presentation is also slightly different, with depreciation ceasing in the Consolidated Statements after classification as a Discontinuing Operation on 17 July 2013, but continuing to be recognised in the Department Pages to reflect the use of the assets by the department in the year.

Work is also ongoing on the incorporation of the Ports of Jersey (Jersey Airport and Jersey Harbours). 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 COMPANY
Ministerial Departments Non-Ministerial Departments 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	Social Security Fund Social Security (Reserve) Fund Health Insurance Fund Long Term Care Fund Jersey Dental Scheme	States of Jersey Development Company Limited [Formerly Waterfront Enterprise Board Limited]

2.8.3 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 the following utility companies, but as it does not exert direct control these are accounted for as Strategic Investments in the Accounts.

- Jersey Electricity plc
- Jersey New Waterworks Company Limited
- JT 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 Islands Competition Regulation Authority and Jersey Financial Services Commission, mainly provide supervisory and regulatory functions, and are established by legislation to be independent from the States of Jersey.

2.8.4 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 9.34.

2.9 Sustainability

2.9.1 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 first 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.

2.9.2 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 in section 2.9.6. 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 is a part of a programme of invest to save measures that have been rolled out by Jersey Property Holdings.

The States of Jersey lease-hire car fleet vehicles is made up of low emission vehicles, including a small number of electric vehicles. During 2013 the number of departments using Jersey Fleet Management (JFM) to provide cars has increased, and the increase in fuel usage reflects this change.

The table below gives information on energy consumption where usage data is available, with equivalent CO_2 emissions[1].

Greenhouse Gas (GHG) Emissions		2012	2013
Energy Consumption	Electricity (millions of kWh)	71.4	68.8
	Heating Oil (millions of litres)	4.2	4.5
	Fleet Vehicle Fuel (thousands of litres)	398	522
Equivalent Emissions	Electricity (tCO_2e)	6,600	6,300
	Heating Oil (tCO_2e)	10,300	11,200
	Fleet Vehicle Fuel (tCO_2e)	1,100	1,400
Financial Indicators	Total energy expenditure (Electricity, Gas, Heating Oil and Vehicle Fuel) (£m)	11.7	12.4

1 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.

2.9.3 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 2013 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 9m^3 per person per year in some premises, compared to UK government benchmark of 4m^3.

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		2012	2013
Non-Financial Indicators	Metered Water Consumption (thousands of m^3)	375	448
	Metered Water Costs as % of total Water Supply Costs	48%	53%
Financial Indicators	Water Supply Costs (£m)	1.8	2.0

2.9.4 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. It has reduced the amount of paper used by the introduction of default double sided printing and enabling more control over printing jobs and pages actually printed. The new printers also consume less power in operation and have sleep and deep sleep modes to further improve energy conservation.

In addition, during 2013 the Corporate Management Board endorsed a policy of using recycled white A4 paper where possible.

Finite Resource Consumption – Paper		2012	2013
Non-Financial Indicators	Reams of paper purchased	66,585	54,054
	% Recycled paper purchased	5%	11%

2.9.5 Waste

Jersey's Solid Waste Strategy (2005) provides a set of reuse 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 2014–19 and will enable the States to increase its focus on waste reduction and measure results in terms of tonnage and carbon impact.

The focus in 2013 has been to raise staff awareness and continue to improve recycling facilities within departments.

2.9.6 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 has adopted a Kyoto target of an 80% reduction in emissions from 1990 to 2050. The draft Pathway 2050: Energy Plan for Jersey 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; the next step identified in the Energy Plan is to commence the development of climate change adaptation strategy in 2014.

2.9.7 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's 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.

2.9.8 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:

- Pre-qualification questionnaires (PQQ) utilised by the Housing Department now direct suppliers to the Eco-Active Team for advice on how to become an Eco-Active accredited business.
- The Plant Hire project evaluated suppliers on their strategy and commitment to reducing vehicle emissions, designed to drive up standards within the local plant market over time.
- All Computer Hardware procured by the Information Services Department is in accordance with the latest regulations for energy management.

2.9.9 Appendix – Data Sources

The report above 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 – Information on the usage of Gas was not available and has not been included in the report.

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

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 2013 Sustainability report.

2.10 Corporate Social Responsibility

2.10.1 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.

2.10.2 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.

2.10.3 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 30 days (2012: 33 days).

2.10.4 Personal Data Related Incidents

During 2013 there were 20 Personal Data Related Incidents (2012: 14). This included 8 incidents of unauthorised disclosure of personal data information, two incidents where inadequately protected pieces of electronic storage or paper documents containing personal data were lost, and 10 other incidents. Each incident has been reported and investigated in line with States policy.

2.11 Conclusions

Despite a challenging economic climate, the States of Jersey has ended the year will a small operating surplus – with General Revenue Income such as Income Tax and Duties exceeding the cash spent by departments providing day-to-day services.

General Revenue Income has increased by £9.0 million compared to 2012, although it was also £9.3 million less than forecast in the Budget. Departmental Expenditure was £22.8 million less than the amounts approved for Departments to spend, and much of this is due to prudent financial management in the departments, facilitated by the move the longer term financial planning in the form of the Medium Term Financial Plan. £20.7 million of contingency and restructuring funding was also not used in the year, and this will provide a buffer against spending pressures in 2014 and beyond.

Departments have also spent £43.2 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.

The last year has been an excellent year for investment performance. During the year the Common Investment Fund generated a rate of return of 15.9% net of fees, outperforming its benchmark by 1.3%. The investment performance in 2013 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 were £91.9 million. The States decided in the 2014 Budget Statement to allocate investment returns on the Strategic Reserve to fund the Future Hospital project.

Managing the Balance Sheet effectively as well as the Budget has continued to be a focus for the States. During the year the investment strategy for the Consolidated Fund has been changed with the aim of improving long term returns.

The Treasury has also been working to manage long term liabilities with the development of proposals for changes to the Public Employees Contributory Retirement Scheme (PECRS). These proposals aim to ensure that pensions for public sector workers are sustainable, affordable and fair for the long term. Increased repayments for the Pre-1987 Debt have also been made during the year which will reduce the long term costs of repaying this liability.

The Treasury has been working to make further improvements to the financial control framework and during the year has reviewed and updated a number of financial directions which it is expected will improve internal financial control.

For the 2013 Accounts the States of Jersey has included the Social Security Funds in the Financial Report and Accounts for the first time, as recommended by the C&AG in her report on the 2012 Accounts. Whilst these are funds are ring-fenced for specific benefits, their inclusion should give a fuller picture of the States' financial position and performance. The impact of this change is explained more fully in section 6 of this report, and Note 9.3 to the Accounts.

The Treasury is also committed to making the Accounts more accessible to non-accountants, and so will again be publishing a summary document that collects the main points from the Accounts. The format of this report has also been adapted to try to highlight the key figures from the year for the reader.

These accounts show the States' finances have performed well, including a strong balance sheet position at the end of the year. The year has seen the Medium Term Financial Plan hold up against assumptions on income and expenditure. The Medium Term Financial Plan has also encouraged longer term thinking by departments, by giving them certainty over their approvals for future years and flexibility in carrying forward unspent amounts to match the exact timing of expenditure. Departments ended 2013 underspent against their Near Cash budgets by £22.8 million, and will again be carrying forward some of these unspent amounts to deliver essential projects and meet other emerging spending pressures in 2014. The States was also fortunate in that £20.7 million of Central Allocations for Contingency were also not fully required in 2013, and so £18.3 million will therefore be available in 2014.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 12 May 2014

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 Minister for Treasury and Resources.

Under the Social Security (Jersey) Law 1974, the Health Insurance (Jersey) Law 1967, and the Long-Term Care (Jersey) Law 2012, accounts of the relevant Funds are to 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 2013 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 proper financial records are kept which disclose with reasonable accuracy the financial position of the States of Jersey, and to provide those records 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 the consolidated accounts;
- applied appropriate accounting policies in a consistent manner; and
- made reasonable and prudent judgements and estimates.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 12 May 2014

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 2013 represented the second year of a three year arrangement:

The pay revision in 2013 represented the second 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 2013 States Members were entitled to remuneration of £46,000, which includes a sum of £4,000 for expenses (2012: £45,182 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 Accounting Officers' salaries and allowances. No taxable benefits-in-kind were received by the Officers above during 2013.

	2012 Salary £'000	2013 Salary £'000
Chief Executive/Acting Chief Executive		
Mr J Richardson	190–195	200–205
Chief Officer – Economic Development		
Mr M King	135–140	135–140
Chief Officer – Education, Sport and Culture		
Mr M Lundy	130–135	135–140
Chief Officer – Department of the Environment		
Mr A Scate	120–125	120–125
Chief Officer – Health and Social Services		
Mrs J Garbutt	175–180	175–180
Chief Officer – Home Affairs		
Mr S Austin-Vautier	115–120	115–120
Chief Officer – Housing		
Mr I Gallichan	110–115	115–120
Chief Officer – Social Security		
Mr R Bell	115–120	115–120
Chief Officer – States of Jersey Police		
Mr M Bowron	130–135	135–140
Chief Officer – Transport and Technical Services		
Mr J Rogers	130–135	130–135
Treasurer of the States		
Ms L Rowley	145–150	145–150
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	75–80	80–85
Chief Clerk – Law Officers' Department		
Mr T Allen	80–85	40–45
Full year equivalent salary		*80–85*

	2012 Salary £'000	2013 Salary £'000
Advocate – Law Officers' Department		
Ms S Roberts (Interim Accounting Officer from 15 August 2013)		25–30
Full year equivalent salary		*75–80*
Judicial Greffier and Viscount		
Mr M Wilkins	140–145	140–145
Chief Probation Officer		
Mr B Heath	90–95	90–95
Greffier of the States		
Mr M De La Haye	110–115	110–115
Group Chief Executive Officer – Airport and Harbours		
Mr D Bannister	130–135	130–135

Pension benefits

	Total Accrued Pension at Retirement as at 31 Dec 2013 [1] £'000	CETV at 31 Dec 2012 [2] (or date of appointment if later) £'000	CETV at 31 Dec 2013 [2] £'000	Real Increase or (Decrease) in CETV [3] £'000
Mr J Richardson	Pension 100 – 105 Increase of 7.5 – 10	1,760	1,989	216
Mr M King	Pension 10 – 15 Increase of 0 – 2.5	215	256	34
Mr M Lundy	Pension 65 – 70 Increase of 0 – 2.5 Lump Sum 195 – 200 Increase of 5 – 7.5	1,393	1,420	19
Mr A Scate	Pension 5 – 10 Increase of 0 – 2.5	55	70	10

	Total Accrued Pension at Retirement as at 31 Dec 2013[1] £'000	CETV at 31 Dec 2012[2] (or date of appointment if later) £'000	CETV at 31 Dec 2013[2] £'000	Real Increase or (Decrease) in CETV[3] £'000
Mrs J Garbutt	Pension 90 – 95 Increase of 2.5 – 5	1,134	1,215	72
Mr S Austin-Vautier	Pension 25 – 30 Increase of 0 – 2.5	605	640	29
Mr I Gallichan	Pension 30 – 35 Increase of 0 – 2.5	481	527	41
Mr R Bell	Pension 20 – 25 Increase of 0 – 2.5	242	271	24
Mr M Bowron	Pension 5 – 10 Increase of 2.5 – 5	82	129	40
Mr J Rogers	Pension 15 – 20 Increase of 0 – 2.5	203	237	27
Ms L Rowley	Pension 5 – 10 Increase of 0 – 2.5	50	77	19
Mr D Filipponi	Pension 15 – 20 Increase of 2.5 – 5	203	252	44
Mr T Allen (to 21 June 2013)	Pension – Increase of –	975	–	–
Ms S Roberts (from 15 August 2013)	Pension 25 – 30 Increase of 0 – 2.5	249	270	20
Mr M Wilkins	Pension 85 – 90 Increase of 2.5 – 5	1,545	1,558	4

	Total Accrued Pension at Retirement as at 31 Dec 2013[1] £'000	CETV at 31 Dec 2012[2] (or date of appointment if later) £'000	CETV at 31 Dec 2013[2] £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr B Heath	Pension 45 – 50 Increase of 0 – 2.5	829	898	63
Mr M De La Haye	Pension 50 – 55 Increase of 0 – 2.5	898	976	71
Mr D Bannister	Pension 0 – 5 Increase of 0 – 2.5	25	43	12

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. With the exception of Mr T Allen's CETV, the 2012 figures have been restated using the same market factors as those applied in the 2013 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.

There were no compensation payments made to former senior managers during 2013.

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 97 individuals (2012: 99) 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 and Culture Department	Department of the Environment	Health and Social Services Department	Home Affairs Department	Housing Department	Social Security Department	Transport and Technical Services Department	Treasury and Resources Department	Non-Ministerial Bodies	Ports of Jersey	2013 Total	2012 Total
100,000 – 109,999	4	1	4	1	11	7		1	1	4	4	7	45	49
110,000 – 119,999	6		2		5	1			1	3	4	3	25	22
120,000 – 129,999	3		1		18	2					3		27	29
130,000 – 139,999	2		1	1	19	1	1	1		1	5		32	29
140,000 – 149,999					15				1	1	1	1	19	20
150,000 – 159,999	2	1	1		11	1				1	1		18	18
160,000 – 169,999					9					1	2		12	12
170,000 – 179,999					2								2	7
180,000 – 189,999					3						1		4	3
190,000 – 199,999					4								4	4
200,000 – 209,999	1				1								2	–
210,000 – 219,999													–	1
220,000 – 229,999	1				1								2	1
230,000 – 239,999													–	1
240,000 – 249,999											1		1	–
250,000 – 259,999													–	–
260,000 – 269,999													–	–
270,000 – 279,999											1		1	1
280,000 – 289,999													–	–
290,000 – 299,999													–	–
300,000 – 309,999											1		1	1
Total	**19**	**2**	**9**	**2**	**99**	**12**	**1**	**2**	**3**	**11**	**24**	**11**	**195**	**198**

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

Remuneration	Accounting Officers	Civil Service A Grades	Civil Servants	Heads and Deputy Heads, Highlands Managers	Doctors and Consultants	Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	Air Traffic Controllers	Police Officers	2013 Total	2012 Total
100,000 – 109,999	1	9	12	4	6	4	5	4	45	49
110,000 – 119,999		6	4	2	5	8			25	22
120,000 – 129,999		3		1	17	6			27	29
130,000 – 139,999	5	4		1	16	6			32	29
140,000 – 149,999	2	2			14	1			19	20
150,000 – 159,999	3	1	1		11	2			18	18
160,000 – 169,999	2				9	1			12	12
170,000 – 179,999					2				2	7
180,000 – 189,999					3	1			4	3
190,000 – 199,999					4				4	4
200,000 – 209,999	1	1							2	–
210,000 – 219,999									–	1
220,000 – 229,999	1				1				2	1
230,000 – 239,999									–	1
240,000 – 249,999						1			1	–
250,000 – 259,999									–	–
260,000 – 269,999									–	–
270,000 – 279,999						1			1	1
280,000 – 289,999									–	–
290,000 – 299,999									–	–
300,000 – 309,999						1			1	1
Total	**15**	**26**	**17**	**8**	**88**	**32**	**5**	**4**	**195**	**198**

4.5 Median Remuneration

The Median Remuneration is a form of average, representing a theoretical individual that half of employees earned more than, and half earned less than. Individuals who work part time or on a Zero Hours contracts, or who worked for part of the year are included in this calculation which is based on actual amounts paid.

	2012	2013
Highest Paid Employee Band	300,000 – 309,999	300,000 – 309,999
Median Earnings	32,900	33,400
Remuneration Ratio	9.2	9.1

Signed:

Laura Rowley MBA CPFA
Treasurer of the States

Date: 12 May 2014

5 Governance Statement

5.1 Scope of Responsibility

Under the Public Finances (Jersey) Law 2005 (hereafter referred to as "the Law"), all States funded bodies have been designated an Accounting Officer. 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 that it is used 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 includes 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 2013 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 various elements that comprise the Governance Framework are set out in Appendix A of this Statement.

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 and are kept under review. Internal Audit consider the framework in conjunction with other key areas of States of Jersey systems and controls when developing the Internal Audit work programme. Action is taken to strengthen and improve these governance arrangements by the relevant lead officers.

5.3.1 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. The States' Strategic Plan proposes the strategic priorities of each new Council of Ministers (CoM) which are then approved by the States.

The States of Jersey Strategic Plan 2012 sets out the overall strategic direction for the Island over three years and beyond by focusing on the key priorities that must be addressed by this government during its term of office and planning for the major issues that will need to be addressed over the longer term. The Plan is available on the States Website:

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

The Strategic Plan 2012 was entitled 'Inspiring confidence in Jersey's future'. Specifically, by working openly and inclusively with all sectors of our community the States will:

- Get people into work
- Manage population growth and migration
- House our community
- Promote family and community values
- Reform Health and Social Services
- Reform government and the public service
- Develop sustainable long term planning

The Strategic Plan goes on to outline key actions that support these priorities.

In January 2014, the CoM published 'Preparing for Our Future' which proposed a new integrated approach to strategic planning and performance management in Jersey. Under the new proposals, the new CoM coming into office in November 2014 will create a new 20 year vision for the Island. 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 in the 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 years, and fits with the existing political cycle, where each CoM is elected for a 4 year term.

The key changes are:

- States' spending limits will be set for the length of a CoM's 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.

Criticisms of the previous annual process have been that it focuses decision making on the short term and makes no provision for unforeseen expenditure, which has led to urgent calls for additional funding and the perception that the States is overspending.

The MTFP will encourage longer term planning horizons, give greater certainty and flexibility for departments to plan ahead and deliver improved value for money within an overall States spending limit.

An allocation for growth will allow the States to be responsive to changing needs without exceeding the agreed limits, and allocations for contingency funding will provide confidence that unforeseen events can be dealt with without additional unplanned calls on the public purse.

The annual Budget Statement will continue 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 will be variations within overall limits.

The MTFP authorised Near-Cash Net Revenue Expenditure of £626,223,800 for 2013. 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.
- Additional amounts voted by the States Assembly during the year.
- Amounts allocated from the central contingency.
- Amounts transferred between capital and revenue budgets, approved by the Minister for Treasury and Resources.
- Service transfers within a department, although the overall total will not vary.

A summary of the MTFP planning process is set out in Figure 11.

Each department has established its own management structure and processes to set key objectives. These objectives, which are now for 3 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 has developed a draft Long Term Capital Plan (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 a Long Term Revenue Plan (LTRP) to cover a period of 7 to 8 years and 2 MTFPs.

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 CoM 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 6 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 the CMB and to the CoM.

FIGURE 11 – 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

5.3.2 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 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. In May 2012 the States established an Electoral Commission to review the number and categories of Elected Members and the Commission's recommendations were published in January 2013.

In February 2013 the States approved P.5/2013 Draft Referendum (Reform of States Assembly) (Jersey) Act 201- , brought forward by the Privileges and Procedures Committee (PPC) which provided for a referendum to be held in April 2013. Following the referendum, held on 24th April 2013, PPC brought forward P.64/2013 Draft States of Jersey (Amendment No. 7) Law 201-, to implement the results, which broadly supported the recommendations of the Electoral Commission. This, however, was rejected by the States in July 2013.

PPC then brought forward P.116/2013 Composition of the States Assembly: interim reform for 2014 and referendum on further reform, which was debated in November 2013. All specific proposals for reform were rejected by the States Assembly, apart from paragraph (e) which asked PPC to bring forward a referendum at the same time as the 2014 elections to ask voters whether they agreed that the States Assembly should, with effect from the 2018 elections, be comprised of a single category of members elected on a parish basis in accordance with the recommendation of the Report of the Review Panel on the Machinery of Government in Jersey (the 'Clothier' Report).

A further proposal for a referendum lodged by Deputy A. Green was adopted for a referendum to be held on the day of the 2014 elections to ask voters whether they agreed that the Constables should remain as members of States Assembly as an automatic right.

Further propositions to amend the composition and election of the States Assembly were debated in November 2013 and January 2014. Again, no specific proposals gained States approval.

TABLE 15 – COMPOSITION OF THE STATES

Elected Members	10 Senators 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 51 States Members with voting rights, a maximum of 22 Members are in ministerial positions either as Ministers (11 Members) or Assistant Ministers (up to 12 Members). States Members who are not Ministers or Assistant Ministers can sit on the Scrutiny Panels and the PAC.

Ministerial Government

The States Assembly

Executive
- Council of Ministers
- Individual Ministers
- Ten States departments

Privileges and Procedures Committee
- Comité des Connétables
- Planning Applications Panel
- Overseas Aid Commission

Scrutiny
- Scrutiny Chairmen's Committee
- Public Accounts Committee
- Five Scrutiny Panels

The Council of Ministers (CoM)

The CoM is made up of a Chief Minister and 10 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 Ministers leading the 10 States departments during 2013 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 CoM 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 2013

Department	Minister	Appointment Date
Chief Minister's	Senator Ian Gorst	18/11/2011
Chief Minister's – External Relations	Senator Sir Philip Bailhache	10/09/2013[1]
Economic Development	Senator Alan Maclean	18/11/2011 *
Education, Sport and Culture	Deputy Patrick Ryan	18/11/2011
Department of the Environment	Deputy Robert Duhamel	18/11/2011 *
Home Affairs	Senator Ian Le Marquand	18/11/2011 *
Health and Social Services	Deputy Anne Pryke	18/11/2011 *
Housing	Deputy Andrew Green	18/11/2011
Social Security	Senator Francis Le Gresley	18/11/2011
Transport and Technical Services	Deputy Kevin Lewis	18/11/2011
Treasury and Resources	Senator Philip Ozouf	18/11/2011 *

* Denotes the Ministers that were appointed for a second term.

1 P.67/2013 Draft States of Jersey (Minister for External Relations) (Jersey) Regulations 201-.

Accounting Officers

The following individuals held the post of Accounting Officer for all or part of 2013:

States Funded Body / Fund	Position	Accounting Officer	Appointment Date
Ministerial Departments			
Chief Minister's Department (to include Legislation Advisory Board, Human Resources and Information Services, but exclude 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 (to include La Collette Reclamation Scheme but exclude Financial Services Industry)	Chief Officer	Michael 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
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
Social Security	Chief Officer	Richard Bell	01/06/2006
Transport and Technical Services	Chief Officer	John Rogers	17/04/2009
Treasury Department (including Treasury, Taxes Office, Property Holdings and Procurement)	Treasurer of the States	Laura Rowley	01/01/2011
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department[1]	Chief Clerk Advocate	Timothy Allen Sylvia Roberts	10/07/2006 15/08/2013
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
Data Protection Commission	Data Protection Registrar	Emma Martins	01/01/2006
Probation and After-care Services	Chief Probation Officer	Brian Heath	01/01/2006
States Assembly (including States Greffe, Scrutiny panels and Public Accounts Committee)	Greffier of the States	Michael De La Haye	01/01/2006
Overseas Aid Commission	Treasurer of the States	Laura Rowley	01/01/2011

States Funded Body / Fund	Position	Accounting Officer	Appointment Date
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
Special Funds			
Strategic Reserve	Treasurer of the States	Laura Rowley	01/01/2011
Stabilisation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Jersey Currency Fund	Treasurer of the States	Laura Rowley	01/01/2011
Insurance Fund	Treasurer of the States	Laura Rowley	22/11/2013
Tourism Development Fund	Chief Officer – EDD	Mike King	01/01/2006
Channel Islands Lottery (Jersey) Fund	Chief Officer – EDD	Mike King	01/01/2006
Agricultural Loans Fund	Treasurer of the States	Laura Rowley	01/01/2011
Dwelling House Loan Fund	Treasurer of the States	Laura Rowley	01/01/2011
Assisted House Purchase Scheme	Treasurer of the States	Laura Rowley	01/01/2011
Housing Development Fund	Treasurer of the States	Laura Rowley	01/01/2011
99 Year Leaseholders Fund	Treasurer of the States	Laura Rowley	01/01/2011
Criminal Offences Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Drug Trafficking Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Civil Asset Recovery Fund	Treasurer of the States	Laura Rowley	01/01/2011
Social Security Fund	Chief Officer – SSD	Richard Bell	01/06/2006
Health Insurance Fund	Chief Officer – SSD	Richard Bell	01/06/2006
Long Term Care Fund	Chief Officer – SSD	Richard Bell	12/12/2013
Social Security (Reserve) Fund	Treasurer of the States	Laura Rowley	01/01/2011

Notes

1. Timothy Allen retired as Accounting Officer of the Law Officers' Department on 21.06.13. Sylvia Roberts was appointed as Interim Accounting Officer on 15.08.13 (MD-TR-2013-0028).
2. Karen McConnell was appointed as Comptroller and Auditor General with effect from 01/02/13 and until 31/12/14 (P.138/2012). 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 Trust funds.

The Accounting Officers who lead the Ministerial departments are members of the CMB, the role of which 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 our finances.

5.3.3 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 are proposed in 2014 following discussion with the new Comptroller and Auditor General (C&AG) about audit arrangements.

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 2013 a total of 9 new or updated Financial Directions were issued by the Treasurer and a further 4 were re-issued as a result of part of the process of continual improvement. 3 Financial Directions were issued to key user groups for consultation and 3 were in the final stages of being drafted as at the end of the year. 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 C&AG is currently undertaking a review of compliance with a sample of Financial Directions.

Work on the framework will continue during 2014, with work on a further 8 new Financial Directions planned along with the preparation of a user guide showing the interaction between all of the Directions.

Special Funds

The States of Jersey administers a variety of special funds which consist of funds entrusted to the States of Jersey, or given for a specific purpose.

The Charitable Funds Oversight Governance Board has been set and consists of an ex-Chief Minister and two Jurats. The Board meets twice a year to review Funds and has a duty to satisfy itself that adequate systems and procedures are in place to ensure that the responsibilities of the Treasurer of the States are properly discharged and that the funds have fully complied with the donor's wishes, all payments correctly authorised, being managed appropriately and to gain assurance that the funds have been properly administered in accordance with the relevant legislation and best practice.

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).

As Chief Executive Officer I am 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.

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.

Internal Audit Service

Public Sector Internal Audit Standards (PSIAS) were issued by HM Treasury in 2013 and the States of Jersey objective is to fully adopt these standards by 1 July 2014. PSIAS provides 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) International Professional Practices Framework (IPPF).

5.3.4 Scrutiny and Risk Management

Audit Committee

An Audit Committee, with an independent Chairman and two other independent members, operated throughout the year. A minimum of two independent members need to be present for a meeting to be deemed quorate, and the following States officers are also required to attend: the Chief Executive, the Treasurer of the States, the Chief Internal Auditor and the Director (Outsourced Internal Audit Team).

The Audit Committee met four times in 2013 and continued to assist Accounting Officers in obtaining assurance on the adequacy of risk, control and governance processes in place through the process of constructive challenge. In November 2012 the Committee decided that it would change its annual cycle from January to December, to July to June to find a better fit to the work it performs. To this end, the Audit Committee will therefore effectively meet its annual objectives once the States of Jersey FR&A have been completed and an opinion issued by the external auditors.

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 CMB 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, an Audit Manager, 3 Senior Auditors and an Administrator. In addition, a Head of Projects has been appointed and will be taking post in April 2014. 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 2013, the previous States of Jersey Chief Internal Auditor transferred within the States of Jersey and a new Chief Internal Auditor was appointed on 12 August 2013. The new Chief Internal Auditor continues to make improvements to Internal Audit processes and practices to continue creating a more efficient and effective Internal Audit service. A number of new initiatives are planned and a number have already been introduced including the creation of an audit manual, the introduction of post-audit feedback, Key Performance Indicator's and formal follow up of audit recommendations. In addition, the new audit and risk management software will be implemented during quarter 2 of 2014 and will contribute to further audit efficiencies.

Internal Audit activity encompasses the assessment of key financial and non-financial policies and operations in deriving the annual Internal Audit plan, which uses a risk based methodology. The Chief Internal Auditor has a duty to prepare an Audit Strategic Business Plan which outlines the strategic direction of the States of Jersey's Internal Audit function over the same period as the MTFP. In forming the Internal Audit Business Plan the Chief Internal Auditor assesses all 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. 2013 was the second year of the Audit Strategic Business Plan (which was previously presented to the Audit Committee and CMB); the results of which can be found in Section 5.4 – Review of Effectiveness. The detailed 2014 Audit Plan was presented to the Audit Committee in November 2013 and Internal Audit continues to present the 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. The 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 Statement. 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	Chief Minister's Department and Treasury and Resources Department, including 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 States of Jersey Police, Jersey Fire and Rescue and Customs and Immigration Services, HM Prison and the Superintendent 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 2013 FR&A for further information on the responsibilities of the external auditors.

Capacity to handle risk

The CMB Risk and Governance sub-group supports the Board in its responsibilities for monitoring and reviewing risk management, processes and good governance within the States funded bodies and advises it on the adequacy and effectiveness of risk management arrangements. The sub-group members include the Treasurer of the States, the Chief Internal Auditor and several other Accounting Officers.

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 2014 is to revise the Financial Direction on Risk Management and to continue to develop the Corporate Risk Register; the newly appointed Head of Projects will allow the States of Jersey 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 its 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 and Treasurer met with departments to consider their operational risk management arrangements.

The assurance framework as endorsed by the Audit Committee was taken to the CMB Risk and Governance sub-group for it 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.

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.

CMB has put significant emphasis on health and safety in 2013 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 April 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. The Treasury has commissioned additional support in 2014 to take this work forward.

Business Continuity

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.

Emergency Planning

The 'Emergencies Council', chaired by the Chief Minister, is the responsible body for Emergency Planning in Jersey and oversees the development of agreed procedures to prevent, reduce, control, mitigate and take other actions in the event of an emergency. The Emergencies Council is supported in delivering this work by the Emergency Planning Officer who is designated under the Emergency Powers and Planning (Jersey) Law 1990.

To ensure the work is conducted an Island resilience structure has been developed. This is overseen by the Emergency Planning Board, chaired by the Chief Executive of the States of Jersey and leads a programme of improvements to emergency planning and management arrangements and the training and exercising of plans.

Insurance Arrangements

Insurance arrangements are administered centrally through the Insurance Deductible Fund (the 'IDF'), a ring fenced allocation of money providing insurance arrangements to States departments and other participating bodies. The participants in the IDF are recharged a premium as calculated by the Treasury, the IDF in turn pays insurance premiums to the States Insurer. During 2013 insurance arrangements of the IDF 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 IDF. Other insurance risk, such as the risk that insufficient insurance coverage is maintained 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

Following the introduction of a revised Corporate Occupational Health and Safety (H&S) Policy in 2012, the focus during 2013 has been on policy implementation within departments and raising awareness of current approaches to safety management amongst senior teams and Chief Officers. The CMB attended a seminar presented by the Head of H&S for the Olympic Delivery Authority on safety leadership and the challenges of developing an organisation's safety culture, and a Solicitor Advocate provided an insight into how the law views the personal actions of senior managers in H&S cases. In support of this approximately 70 directors and senior management team members have attended "Safety for Senior Executives" courses during the year and a further 77 managers and staff have attended safety management and risk assessment courses.

CMB and States Employment Board now have H&S as a standing agenda item and receive quarterly H&S performance reports covering incident statistics, occupational health, current areas of H&S focus, and examples of good practice within departments. The

Corporate H&S Manager began working closely with Human Resources and linking into their staff consultation arrangements for current and future polices and guidance. Increasingly there was a focus on staff "wellbeing" from Human Resources and this has led to the H&S Policy becoming the Health, Safety and Wellbeing Policy in 2014.

Anti-Fraud and Corruption Policy

The Audit Committee approved the new Anti-Fraud and Corruption Policy in November 2013 and was subsequently presented to the Chairman of PAC in December 2013 for consultation. This will be presented to CMB in 2014 and subsequently 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.

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.

5.3.5 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 is being rolled out across all States departments over the next 12 months. The Lean methodology will enable us to build a culture of continuous improvement and empower staff to lead change and improve the performance of our services for the customer. Departments will be implementing their Lean training individually in five progressive levels, with 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 'on line' 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. Induction training is currently offered to all employees, but this will be developed further through an 'on line' provision.

5.3.6 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 2013 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.

5.4.1 Internal Audit

During 2013, 42 Internal Audit reports were issued, which included 22 compliance reports and 20 advisory reports. This includes reviews carried forward from 2011 and 2012.

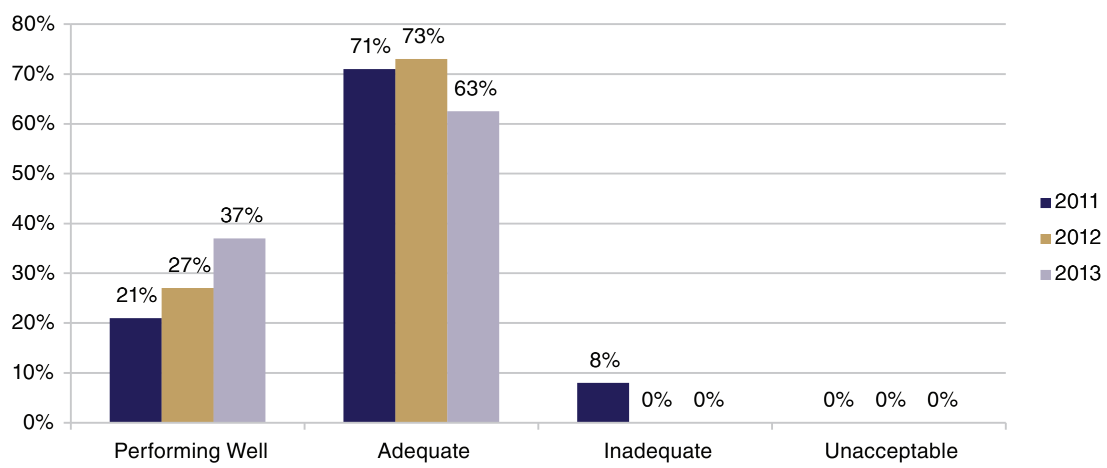
The 22 compliance reports provided ratings of the control environment operating in the areas and scope reviewed. The grades attached to those reports are summarised in Figure 12 below together with a comparison against 2011 and 2012 ratings. Each Audit report rates the area of review on a four point scale, with 4 - Performing Well being the highest. The upward trend of Audit reviews rated in the Performing Well category continued during 2013.

The 20 advisory reviews that were completed in 2013 were not rated for adequacy of control. A number of Internal Audit reports were finalised after 31 December 2013 and are excluded from the summary of results below.

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 at their monthly/quarterly meetings. From 2014 the Internal Audit will become more active in confirming the implementation of Audit recommendations and declarations of implementation will be sampled and tested.

Accounting Officers were asked to confirm any outstanding Internal Audit recommendations in their 2013 Governance Statements.

FIGURE 12 – INTERNAL AUDIT COMPLIANCE REPORT RATINGS



5.4.2 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 2013 Scrutiny Panel publications is shown in Table 18 below. 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 2013. 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 below.

TABLE 18 – SCRUTINY PANEL PUBLICATIONS DURING 2013

Scrutiny Panel	Review date and title
Corporate Services	• Population and Migration Review – Part 2 – Report (February 2013) • Starter Home Deposit Loan Scheme – Report (April 2013) • Minister for External Relations – Report (June 2013) • Public Finances Law Amendments – Report (August 2013) • Draft 2014 Budget – Report (November 2013)
Economic Affairs	• Jersey Innovation Fund – Report (March 2013) • Tourism Shadow Board – Report (January 2013)
Education and Home Affairs	• Customs and Immigration Service: Resources for prevention of importation of illegal drugs – Report (May 2013)
Environment	• Energy Policy – Report (November 2013) • Green Street Police HQ: Traffic and Parking – Report (February 2013)
Health, Social Security and Housing	• Long Term Care Review – Report (November 2013) • Draft Discrimination (Jersey) Law – Report (May 2013) • Housing Transformation Programme Review – Report (April 2013)

TABLE 19 – CSSP HEARINGS AND BRIEFINGS WITH TREASURY AND RESOURCES DURING 2013

Hearings and briefings	Topic areas covered
CSSP Quarterly Hearing (31 January 2013)	A number of areas were covered, for example, Priorities; 2014 Budget Statement dates; Amendments to the Public Finances Law; Starter Home Deposit Loan Scheme; CSR Programme; PECRS reforms and repayment of the Pre-1987 and JTSF Pre-2007 debts; Quarterly Budget reports; Modernisation Programme and FPP response.
CSSP Briefing (27 February 2013)	A number of areas were covered, for example, Pensions; Public Finances (Jersey) Law; SoJDC – current and future projects.
CSSP Quarterly Hearing (18 April 2013)	A number of areas were covered, for example, GST de Minimis waiver; States Expenditure; Capital programme; States Property Portfolio; Long-Term Tax Policy; Long-Term Care Charge and Tax Modernisation; Economic Forecasts; PECRS reform and plans for the repayment of the Pre-1987 Debt and Procurement.

Hearings and briefings	Topic areas covered
CSSP Briefing on the Amendments to the Public Finances (Jersey) Law 2005 (24 April 2013)	Amendments to Public Finances (Jersey) Law 2005.
CSSP Hearing on the Public Finances (Jersey) Law (29th May 2013)	The Public Finances (Jersey) Law.
CSSP Quarterly Hearing (15 July 2013)	A number of areas were covered, for example, Starter Home Deposit Loan Scheme; T&R Minister's responsibilities in respect of financial services; Funding of Capital Projects; States Property – Backlog Maintenance and Fort Regent; LTRP 2013–2020; Timetable for the Budget and Tax Revenues.
CSSP Briefing on the Draft 2014 Budget Statement (15 July 2013)	Briefing given on the Draft 2014 Budget Statement.
CSSP Briefing on the Draft 2014 Budget Statement (9 September 2013)	Briefing given on the Draft 2014 Budget Statement.
Briefing to CSSP/HSSH Sub Panel (23 September 2013)	Briefing on the General Hospital project.
CSSP Quarterly Hearing (3 October 2013)	A number of areas were covered, for example, Economy; Property; Starter Home Deposit Loan Scheme; Public Finances Law and the Budget.
CSSP Hearing on the Draft Budget Statement 2014 (11 October 2013)	A number of areas were covered, for example, income tax forecast; second quarter monitor report; Long tax policy; MR cut; independent taxation; impots.
CSSP Hearing on the Draft Budget Statement 2014 (24 October 2013)	The Draft Budget Statement 2014.
CSSP briefing on SoJDC (4 November 2013)	Briefing given by SoJDC, in respect of the Jersey International Finance Centre (JIFC).

5.4.3 Public Accounts Committee (PAC)

Reports published by the PAC in 2013 include 'Financial Report and Accounts 2011' (March 2013), 'Grants to Canbedone Productions' (April 2013) and 'Car Parks Trading Fund' (November 2013).

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

In addition to the 2013 Audit Plan and Code of Audit Practice, 2 reports were published by the C&AG in 2013 including 'Public Audit in Jersey' (July 2013), in which the current function of the C&AG in Jersey is examined and recommendations are made on a number of areas relating to Public Audit and 'Management of Major Property Transactions' (September 2013) which considers the management of major property transactions, focusing on the proposed procurement of Lime Grove House (LGH). A report on the 2012 Accounts was also published.

5.4.5 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 has determined the most significant governance issues to include in this Governance Statement, based on her awareness of the major issues facing the organisation. The significant issues that have arisen in 2013 are shown in Table 20 below.

TABLE 20 – SIGNIFICANT ISSUES IDENTIFIED IN 2013

Issue	Potential Risk	Action(s)
Medical Malpractice insurance costs: The States of Jersey recently renewed its medical malpractice insurance arrangements, on behalf of Health and Social Services in the island to 31st January 2015. The renewal premium incurred a 7.84% increase over expiring costs which reflects the significant rise in maternity claim costs, UK data indicates an 80% rise in the last 5 years, with clinical negligence claims inflation doubling every 7 years.	*Increasing maternity claim costs.*	The Health and Social Services Department (HSSD) is currently reviewing the current levels of Consultant cover within Obstetrics and Gynaecology services at the General Hospital, with a plan to increase these in line with UK best practice. The Treasury has successfully negotiated more comprehensive and cost effective cover with insurers, principally AWAC.
Implementation of Gigabit Jersey: In November 2012, JT made commitments for the implementation of Gigabit Jersey. However, there have been some issues with delivery.	*Revenue forecasts and assumptions around the number of dwellings to be connected are over ambitious coupled with any time delays in full implementation.*	The States of Jersey are monitoring against the criteria as laid out in the Ministerial Decision. The Treasury receives quarterly compliance reports monitoring performance against these criteria and as a shareholder formally meets with senior management twice yearly as a minimum and on an ad hoc basis to discuss the strategic business plan and performance of this project. In addition other meetings and communications happen during the year.
Instance of fraud involving a former employee: An issue with cash taking discrepancies within an area of the Transport and Technical Services Department (TTS) was reported and subsequently investigated.	*Lack of an adequate control environment over petty cash.*	Internal Audit performed a review at the request of TTS. As a result, the department has developed a new cash handling policy along with revised arrangements for the control of cash. The employee was suspended and is no longer employed by the States of Jersey. In April 2013, a Financial Direction on Cash Handling was issued which includes requirements on accountability and segregation of duties.
States Grant to the Jersey International Air Display A.R.L.: A number of issues have arisen in relation to the grant awarded by the Economic Development Department (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.	*Lack of propriety over public money and non-achievement of value for money.*	EDD initially withheld the grant of £90,000. However, the Department subsequently had to settle two fuel bills totalling £37,853, one of which had been outstanding since the 2012 Air Display, in order that the 2013 display could go ahead. The Department wrote to Deputy Higgins in his capacity as Chairman of the JIAD, requesting the draft 2013 accounts, due to its concerns regarding JIAD being a Going Concern. This request was made in order to satisfy itself that grant funding could be made available. To date, the draft accounts have not been received. In January 2014, 2 reports were issued by Internal Audit on grants awarded by EDD in 2013 on reflection of the Canbedone grant. The 2014 Internal Audit Plan includes several grant reviews.

Issue	Potential Risk	Action(s)
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 Committee of Management could request additional funding from the States for the new entrants that it is required to admit into the Scheme. If this is not addressed, over time the funding deficit is expected to increase further resulting in benefit reductions, and potentially recruitment difficulties.*	The States Employment Board (SEB) instigated a review of PECRS in 2011 and established a Technical Working Group (TWG), under the leadership of the Treasurer of the States and the Chair of the Committee of Management, to consider the issues. The TWG presented proposals in March 2013 that aim to ensure the Scheme is sustainable, affordable and fair for the long term. During 2013 negotiations have been on-going with the Joint Negotiating Group. The enabling Law has been lodged and changes to the Scheme that address the worsening underfunding in contribution rates are expected to be implemented in 2015. Under the proposals the risk sharing arrangements for Pre-2015 benefits will remain as they are presently, so the risk of underfunding is borne by the members of scheme.
Listing by France of Jersey as an uncooperative jurisdiction ("blacklisting"), as a result of dissatisfaction at the execution of tax information exchange: Jersey was unable to comply with the information requests which resulted in a number of open cases.	*Imposition of sanctions (punitive withholding taxes) by the French Government on all French business with Jersey, to be brought into effect from 1st January 2014, potentially resulting over time in billions of pounds of lost business for Jersey and hundreds of job losses.*	Ministers and officials from the Chief Minister's and Treasury Departments made great efforts to secure the delisting. Numerous meetings were held with French officials. New Regulations were introduced in Jersey to obtain information, which was exchanged with France to the extent possible, in two cases requiring Court action, until all outstanding French requests for information were closed. An exchange of letters was made between France and Jersey on the inclusion of the French 3% property tax in the scope of the Tax Information Exchange Agreement (TIEA). The Jersey competent authority remains in close contact with French counterparts to ensure that we continue to work effectively together on tax information exchange.
Development of plans for the "Future Hospital": Effective provision of hospital services in the future depends on the design of the Future Hospital.	*The "Future Hospital" is not fit for purpose.*	The Chief Officer for Health and Social Services is the client lead. The Treasurer has been appointed Accounting Officer for the project as the project is being run by Jersey Property Holdings. A clear Project Initiation Document and governance structure is in place and key advisers are being appointed to support the project. HSSD has appointed a full-time project director to support the project. Internal Audit have been requested by the Project Board to be involved from the outset and are bringing in an audit expert from the UK with experience of similar capital projects.
Challenges facing Jersey's financial services industry: **1. Changing attitudes towards tax avoidance and the move to automatic exchange of information.** Since the financial crisis of 2008 global attitudes towards tax avoidance have hardened and aggressive tax avoidance strategies, undertaken by either corporate or individual taxpayers, are now widely regarded as unacceptable, even if they are not illegal. This change in attitude has been supported by policy responses by other governments, such as the UK's introduction of a general anti-avoidance rule ("GAAR"). Alongside this change in attitude towards tax avoidance, in seeking to address illegal tax evasion, the OECD and the G20 confirmed during 2013 that automatic exchange is now the global standard for the exchange of information of tax purposes.	*The change in attitude towards tax avoidance may result in customers of the island's financial services industry:* *(i) changing existing arrangements so that they have no presence in an offshore financial centre; and/or* *(ii) being discouraged from establishing new arrangements in an offshore financial centre.* *Fewer customers would result in a smaller finance industry, leading to reduced corporate tax revenues, less employment in the finance sector and, therefore, reduced revenues from taxes on earnings.*	Tax evasion is illegal in Jersey and the Chief Minister confirmed in a statement, made on 21 June 2012, that Jersey "does not need nor does it wish to be associated with aggressive tax planning schemes". Jersey's stance on tax evasion and aggressive tax avoidance has been supported by the following actions: » Foreign Account Tax Compliance Act (FATCA) agreement signed with the US on 13 December 2013. » Inter-Governmental Agreement signed with the UK on 22 October 2013. » Announcement made on 6 August 2013 that Jersey will move to mandatory automatic exchange of information under the EU Savings Directive from 1 January 2015. » Announcement made on 7 June 2013 that Jersey will become a signatory to the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. » Jersey was one of the first countries to commit to the early adoption of the OECD's Common Reporting Standard for automatic exchange of information for tax purposes. » Jersey is an active participant at the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, including holding the Vice Chair of the Global Forum's automatic exchange of information group.

Issue	Potential Risk	Action(s)
2. Intergovernmental agreements with the US and UK to implement the terms of the US FATCA and a similar arrangement with the UK. During 2013 Jersey signed intergovernmental agreements with the US and UK to implement the terms of the US Foreign Account Tax Compliance Act (FATCA) and a similar arrangement with the UK. The obligations of these agreements places additional reporting requirements on financial services businesses operating on the island. The US FATCA is a global requirement and territories which do not sign up to this agreement will create significant issues for businesses with any US involvement including the use of the US dollar currency. The UK agreement was agreed in line with the other Crown Dependencies following a request from the UK government. This reflects the special relationships between the UK and CDs and the respective importance of these relationships.	*The cost of implementation of these agreements may result in financial institutions reconsidering the Island as a centre for their businesses. The UK arrangements could have implications for certain business in the event that clients choose to move to jurisdictions who have not agreed to the UK system.*	The US FATCA is a global initiative and as a result institutions worldwide must deal with the consequential costs. On that basis Jersey is at no competitive disadvantage. With regard to the UK risk it is clear that increasingly clients and high quality businesses wish to be associated with good quality locations. On this basis it is believed that while there may be some business leakage it will be replaced by business which chooses to locate in a jurisdiction with a better quality reputation.
3. The EU Directive to regulate Alternative Investment Fund Managers operating or marketing in the EU. AIFMD – the EU introduced a Directive to regulate Alternative Investment Fund Managers operating or marketing in the EU. It was vital to ensure that Jersey achieved 3rd country equivalence to allow our fund managers the option of marketing into Europe. This was achieved following a significant collective effort by regulator, industry and government. Jersey has now signed an agreement with EU regulator ESMA and bi-lateral agreements with almost all EU countries, particularly the most important markets.	*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 the Channel Islands Brussels Office and the Jersey Financial Services Commission. Good relationships have been established at regulatory level and these will be maintained into the future.
4. A jurisdictional review on the future of Jersey's financial services industry was completed by McKinsey during 2013. A jurisdictional review on the future of Jersey's financial services industry was completed by McKinsey during 2013. This highlighted the key issues facing the industry and mapped a future strategy for the industry. This included a greater role for government in policy direction and international political engagement. The report also highlighted the need for government to ensure the business 'enablers' are constantly reviewed and updated.	*Government does not provide the support necessary for delivery because of resourcing, capability or political reasons. The recommendations are incorrect or insufficient to support on ongoing vibrant finance services industry.*	The CoM has agreed to support the key recommendations and has provided the financial support for its implementation. In addition greater international engagement has improved the profile of the island in key political circles. Clearly the financial services industry is constantly changing and as a result the future can be uncertain. In engaging McKinsey to carry out the jurisdictional review Jersey accessed one of the most highly regarded global firms which has access to a significant pool of international expertise both inside and outside the firm. This has generated significant confidence in the recommendations which are being implemented. The external environment will continue to be tracked for changes which could significantly impact on the recommendations and appropriate action will be taken if necessary.

Issue	Potential Risk	Action(s)
5. Jersey's relationship with Britain in terms of tax, capital movement and investments. In mid-2013 a report 'Jersey's value to Britain' was produced by independent consultancy Capital Economics. This report, commissioned by Jersey Finance Limited, for the first time quantified, using empirical research, Jersey's relationship with Britain in terms of tax, capital movement and investments. The results were published in detail and widely circulated. Among the key findings were: Jersey supports 180,000 UK jobs, net tax contribution is almost £2.5bn pa, over £500bn of international investment in the UK is channelled through Jersey and Jersey plays a key role in providing liquidity to banks in the City of London. This report has been widely viewed as a 'game changer' as it credibly quantifies for the first time the importance of Jersey to the UK economy.	*The report has been widely circulated and the findings analysed with little external criticism. However as time moves on the figures become less 'current' and as a result may lose impact and value.*	In conjunction with Jersey Finance government is maximising the positive messages which the report has provided. There is no reason to believe that the key findings will change dramatically unless the industry itself changes. However this research can be repeated in the future and given that the approach and methodology has been proven this will be less difficult to do again.
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.	*Exports of live cattle and bovine genetic material would become unviable.*	A summary Business Case for additional funding for the disease testing programme was recently presented by EDD to CMB as part of the 2016 LTRP Growth requests. The request has been removed from the first draft of the revised LTRP Growth requests as the Leadership Team will require more detail before a decision can be made.
Jersey Potato Cyst Nematode (PCN) levels have become artificially inflated due to intensive annual cropping: Control in Jersey of PCN levels relies almost entirely on annual pesticide application. However, recent revocations of the few approved pesticides, residue difficulties and uncertainty around the commercial lifespan of the remaining product (Vydate) and rising levels of PCN resulting from these difficulties means that potato production in Jersey will become more difficult.	*The Jersey Royal Potato is the main export crop for Jersey agriculture (export value £25–30m per year) and production of this export crop may become unsustainable within a decade.*	A summary Business Case for additional funding for the disease testing programme was recently presented by EDD to CMB as part of the 2016 LTRP Growth requests. The request has been removed from the first draft of the revised LTRP Growth requests as the Leadership Team will require more detail before a decision can be made.
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.	*That Andium Homes do not pay the amount expected and reflected in the MTFP.*	The Annual Return and the basis on which it will be uprated will be a contractual term in the Transfer Agreement which will be approved by the States. The Transfer Agreement will also set out a process whereby Andium Homes will identify, as soon as possible, any inability to meet the contracted sum. This will then be the subject of discussion and agreement with the Minister for Treasury and Resources as shareholder as to the steps to be taken to resolve the situation.

Issue	Potential Risk	Action(s)
Ports Incorporation Programme: The States have decided "in principle" to incorporate the Ports of Jersey. 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. Approval of the States will be sought in July 2014 for the incorporation to take place on 1 January 2015.	*Incorporation of the Ports could be delayed. The timescales set for States approval are tight and the business case is subject to the Scrutiny process.* *Delay would impact on the Ports ability to drive forward on commercial projects aimed at improving its financial position and achieving ongoing financial viability.*	Work is ongoing by the Ports, EDD and the Treasury to work with Scrutiny in order to provide relevant information to them on a timely basis.
Storage of asbestos: Asbestos removed from the Island's buildings is stored above ground in steel containers at La Collette.	*In the event of an incident at the fuel farm similar to that at Buncefield, asbestos could contaminate some of the Island.*	A strategy for the disposal of current asbestos has been formulated and will commence in 2014 subject to approval from the Minister for Planning and Environment. Further studies to establish potential treatment routes are also being investigated and it is likely that a decision will be reached on the final treatment or disposal route for asbestos during the first half of 2014.
Impact of climate change on the Island's infrastructure.	*Significant structural damage to the Island's infrastructure.*	TTS has a rolling capital programme of infrastructure maintenance and enhancement. All infrastructure replaced is designed to take into consideration future climate changes. The Department will continue to maintain / enhance infrastructure assets on a priority basis. Significant projects to create new or enhance existing infrastructure assets are considered within the States of Jersey LTCP and funding for these projects is awarded accordingly. The Department will continue to plan for future enhancements and include these within their long term planning strategies. TTS will continue to invest in studies into the impact of climate change on the Island's infrastructure and continue to enhance their infrastructure assets based upon this information.
Impact of severe weather conditions on the Island's daily operations.	*Severe weather conditions cause disruptions to the way of life for Islands. For example; flooding or snow storms.*	TTS currently has emergency plans in place to deal with the impact of extreme weather conditions. For example, removable flood defences are stationed to protect the island's low lying hinterland during times of high tides and flood warnings. Teams are on call to deal with emergency situations as and when they occur. The Department will continue to closely monitor and plan for the impact of severe weather to ensure that there is minimal disruption to Island life. Major capital programmes (such as the North of St Helier Flood Alleviation Scheme) are planned and funded through the LTCP and MTFP to ensure that TTS takes a proactive role in anticipating and preventing potential future disruptions caused by severe weather. The Philip Street shaft flood alleviation project is underway and well advanced.
Discharge from the current sewage treatment plant: The discharge from the sewage treatment plant has failed to meet the Regulator's requirements in terms of nitrogen levels dispersed into St Aubin's Bay.	*Ongoing pollution of St Aubin's Bay, reputational damage and negative impact on tourism industry.*	TTS will continue to work with the regulator to agree a long term solution. The department is due to publish the Liquid Waste Strategy during the first half of 2014 for consideration by the States.

Progress made against the significant issues identified in the 2012 Statement on Internal Control[1] that are still on going in 2013 is shown in Table 21 below.

TABLE 21 – 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 Solicitor General is continuing to represent the Minister for Treasury and Resources on this matter and there is still a possibility the action may be struck out.
Potential legal action against the Chief Minister: There was a Health and Safety incident in one of the schools whereby a pupil was injured.	Visits to inspect for health and safety issues and compliance with departmental policies were made to all areas in 2013, and any actions identified were followed up. A compliance day to cover health and safety and data protection was delivered in March 2013.
The recruitment and retention of Health and Social Services staff: The current terms and conditions for medical staff are not attractive enough to recruit and retain necessary staff, particularly middle grade doctors and specialist nurses.	Considerable work has been undertaken to develop a new "pay spine" for HSSD staff.
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.
Social Services infrastructure: A number of areas within the Social Services infrastructure have suffered as a result of insufficient maintenance funding, particularly in Mental Health.	Funds have been allocated to provide sufficient investment in these areas and HSSD have worked with JPH to make sure that the maintenance programme is robust and appropriate moving forward. Of most significance in 2013 is the States' decision to proceed with the funding of new hospital facilities through an appropriation of investment returns from the Strategic Reserve.
The use of compromise agreements and the position of the States Human Resources (HR) 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, and 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.

1 In line with the Jersey Financial Reporting Manual, with effect from 2013 the Statement on Internal Control has been superseded by the Governance Statement.

5.6 Closing Statement

To the best of my knowledge, the governance arrangements in place during 2013 have been effective, with the exception of the governance issues identified above and in individual departmental 2013 Governance Statements.

Signed:

John Richardson
Chief Executive Officer

Date: 12 March 2014

Laura Rowley
Treasurer of the States

Date: 12 March 2014

5.7 Appendix A
States of Jersey Framework of Corporate Governance

Our vision: Inspiring confidence in Jersey's future through a safe and caring community, a strong, sustainable economy, preparing for the future, protecting our environment and a highly skilled and motivated workforce.

Our Strategic Priorities:

1. Get people into work
2. House our community
3. Promote family and community values
4. Reform government and the public service
5. Manage population growth/immigration
6. Reform Health and Social Services
7. Sustainable long term planning

The States of Jersey Framework of Corporate Governance is the system by which we direct and control our functions and through which we engage with and are accountable to our community in the pursuit of our Strategic Priorities. This framework is set out in the following pages, and includes six core principles of good governance, each of which support the three fundamental principles of good governance:

- Openness and inclusivity
- Accountability
- Integrity

Principle 1 Focussing on the purpose of the States of Jersey and on the outcomes for the community and creating and implementing a vision for the Island	Principle 2 States members and officers working together to achieve a common purpose with clearly defined functions and roles	Principle 3 Promoting values for the States of Jersey and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Principle 5 Developing the capacity and capability of States members and officers to be effective	Principle 6 Engaging with Islanders and other stakeholders to ensure robust public accountability
Strategic Plan CS/DS (3.1)	Strategic Plan CS/DS (3.1)	Strategic Plan CS/DS (3.1)	Ministerial Decision Process CS/DS (3.2)	Member induction programme CS	Strategic Plan CS/DS (3.1)
SoJ Website and MyStates Intranet CS	SoJ Website and MyStates Intranet CS	Code of Practice on Public Access to Official Information CS	SoJ Website and MyStates Intranet CS	Staff Induction programme CS/DS (3.5)	SoJ Website and MyStates Intranet CS
MTFP and Annex CS	Advisory Groups[1] CS/DS (3.2)	Register of Interests CS/DS (3.3)	Register of Interests CS/DS (3.3)	Corporate Learning and Development Team CS	Public consultations and inquiries CS/DS (3.6)
Department Business Plans CS/DS (3.1)	Legislation and subordinate legislation CS/DS (1 & 3.2)	Gifts and Hospitality Register CS/DS (3.3)	Gifts and Hospitality Register CS/DS (3.3)	Corporate Learning and Development Programme CS	Internal newsletters CS
Annual Budget Statement CS	Ministerial Code of Conduct CS/DS (3.3)	States of Jersey Complaints Board CS	States of Jersey Complaints Board CS	Modern Manager Programme CS/DS (3.5)	Customer Satisfaction Surveys CS/DS (3.6)
LTRP and LTCP CS	Employee Code of Conduct CS/DS (3.3)	Whistleblowing Policy CS	Whistleblowing Policy CS	States Employment Board CS/DS (3.5)	MTFP and Annex CS
States of Jersey Complaints Board CS	Scheme of Delegation CS/DS (3.2)	Core Values CS	Code of Practice on Public Access to Official Information CS	Appointments Commission CS/DS (3.5)	Annual Budget Statement CS
Customer Satisfaction Surveys CS/DS (3.6)	Roles and Responsibilities CS/DS (3.2)	Legislation and subordinate legislation CS/DS (1 & 3.2)	Legislation and subordinate legislation CS/DS (1 & 3.2)	Roles and Responsibilities CS/DS (3.2)	LTRP and LTCP CS
Procurement Portal CS	Ministerial Decision Process CS/DS (3.2)	Ministerial Code of Conduct CS/DS (3.3)	Ministerial Code of Conduct CS/DS (3.3)	Continuous Professional Development CS/DS (3.5)	Code of Practice on Public Access to Official Information CS
Legislation and subordinate legislation CS/DS (1 & 3.2)	Performance Management Framework CS/DS (3.2)	Employee Code of Conduct CS/DS (3.3)	Employee Code of Conduct CS/DS (3.3)	Scrutiny Process CS/DS (3.4 & 4)	Legislation and subordinate legislation CS/DS (1 & 3.2)
Core Values CS	Scrutiny Process CS/DS (3.4 & 4)	Financial Directions CS/DS (3.3)	Scheme of Delegation CS/DS (3.2)	Performance Management Framework CS/DS (3.2)	Core Values CS
Communications Strategy CS/DS (3.1)	Jersey Audit Office CS/DS (4)	HR Policies and Procedures CS/DS (3.3)	Roles and Responsibilities CS/DS (3.2)		Communications Strategy CS/DS (3.1)

1 For example, the Fiscal Policy Panel, the Employment Forum, and the Jersey Architecture Commission.

Principle 1 **Focussing on the purpose of the States of Jersey and on the outcomes for the community and creating and implementing a vision for the Island**	**Principle 2** **States members and officers working together to achieve a common purpose with clearly defined functions and roles**	**Principle 3** **Promoting values for the States of Jersey and demonstrating the values of good governance through upholding high standards of conduct and behaviour**	**Principle 4** **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**	**Principle 5** **Developing the capacity and capability of States members and officers to be effective**	**Principle 6** **Engaging with Islanders and other stakeholders to ensure robust public accountability**
Financial Report and Accounts CS	Privileges and Procedures Committee CS	Grievance and Disciplinary Procedures CS	CMB Risk sub-group CS		Financial Report and Accounts CS
Reform and Modernisation Programme CS		Anti-Fraud and Corruption Policy CS	Business Continuity CS/DS (3.4)		Emergency Planning CS/DS (3.6)
Lean Review CS		IS Policies CS/DS (3.3)	Risk Management CS/DS (3.4)		Scrutiny Process CS/DS (3.4 & 4)
Annual Governance Statement CS/DS (1)		Professional qualifications CS/DS (3.3)	Anti-Fraud and Corruption Policy CS		Staff Briefing and Consultation CS/DS (3.6)
Scrutiny Process CS/DS (3.4 & 4)		Departmental Policies and Procedures CS/DS (3.3)	Healthy and Safety CS/DS (3.4)		
Internal and External Audit CS/DS (4)		Scrutiny Process CS/DS (3.4 & 4)	Performance Management Framework CS/DS (3.2)		
Jersey Audit Office CS/DS (4)		Performance Management Framework CS/DS (3.2)	Internal and External Audit CS/DS (4)		
		Internal and External Audit CS/DS (4)	Audit Committee CS		
		Jersey Audit Office CS/DS (4)	Scrutiny Process CS/DS (3.4 & 4)		
			Jersey Audit Office CS/DS (4)		
			Insurance CS/DS (3.4)		
			MTFP and Annex CS		
			Annual Budget Statement CS		
			Data Protection Law CS/DS (3.4)		

Key:
CS – Corporate Statement
DS (‘X’) – Departmental Statement (Governance Statement section reference)

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 is 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.

Following a recommendation of the C&AG in her report to the States Assembly on the 2012 Financial Report and Accounts, the Accounting Boundary for 2013 has been revised to include the Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and the Jersey Dental Scheme (the Social Security Funds). This change aims to provide more comprehensive information, which makes it easier for the reader of the Financial Report and Accounts to gain a full understanding of the financial performance of the States. The status of these funds remains unchanged, in that the assets of the funds are not available for general application by the States.

Note 9.3 of the Accounts gives details of the impact of accounting differences between the 2012 JFReM, and the 2013 JFReM, and restates in detail the previous years' financial statements. The most significant accounting adjustment other than the change to the Accounting Boundary is the change to the way in which asset donations and capital grants are accounted for.

In addition the Statement on Internal Control has been replaced by a Governance Statement (see section 5) and information on the environmental impact of the States enhanced in a Sustainability Report (see section 2.9).

6.1.1 Future Developments

Following the Minister's new policy of following the standards adopted by the UK Government with a one-year delay, the 2014 JFReM will be based on UK FReM for the year ending 31 March 2013. Estimates of effects of the changes in the 2014 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 JFReM (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 9.30, the SoFP.

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

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 Auditors' Reports

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

Report on the annual financial statements 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 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

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

- the Consolidated Statement of Financial Position as at 31 December 2013;
- 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; 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 group'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.

In addition, we read all the financial and non-financial information in the Financial Report and Accounts to identify material inconsistencies with the audited financial statements 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 matters

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 and 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 63, 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 Treasury and Resources Minister 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.

S Isted

Sarah Isted

FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

London

13 May 2014

(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 the 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 47(1) of the Public Finances (Jersey) Law 2005, I have ensured that an audit of the financial statements of the States for the year ended 31 December 2013 has been completed. I have no matters to which I wish to draw the States' attention in accordance with Article 47(3) of the Public Finances (Jersey) Law 2005.

As explained in the Statement of Responsibilities for the Financial Report and Accounts, the Minister for Social Security has determined that the consolidation of the accounts of the Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long-Term Care Fund into the States' financial statements meets the statutory requirements for preparation of those accounts.

I certify that I have examined the accounts for the year ended 31 December 2013 of:

- the Social Security Fund in accordance with Article 30(4) of the Social Security (Jersey) Law 1974;
- the Social Security (Reserve) Fund in accordance with Article 31(2) of the Social Security (Jersey) Law 1974;
- the Health Insurance Fund in accordance with Article 21(2) of the Health Insurance (Jersey) Law 1967; and
- the Long-Term Care Fund in accordance with Article 11(1) of the Long-Term Care (Jersey) Law 2012.

Karen McConnell

Karen McConnell
Comptroller and Auditor General

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

13 May 2014

8 Primary Statements

8.1 States of Jersey Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year ended 31 December 2013

	Notes	Restated 2012 £'000	2013 £'000
Continuing Operations			
Revenue			
Levied by the States of Jersey			
Taxation revenue	5	(513,542)	(534,474)
Social Security Contributions	5	(170,361)	(167,768)
Island rates, duties, fees, fines and penalties	5	(95,779)	(92,334)
Total Revenue Levied by the States of Jersey		**(779,682)**	**(794,576)**
Earned through Operations			
Sales of goods and services	5	(103,311)	(103,417)
Investment income	5	(198,052)	(326,651)
Other revenue	5	(12,475)	(16,699)
Total Revenue Earned through Operations		**(313,838)**	**(446,767)**
Total Revenue		**(1,093,520)**	**(1,241,343)**
Expenditure			
Social Benefit Payments	6, 10	321,727	333,673
Staff costs	6, 11	332,445	343,821
Other Operating expenses	6	193,571	201,598
Grants and Subsidies payments	6, 12	35,485	37,223
Depreciation and Amortisation	6	42,840	52,787
Impairments	6	33,593	7,714
Gains on disposal of non-current assets	6	(492)	(153)
Finance costs	6, 13	15,086	14,582
Net foreign-exchange losses	6	225	149
Movement in pension liability	6, 29, 30	(50,956)	(12,581)
Total Expenditure		**923,524**	**978,813**
Net Revenue Income from Continuing Operations		**(169,996)**	**(262,530)**
Discontinuing Operations			
Housing Department – Net Revenue Income	42	(17,907)	(23,080)
Net Revenue Income		**(187,903)**	**(285,610)**
Other Comprehensive Income			
Revaluation of Property, Plant and Equipment		(303,487)	(106,217)
Loss/(Gain) on Revaluation of Strategic Investments during the period		8,100	(25,000)
Reclassification adjustments for gains included in Net Revenue Expenditure		9,500	–
Gain on Revaluation of Other AFS Investments during the period		(73)	(40)
Reclassification adjustments for gains included in Net Revenue Expenditure		–	8
Actuarial Loss in respect of Defined Benefit Pension Schemes		452	1,089
Total Other Comprehensive Income		**(285,508)**	**(130,160)**
Total Comprehensive Income		**(473,411)**	**(415,770)**

Notes
i. 2012 figures have been restated to reflect changes in Accounting Policies implemented in 2013, 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 2013

	Notes	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Non-Current Assets				
Property, Plant and Equipment	14	2,915,666	3,178,743	2,584,919
Intangible Assets	15	11,468	11,256	10,705
Loans and Advances	17	12,600	10,083	10,029
Strategic Investments	18	326,400	288,800	313,800
Other Available for Sale investments	18	14,335	14,589	303
Infrastructure Investments	19	–	10,000	14,896
Investments held at Fair Value through Profit or Loss	20	1,457,048	1,580,435	2,032,520
Derivative Financial Instruments expiring after more than one year	28	201	230	–
Trade and Other Receivables	22	9	7	7
Total Non-Current Assets		**4,737,727**	**5,094,143**	**4,967,179**
Current Assets				
Assets of the Housing Department	42	–	–	705,982
Other Non-Current Assets classified as held for sale	16	3,264	538	22
Inventories	21	32,195	33,113	35,566
Loans and Advances	17	2,446	1,739	1,202
Derivative Financial Instruments expiring within one year	28	98	263	174
Investments held at Fair Value through Profit or Loss	20	251,440	324,957	156,984
Trade and Other receivables	22	173,838	180,647	175,059
Cash and Cash Equivalents	23	183,473	168,019	187,880
Total Current Assets		**646,754**	**709,276**	**1,262,869**
Total Assets		**5,384,481**	**5,803,419**	**6,230,048**
Current Liabilities				
Liabilities of the Housing Department	42	–	–	(6,479)
Trade and Other Payables	24	(133,660)	(145,469)	(148,590)
Currency in Circulation	25	(90,596)	(90,470)	(100,608)
Finance Lease Obligations	26	(3,076)	(1,964)	(2,081)
Provisions for liabilities and charges	27	(22,660)	(1,327)	(1,471)
Total Current Liabilities		**(249,992)**	**(239,230)**	**(259,229)**
Total Assets Less Current Liabilities		**5,134,489**	**5,564,189**	**5,970,819**
Non-Current Liabilities				
Finance Lease Obligations	26	(10,986)	(9,022)	(6,941)
Provisions for liabilities and charges	27	(8,180)	(6,861)	(6,650)
Derivative Financial Instruments expiring after more than one year	28	(2)	(4)	(346)
PECRS Pre-1987 Past Service Liability	29	(247,852)	(246,127)	(234,028)
Provision for JTSF Past Service Liability	29	(135,100)	(97,747)	(101,057)
Defined Benefit Pension Schemes Net Liability	30	(11,493)	(9,282)	(10,488)
Total Non-Current Liabilities		**(413,613)**	**(369,043)**	**(359,510)**
Assets Less Liabilities		**4,720,876**	**5,195,146**	**5,611,309**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves		4,100,475	4,291,348	4,578,377
Revaluation Reserve		383,522	684,446	596,390
Revaluation Reserve – Housing Department		–	–	192,158
Investment Reserve		236,879	219,352	245,041
Investment Reserve – Housing Department		–	–	(657)
Total Taxpayers' Equity		**4,720,876**	**5,195,146**	**5,611,309**

Philip Ozouf

Senator Philip Ozouf

Date: 12 May 2014

Laura Rowley MBA CPFA
TREASURER OF THE STATES

Date: 12 May 2014

Notes
i. 2012 figures have been restated to reflect changes in Accounting Policies implemented in 2013, 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 2013

	Note	Accumulated and Other Reserves £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Investment Reserve £'000	Total £'000
Balance 1 January 2012		**3,093,384**	**364,875**	**39,053**	**236,879**	**3,734,191**
Effect of change in accounting policy for:						
Donated Asset and Capital Grant Reserve	3	24,726	14,327	(39,053)	–	–
Change to Accounting Boundary	3	982,365	4,320	–	–	986,685
Restated Balance 1 January 2012		**4,100,475**	**383,522**	**–**	**236,879**	**4,720,876**
Net Revenue Income		187,903	–	–	–	187,903
Other Comprehensive Income						
Revaluation of Property, Plant and Equipment	14	–	303,487	–	–	303,487
Loss on Revaluation of Strategic Investments during the period	18	–	–	–	(8,100)	(8,100)
Reclassification adjustments for gains included in Net Revenue Income	18	–	–	–	(9,500)	(9,500)
Gain on Revaluation of Other AFS Investments during the period	18	–	–	–	73	73
Reclassification adjustments for gains/losses included in Net Revenue Income	18	–	–	–	–	–
Actuarial Loss in respect of Defined Benefit Pension Schemes	30	(452)	–	–	–	(452)
Other Movements						
Release of Revaluation Reserve on Disposal		2,563	(2,563)	–	–	–
Other Movements		859	–	–	–	859
Balance 31 December 2012		**4,291,348**	**684,446**	**–**	**219,352**	**5,195,146**
Net Revenue Income		285,610	–	–	–	285,610
Other Comprehensive Income						
Revaluation of Property, Plant and Equipment	14	–	106,217	–	–	106,217
Gain on Revaluation of Strategic Investments during the period	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 period	18	–	–	–	40	40
Reclassification adjustments for gains included in Net Revenue Income	18	–	–	–	(8)	(8)
Actuarial Loss in respect of Defined Benefit Pension Schemes	30	(1,089)	–	–	–	(1,089)
Other Movements						
Release of Revaluation Reserve on Disposal		2,115	(2,115)	–	–	–
Other Movements		393	–	–	–	393
Balance 31 December 2013		**4,578,377**	**788,548**	**–**	**244,384**	**5,611,309**

Notes
i. 2012 figures have been restated to reflect changes in Accounting Policies implemented in 2013, 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 2013

	Notes	Restated 2012 £'000	2013 £'000
Cash Flows from operating activities			
Net Revenue Income	SoCNE	169,996	262,530
Adjustments for non-operating activities			
Investment Income	8	(61,911)	(52,977)
Gains on Financial Assets	9	(136,141)	(273,674)
Interest Expense	13	14,901	14,265
Adjustments for non-cash transactions			
Depreciation of PPE	7	40,358	50,233
Amortisation of Intangible Assets	7	2,482	2,554
Impairments of Non-Current Assets	7	29,125	1,141
Gain on disposal of Non-Current Assets	7	(492)	(153)
Donations of Assets	7	(130)	(113)
Impairments of Available for Sale Financial Assets	7	–	–
Movement in Pension Liabilities	29	(41,571)	(4,586)
Interest on Past Service Liabilities	13	(13,979)	(13,574)
Movement in Other Liabilities			
Decrease in Provisions	27	(22,652)	(67)
(Decrease)/Increase in Currency in Circulation	25	(126)	10,138
Operating Cash Flows before movements in working Capital		**(20,140)**	**(4,283)**
Adjustments for movements in Working Capital			
Increase in Inventories	21	(918)	(2,453)
(Increase)/Decrease in Trade and Other Receivables		(6,759)	3,903
Increase in Trade and Other Payables		12,903	7,000
Net cash (outflow)/inflow from Continuing Operating Activities		**(14,914)**	**4,167**
Housing Department – Net inflow from operating activities		24,834	28,324
Net cash inflow from Operating Activities		**9,920**	**32,491**
Cash flows from Investing Activities			
Purchase of Property, plant and equipment		(26,447)	(36,808)
Purchase of Intangible Assets		(2,270)	(2,003)
Proceeds on disposal of Property, plant and equipment		657	2,125
Proceeds on Assets Held for Sale		331	428
Interest received		33,873	16,845
Dividends received	8	28,138	36,190
Loans and Advances made		–	(1,587)
Loans and Advances repaid	17	3,224	2,178
Proceeds on Available for Sale Financial Assets		–	–
Proceeds on settlement of Derivatives		190	104
Proceeds on redemption of Strategic Investment	18	20,000	–
Issue of Infrastructure Investment	19	(10,000)	(4,896)
Purchases of Financial Assets held at Fair Value through Profit or Loss		(955,083)	(1,381,866)
Proceeds on disposal of Financial Assets held at Fair Value through Profit or Loss		891,958	1,372,338
Net Cash (outflow)/inflow from Continuing Investing Activities		**(15,429)**	**3,046**
Housing Department – Net outflow from investing activities		(6,026)	(13,022)
Net Cash Outflow from Investing Activities		**(21,455)**	**(9,976)**
Cash Flows from Financing Activities			
Capital Element of Finance Lease Rental Payments	26	(3,076)	(1,964)
Interest element of Finance Lease Payments	13	(843)	(683)
Other Interest Paid	13	(79)	(8)
Net Cash Outflow from Continuing Financing Activities		**(3,998)**	**(2,655)**
Housing Department – Net inflow from financing activities		–	–
Net Cash Outflow from Financing Activities		**(3,998)**	**(2,655)**
Net (Decrease)/Inflow in Cash and Cash Equivalents		**(15,533)**	**19,862**
Cash and cash equivalents at the beginning of the period	23	183,473	168,019
Gains/(losses) on Cash and Cash Equivalents	9	79	(1)
Cash and cash equivalents at the end of the period	**23**	**168,019**	**187,880**

Notes

i. 2012 figures have been restated to reflect changes in Accounting Policies implemented in 2013, 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 2013 financial year (including comparators) is based on the UK Financial Reporting Manual for the UK financial year ending 31 March 2012.

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 2012 Accounts, as explained in Section 6.1. Previously reported figures for 2012 (including opening balances) have been restated to a comparable basis, and Note 9.3 reconciles these figures to those previous reported in the 2012 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 2011, and 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', 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. 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 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 The impact of these new and amended standards will be considered as part of the implementation of the version of the JFReM that adopts them.

2.6 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

2.7 Other amendments to the JFReM due to come in to effect in 2014 are considered to have no material impact on the Accounts.

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 is 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 For 2013, the Accounting Boundary has been amended to include the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Jersey Dental Scheme. Previous years' figures have been restated, and details are given in Note 9.3.

4.3 Direct control is normally evidenced by the States, the Council of Ministers or a Minister exercising in-year control over operating practices, income, expenditure, assets or liabilities of the entity. Therefore 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.

4.4 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.

4.5 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 9.40.

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

4.7 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 as a result the Department has been classified as a Discontinuing Operation for the 2013 Accounts. To reflect this, the net income, assets and liabilities of the department are shown separately in the financial statements, in accordance with the requirements of the JFReM. Depreciation on Assets of the Housing department has not been recorded in the Consolidated Accounts from 17 July 2013, but continues to be charged in the Department, to reflect the ongoing use of the assets by the department.

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.

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.

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 75 years
Other Structures	Up to 250 years
Plant, Machinery and Fittings	3 to 50 years
Transport Equipment	2 to 20 years
IT equipment and software	3 to 10 years

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.

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, 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. As such no assets have been classified as Investment Properties, and will instead 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 of 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 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 of 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 31 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, reexpressed 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 £14.3m (plus interest) reduced the £192.1m total referred to in (1) by £14.3m 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 9.29.

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 (non-exchange income) 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 (non-exchange income) 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.

9.2.1 Valuation of Property, Plant and Equipment

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.

9.2.2 Valuation of Investments

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.

9.2.3 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 3.80% 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 will 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.

9.2.4 Valuation of 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.

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.

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%).

	JT Group Ltd	Jersey New Waterworks Company Limited	Jersey Post International Limited
WACC	9.45%	8.07%	9.43%
Terminal Multiple	6.1	8.0	7.0

	JT Group Ltd	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:	£30 million	£4 million	£2 million
EBITDA An increase/decrease in forecast EBITDA of 5% per annum would lead to an approximate increase/decrease in value of:	£25 million	£3 million	£2 million

9.3 Changes to Accounting Standards

9.3.1 Adoption of new and revised standards

For 2013, there have been three changes 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.

Donated Assets and Capital Grants

Following a change to the JFReM, the way in which donations of Fixed Assets and Capital Grants are accounted for has changed. Previously a Donated Asset Reserve (or Capital Grant Reserve) was created, and amortised as income over the life of the asset. Under the new treatment the income is recognised when the asset is received, and no amortisation takes place. In addition, no amounts are released from reserves to offset impairments of Donated Assets.

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 will be effective from the 1st July 2014. The newly formed company will be accounted for as a Strategic Investment in the Accounts, rather than a consolidated entity.

To reflect this change the results of the Housing Department are shown separately in the Statement of Comprehensive Net Revenue Expenditure (as required by the JFReM) for comparative years. Previous years' Statements of Financial Position have not been restated. More details on the Incorporation of Housing are given in Note 9.42 .

Change to Accounting Boundary

Following a recommendation of the C&AG in her report to the States Assembly on the 2012 Accounts, the Accounting Boundary for 2013 has been revised to include the Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and the Jersey Dental Scheme (the Social Security Funds). This change aims to provide more comprehensive information, which makes it easier for the reader of the Accounts to gain a full understanding of the financial performance of the States. The status of these funds remains unchanged, in that the assets of the funds are not available for general application by the States.

9.3a Restated Consolidated Statement of Financial Position as at 31 December 2012

	Previously Reported £'000	Donated Assets £'000	Accounting Boundary £'000	Restated £'000
Non-Current Assets				
Property, Plant and Equipment	3,171,573	–	7,170	3,178,743
Intangible Assets	9,823	–	1,433	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	577,623	–	1,002,812	1,580,435
Derivative Financial Instruments expiring after more than one year	230	–	–	230
Trade and Other Receivables	7	–	–	7
Total Non-Current Assets	**4,082,728**	**–**	**1,011,415**	**5,094,143**
Current Assets				
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 or Loss	312,756	–	12,201	324,957
Trade and Other receivables	114,735	–	65,912	180,647
Cash and Cash Equivalents	143,137	–	24,882	168,019
Total Current Assets	**606,281**	**–**	**102,995**	**709,276**
Total Assets	**4,689,009**	**–**	**1,114,410**	**5,803,419**
Current Liabilities				
Trade and Other Payables	(138,830)	–	(6,639)	(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	**(232,591)**	**–**	**(6,639)**	**(239,230)**
Total Assets Less Current Liabilities	**4,456,418**	**–**	**1,107,771**	**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	**4,087,375**	**–**	**1,107,771**	**5,195,146**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves	3,168,355	18,529	1,104,464	4,291,348
Revaluation Reserve	664,110	17,029	3,307	684,446
Donated Asset Reserve	35,558	(35,558)	–	–
Investment Reserve	219,352	–	–	219,352
Total Taxpayers' Equity	**4,087,375**	**–**	**1,107,771**	**5,195,146**

9.3b Restated Consolidated Statement of Financial Position as at 1 January 2012

	Previously Reported £'000	Donated Assets £'000	Accounting Boundary £'000	Restated £'000
Non-Current Assets				
Property, Plant and Equipment	2,908,734	–	6,932	2,915,666
Intangible Assets	10,163	–	1,305	11,468
Loans and Advances	12,600	–	–	12,600
Strategic Investments	326,400	–	–	326,400
Other Available for Sale investments	14,335	–	–	14,335
Infrastructure Investments	–	–	–	–
Investments held at Fair Value through Profit or Loss	557,104	–	899,944	1,457,048
Derivative Financial Instruments expiring after more than one year	201	–	–	201
Trade and Other Receivables	9	–	–	9
Total Non-Current Assets	**3,829,546**	**–**	**908,181**	**4,737,727**
Current Assets				
Non-Current Assets classified as held for sale	3,264	–	–	3,264
Inventories	32,195	–	–	32,195
Loans and Advances	2,446	–	–	2,446
Derivative Financial Instruments expiring within one year	98	–	–	98
Investments held at Fair Value through Profit or Loss	241,090	–	10,350	251,440
Trade and Other receivables	117,982	–	55,856	173,838
Cash and Cash Equivalents	163,228	–	20,245	183,473
Total Current Assets	**560,303**	**–**	**86,451**	**646,754**
Total Assets	**4,389,849**	**–**	**994,632**	**5,384,481**
Current Liabilities				
Trade and Other Payables	(125,713)	–	(7,947)	(133,660)
Currency in Circulation	(90,596)	–	–	(90,596)
Finance Lease Obligations	(3,076)	–	–	(3,076)
Provisions for liabilities and charges	(22,660)	–	–	(22,660)
Total Current Liabilities	**(242,045)**	**–**	**(7,947)**	**(249,992)**
Total Assets Less Current Liabilities	**4,147,804**	**–**	**986,685**	**5,134,489**
Non-Current Liabilities				
Finance Lease Obligations	(10,986)	–	–	(10,986)
Provisions for liabilities and charges	(8,180)	–	–	(8,180)
Derivative Financial Instruments expiring after more than one year	(2)	–	–	(2)
PECRS Pre-1987 Past Service Liability	(247,852)	–	–	(247,852)
Provision for JTSF Past Service Liability	(135,100)	–	–	(135,100)
Defined Benefit Pension Schemes Net Liability	(11,493)	–	–	(11,493)
Total Non-Current Liabilities	**(413,613)**	**–**	**–**	**(413,613)**
Assets Less Liabilities	**3,734,191**	**–**	**986,685**	**4,720,876**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves	3,093,384	24,726	982,365	4,100,475
Revaluation Reserve	364,875	14,327	4,320	383,522
Donated Asset Reserve	39,053	(39,053)	–	–
Investment Reserve	236,879	–	–	236,879
Total Taxpayers' Equity	**3,734,191**	**–**	**986,685**	**4,720,876**

9.3c Restated Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 December 2012

	Previously Reported £'000	Donated Assets £'000	Incorporation of Housing £'000	Accounting Boundary £'000	Restated £'000
Continuing Operations					
Revenue					
Levied by the States of Jersey					
Taxation revenue	(513,542)	–	–	–	(513,542)
Social Security Contributions	–	–	–	(170,361)	(170,361)
Island rates, duties, fees, fines and penalties	(95,779)	–	–	–	(95,779)
Total Revenue Levied by the States of Jersey	**(609,321)**	**–**	**–**	**(170,361)**	**(779,682)**
Earned through Operations					
Sales of goods and services	(147,340)	–	40,602	3,427	(103,311)
Investment income	(86,968)	–	9	(111,093)	(198,052)
Other revenue	(18,735)	(130)	265	6,125	(12,475)
Total Revenue Earned through Operations	**(253,043)**	**(130)**	**40,876**	**(101,541)**	**(313,838)**
Total Revenue	**(862,364)**	**(130)**	**40,876**	**(271,902)**	**(1,093,520)**
Expenditure					
Social Benefit Payments	164,793	–	–	156,934	321,727
Staff costs	351,540	–	(2,563)	(16,532)	332,445
Other Operating expenses	198,774	–	(13,315)	8,112	193,571
Grants and Subsidies payments	35,463	–	(2)	24	35,485
Depreciation and Amortisation	51,934	111	(9,786)	581	42,840
Impairments	26,066	6,216	2,698	(1,387)	33,593
Gains on disposal of non-current assets	(492)	–	–	–	(492)
Finance costs	15,048	–	(1)	39	15,086
Net foreign-exchange losses	168	–	–	57	225
Movement in pension liability	(50,956)	–	–	–	(50,956)
Total Expenditure	**792,338**	**6,327**	**(22,969)**	**147,828**	**923,524**
Net Revenue (Income)/Expenditure from Continuing Operations	**(70,026)**	**6,197**	**17,907**	**(124,074)**	**(169,996)**
Discontinuing Operations					
Housing Department – Net Revenue Income	–	–	(17,907)	–	(17,907)
Net Revenue (Income)/Expenditure	**(70,026)**	**6,197**	**–**	**(124,074)**	**(187,903)**
Other Comprehensive (Income)/Expenditure					
Revaluation of Property, Plant and Equipment	(304,500)	–	–	1,013	(303,487)
Gain/Loss on Revaluation of Strategic Investments during the period	8,100	–	–	–	8,100
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	9,500	–	–	–	9,500
Gain/Loss on Revaluation of Other AFS Investments during the period	(73)	–	–	–	(73)
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	–	–	–	–	–
Actuarial Gain in respect of Defined Benefit Pension Schemes	452	–	–	–	452
Total Other Comprehensive (Income)/Expenditure	**(286,521)**	**–**	**–**	**1,013**	**(285,508)**
Total Comprehensive (Income)/Expenditure	**(356,547)**	**6,197**	**–**	**(123,061)**	**(473,411)**

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 Treasurer's 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 making up each Department's revenue.

The following tables reconcile amounts included in these statements to that included in the Consolidated Statements.

9.4a Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2013

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Total SOJ Continuing Operations	Housing Department	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	642,918	82,860	2,530	1,436	729,744	53,426	109,923	464,018	4,987	1,362,098	42,312	1,404,410
Less: Intra/Inter-Segment Revenue	(5,814)	(26,429)	(379)	(925)	(33,547)	(6,412)	164,075	(243,883)	(988)	(120,755)	(243)	(120,998)
Revenue	**637,104**	**56,431**	**2,151**	**511**	**696,197**	**47,014**	**273,998**	**220,135**	**3,999**	**1,241,343**	**42,069**	**1,283,412**
Gross Expenditure	6,230	750,736	37,696	(3,410)	791,252	51,267	12,615	240,474	2,483	1,098,091	27,775	1,125,866
Less: Intra/Inter-Segment Expenditure	(553)	(108,292)	(2,739)	–	(111,584)	(9,630)	8,972	(6,197)	(839)	(119,278)	(8,786)	(128,064)
Expenditure	**5,677**	**642,444**	**34,957**	**(3,410)**	**679,668**	**41,637**	**21,587**	**234,277**	**1,644**	**978,813**	**18,989**	**997,802**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(636,688)	667,876	35,166	(4,846)	61,508	(2,159)	(97,308)	(223,544)	(2,504)	(264,007)	(14,537)	(278,544)
Less: Intra/Inter-Segment Income and Expenditure	5,261	(81,863)	(2,360)	925	(78,037)	(3,218)	(155,103)	237,686	149	1,477	(8,543)	(7,066)
Net Revenue Expenditure/(Income)	**(631,427)**	**586,013**	**32,806**	**(3,921)**	**(16,529)**	**(5,377)**	**(252,411)**	**14,142**	**(2,355)**	**(262,530)**	**(23,080)**	**(285,610)**
Other Comprehensive Income	(25,000)	(19,578)	–	1,089	(43,489)	–	–	–	(676)	(44,165)	(85,995)	(130,160)
Total Comprehensive Expenditure/(Income)	**(656,427)**	**566,435**	**32,806**	**(2,832)**	**(60,018)**	**(5,377)**	**(252,411)**	**14,142**	**(3,031)**	**(306,695)**	**(109,075)**	**(415,770)**

9.4b Segmental Analysis – Statement of Financial Position as at 31 December 2013

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ Continuing Operations	Housing Department	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	518,740	2,179,452	419	–	2,698,611	395,575	838,474	1,244,315	12,570	5,189,545	(222,366)	4,967,179	700,556	5,667,735
Current Assets	140,122	29,306	555	2,850	172,833	5,262	49,437	87,604	35,059	350,195	206,692	556,887	5,426	562,313
Interfund Balances	–	–	–	(81,691)	(81,691)	57,804	20,466	3,421	–	–	–	–	–	–
Current Liabilities	(76,655)	(43,834)	(1,826)	(11,011)	(133,326)	(5,350)	(105,306)	(3,675)	(756)	(248,413)	(4,337)	(252,750)	(4,504)	(257,254)
Non-Current Liabilities	–	(2,648)	–	(334,154)	(336,802)	(18,360)	(4,348)	–	–	(359,510)	–	(359,510)	(1,975)	(361,485)
Net Assets	**582,207**	**2,162,276**	**(852)**	**(424,006)**	**2,319,625**	**434,931**	**798,723**	**1,331,665**	**46,873**	**4,931,817**	**(20,011)**	**4,911,806**	**699,503**	**5,611,309**
Reserves	6,738,193	(4,420,165)	(333,633)	418,975	2,403,370	434,931	798,723	1,331,665	46,873	5,015,562	(20,011)	4,999,551	615,758	5,611,309
Intrafund Balances	(6,155,986)	6,582,441	332,781	(842,981)	(83,745)	–	–	–	–	(83,745)	–	(83,745)	83,745	–
Net Reserves	**582,207**	**2,162,276**	**(852)**	**(424,006)**	**2,319,625**	**434,931**	**798,723**	**1,331,665**	**46,873**	**4,931,817**	**(20,011)**	**4,911,806**	**699,503**	**5,611,309**

9.4c Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2012 (Restated)

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Total SOJ Continuing Operations	Housing Department	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	632,477	85,791	3,023	1,936	723,227	53,373	70,707	354,982	2,137	1,204,426	40,982	1,245,408
Less: Intra/Inter-Segment Revenue	(6,464)	(28,032)	(833)	(1,202)	(36,531)	(5,617)	77,561	(145,312)	(1,007)	(110,906)	(108)	(111,014)
Revenue	**626,013**	**57,759**	**2,190**	**734**	**686,696**	**47,756**	**148,268**	**209,670**	**1,130**	**1,093,520**	**40,874**	**1,134,394**
Gross Expenditure	4,744	714,656	37,128	(40,821)	715,707	74,637	10,696	230,907	1,988	1,033,935	23,574	1,057,509
Less: Intra/Inter-Segment Expenditure	(495)	(95,130)	(2,005)	–	(97,630)	(8,625)	6,543	(9,821)	(878)	(110,411)	(607)	(111,018)
Expenditure	**4,249**	**619,526**	**35,123**	**(40,821)**	**618,077**	**66,012**	**17,239**	**221,086**	**1,110**	**923,524**	**22,967**	**946,491**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(627,733)	628,865	34,105	(42,757)	(7,520)	21,264	(60,011)	(124,075)	(149)	(170,491)	(17,408)	(187,899)
Less: Intra/Inter-Segment Income and Expenditure	5,969	(67,098)	(1,172)	1,202	(61,099)	(3,008)	(71,018)	135,491	129	495	(499)	(4)
Net Revenue Expenditure/(Income)	**(621,764)**	**561,767**	**32,933**	**(41,555)**	**(68,619)**	**18,256**	**(131,029)**	**11,416**	**(20)**	**(169,996)**	**(17,907)**	**(187,903)**
Other Comprehensive Income	17,600	(86,315)	–	452	(68,263)	(152,007)	–	1,014	(1,075)	(220,331)	(65,177)	(285,508)
Total Comprehensive Expenditure/(Income)	**(604,164)**	**475,452**	**32,933**	**(41,103)**	**(136,882)**	**(133,751)**	**(131,029)**	**12,430**	**(1,095)**	**(390,327)**	**(83,084)**	**(473,411)**

9.4d Segmental Analysis – Statement of Financial Position as at 31 December 2012 (Restated)

	General Revenue Income	Ministerial Depts (excluding Housing)	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ Continuing Operations	Housing Department	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	506,755	2,174,648	493	230	2,682,126	399,660	744,141	1,040,832	11,149	4,877,908	(393,801)	4,484,107	610,036	5,094,143
Current Assets	153,060	25,879	650	3,316	182,905	4,592	38,331	73,740	32,807	332,375	375,274	707,649	1,627	709,276
Interfund Balances	–	–	–	(69,752)	(69,752)	53,014	17,879	(1,141)	–	–	–	–	–	–
Current Liabilities	(69,962)	(49,242)	(1,740)	(8,786)	(129,730)	(5,399)	(92,808)	(5,658)	(264)	233,859	(1,479)	(235,338)	(3,892)	(239,230)
Non-Current Liabilities	–	(2,737)	–	(340,042)	(342,779)	(20,095)	(4,129)	–	–	(367,003)	–	(367,003)	(2,040)	(369,043)
Net Assets	**589,853**	**2,148,548**	**(597)**	**(415,034)**	**2,322,770**	**431,772**	**703,414**	**1,107,773**	**43,692**	**4,609,421**	**(20,006)**	**4,589,415**	**605,731**	**5,195,146**
Reserves	6,075,506	(3,771,913)	(298,466)	415,218	2,420,345	431,772	703,414	1,107,773	43,692	4,706,996	(20,006)	4,686,990	508,156	5,195,146
Intrafund Balances	(5,485,653)	5,920,461	297,869	(830,252)	(97,575)	–	–	–	–	(97,575)	–	(97,575)	97,575	–
Net Reserves	**589,853**	**2,148,548**	**(597)**	**(415,034)**	**2,322,770**	**431,772**	**703,414**	**1,107,773**	**43,692**	**4,609,421**	**(20,006)**	**4,589,415**	**605,731**	**5,195,146**

9.5 Revenue

	Note	Restated 2012 £'000	2013 £'000
Levied by the States of Jersey			
Taxation Revenue			
Personal		353,993	356,666
Companies		79,489	98,482
GST		80,060	79,326
Taxation Revenue		**513,542**	**534,474**
Social Security Contributions		**170,361**	**167,768**
Island rates, duties, fees, fines and penalties			
Impôts Duty – Spirits		4,091	4,510
Impôts Duty – Wines		6,783	7,231
Impôts Duty – Beer and Cider		5,974	6,073
Impôts Duty – Tobacco		15,825	15,048
Impôts Duty – Fuel		20,396	20,385
Impôts Duty – Other		328	234
Impôts Duty – Environmental		839	839
Stamp Duty and Land Transfer Tax		21,172	17,370
Island Rates		11,480	11,641
Other Fees and Fines		8,891	9,003
Island rates, duties, fees, fines and penalties		**95,779**	**92,334**
Earned through Operations			
Sales of goods and services		**103,311**	**103,417**
Investment Income			
Investment Income	8	61,911	52,977
Gains on financial assets	9	136,141	273,674
Investment Income		**198,052**	**326,651**
Other Revenue			
Financial Returns		3,685	3,792
Other Income	i	8,790	12,907
Other Revenue		**12,475**	**16,699**
Total Revenue		**1,093,520**	**1,241,343**

Notes

i. Other income includes: European Union Savings Tax Directive Income, Recovered costs, Criminal Confiscations, grants received, overage payments and other income that does not fall into any other category.

9.6 Expenditure

	Note	Restated 2012 £'000	2013 £'000
Social Benefit Payments			
Social Benefits	10	321,727	333,673
Total Social Benefit Payments		**321,727**	**333,673**
Staff costs			
States Members Remuneration	11	2,369	2,391
States Staff Salaries and Wages	11	282,768	292,887
States Staff Pension Costs	11	35,969	37,658
Non-States Staff Costs	11	9,999	10,603
Other Staff Costs	11	1,475	1,577
Charges of Staff to Capital Projects	11	(135)	(1,295)
Total Staff Costs		**332,445**	**343,821**
Other Operating expenses		**193,571**	**201,598**
Grants and Subsidies payments	12	**35,485**	**37,223**
Depreciation and Amortisation			
Property, Plant and Equipment	7	40,358	50,233
Intangible Assets	7	2,482	2,554
Total Depreciation and Amortisation		**42,840**	**52,787**
Impairments			
Property, Plant and Equipment	7	29,125	1,141
Trade Receivables	7	4,468	6,573
Total Impairments		**33,593**	**7,714**
Gains on disposal of non-current assets			
Gains on disposal of Property, Plant and Equipment		(405)	(93)
Gains on disposal of assets classified as held for sale		(87)	(60)
Total Gains on disposal of non-current assets		**(492)**	**(153)**
Finance costs		**15,086**	**14,582**
Net foreign-exchange losses		**225**	**149**
Movement in pension liability	29, 30	**(50,956)**	**(12,581)**
Total Expenditure		**923,524**	**978,813**

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 2012 £'000	2013 £'000
Non Cash Items			
Depreciation of Property, Plant and Equipment	i	40,358	50,233
Impairments of Property, Plant and Equipment and Non-Current Assets Held for Sale		29,125	1,141
Amortisation of Intangible Assets		2,482	2,554
Donations of Assets		(130)	(113)
Unwinding of Discount on Deferred Consideration		(20)	–
Impairment loss recognised on Trade and Other Receivables		4,468	6,573
Impairment loss recognised on Available-for-Sale Investments		–	–
Decrease in Provisions		(22,652)	(67)
Other Significant Items			
Gain on Disposal of PPE		(405)	(93)
Gain on Disposal of Non Current Assets held for Sale		(87)	(60)
Gain on Investments	9	(136,141)	(273,674)
Auditors' Remuneration			
Audit Fees	ii	405	372
Lease Rental Income: States as Lessor			
Rentals under Operating Leases		5,095	4,693
Lease Rental Expense: States as Lessee			
Land and Buildings		1,195	1,413
Plant and machinery		3	2
Other		176	225
Total Lease Rental Expense		**1,374**	**1,640**

Notes

i. Depreciation includes £1,045,200 of depreciation relating to assets funded by Finance Leases (2012: £1,105,725). Depreciation includes £117,800 of depreciation relating to donated assets (2012: £111,160). Under Accounting Standards the depreciation of the assets of the Housing Department is required to cease on reclassification as a "discontinuing operation", as explained in Section 2.8.2. As the Housing Department is continuing to use its stock, depreciation has continued to be charged, and an adjustment made on consolidation, reducing the total depreciation charged by £7.1 million.

ii. Other fees of £20,500 were payable to the external auditor in 2012, relating to agreed upon procedures in relation to Trust and Bequest Funds administered by the States. Other fees of £33,220 were payable to the external auditor in 2013, relating to work for the C&AG on JT, Financial Directions and Regularity.

9.8 Investment Income

	Restated 2012 £'000	2013 £'000
Interest Income		
Investments held at Fair Value through Profit or Loss	31,416	14,908
Infrastructure Investments	132	314
Loans and receivables	812	614
Cash and Cash Equivalents	1,393	950
Other	20	1
Total Interest Income	**33,773**	**16,787**
Dividends		
Strategic Investments	17,602	11,127
Investments held at Fair Value through Profit or Loss	10,536	25,063
Total Dividends	**28,138**	**36,190**
Total Investment Income	**61,911**	**52,977**

9.9 Gains and Losses on Financial Assets

	Restated 2012 £'000	2013 £'000
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	135,680	274,230
Gain/(Loss) on Cash Equivalents	79	(1)
Change in Fair Value of Derivative Financial Instruments	382	(555)
Total Gains and Losses	**136,141**	**273,674**

Changes in Fair Value of Financial Assets held at Fair Value through Profit or Loss include £103.9 million of realised gains (2012: £18.9 million of realised gains).

Changes in Fair Value of Derivative Financial Instruments include £104,424 of realised gains (2012: £190,266).

9.10 Social Benefit Payments

	Notes	Restated 2012 £'000	2013 £'000
Social Benefits			
Social Security: Income Support			
Weekly Benefit	i	68,995	72,953
Special Payments		1,530	1,210
Residential Care		16,694	16,677
Winter Fuel		562	695
Transitional Relief		1,060	490
Social Security Department Other Benefits		5,300	5,662
Social Security Fund Benefits			
Pensions and survivors' benefits		150,920	158,905
Short term incapacity allowance		13,650	12,938
Long term incapacity allowance		13,416	14,567
Invalidity benefit		10,043	9,016
Maternity allowance		2,365	2,191
Maternity grant		581	557
Death grant		514	499
Health Insurance Fund Benefits			
Medical benefit		9,092	8,836
Pharmaceutical benefit		17,398	18,121
Gluten free food vouchers		222	257
Education, Sport and Culture: Student Grants		8,421	9,178
Health and Social Services: Allowances		964	921
Total Social Benefits		**321,727**	**333,673**

Notes

i. For 2012 the Weekly Benefit figure includes a correction of £2.3 million relating to previous years. Removing this correction gives a total of £71.3 million for weekly benefit payments in 2012.

ii. The States Contribution to the Social Security Fund (also known as Supplementation), was £62.2 million in 2013 (2012: £61.2 million). This contribution protects pension and benefit entitlement for those earning between the lower earnings threshold and the standard earnings limit. The amount is governed by a formula and was set for the period of the MTFP thereby bringing certainty to the level of contribution made to the Social Security Fund. In addition, a £11.7 million contribution was made to the Long Term Care Fund in 2013. As the Social Security Funds are included within the Accounting Boundary, these transactions are eliminated in preparing the consolidated statements.

9.11 Staff Costs

2013

Year End FTE	Department	Note	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	iii				10,770
	Other staff costs	iv				694
	States Members remuneration					2,391
	Staff costs charged to capital					(1,295)
	Total Staff costs					**363,502**
	Elimination of Social Security Contributions	v				(17,220)
	Other Eliminations					146
	Housing Staff Costs	vi				(2,607)
	Total Consolidated Staff costs					**343,821**

2012 (RESTATED)

Year End FTE	Department	Note	Salaries and Wages £'000	Pension £'000	Social Security £'000	Total £'000
203.9	Chief Minister's Department		10,322	1,308	562	12,192
56.1	Economic Development		3,053	383	173	3,609
1,536.5	Education, Sport and Culture		69,484	9,849	4,155	83,488
105.8	Department of the Environment		5,701	758	317	6,776
2,343.7	Health and Social Services		103,466	12,287	6,043	121,796
640.2	Home Affairs		31,884	4,023	1,841	37,748
39.0	Housing		2,082	266	119	2,467
184.8	Social Security		5,859	853	357	7,069
466.3	Transport and Technical Services		17,139	1,881	969	19,989
234.9	Treasury and Resources		10,962	1,430	618	13,010
26.5	States Assembly (excluding States Members)		1,286	157	68	1,511
184.9	Non Ministerial States Funded Bodies		10,171	1,431	519	12,121
173.6	Jersey Airport		8,790	1,066	494	10,350
66.6	Jersey Harbours		3,157	358	180	3,695
20.0	Jersey Car Parking		653	86	42	781
27.0	Jersey Fleet Management		841	99	54	994
6,309.8	**Total**		**284,850**	**36,235**	**16,511**	**337,596**
	SOJDC	ii	559	71	21	651
	Non-States staff costs	iii				10,214
	Other staff costs	iv				845
	States Members remuneration					2,369
	Staff costs charged to capital					(135)
	Total Staff costs					**351,540**
	Elimination of Social Security Contributions	v				(16,532)
	Housing Staff Costs	vi				(2,563)
	Total Consolidated Staff costs					**332,445**

Notes

i. Figures exclude costs associated with the PECRS pre-87 liability.

ii. Further details can be found in the separately published SOJDC accounts.

iii. 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.

iv. Other staff costs include redundancy, voluntary redundancy, severance payments and adjustments for the cost of accumulated compensated absences.

v. 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.

vi. Staff Costs relating to the Housing Department is shown as part of the Net Revenue Income of the department, shown separately in the SoCNE.

vii. 2012 FTE figures were previously reported after removing exemptions under the former Regulations of Undertakings Law. These exemptions which affected a small number of posts such as students and absence cover, no longer apply, and 2012 figures have been restated to be comparable. Employees without a fixed working pattern are not included in the FTE figures shown.

ANALYSIS OF STAFF COSTS BY TYPE

Type of Payment	Restated 2012 £'000	2013 £'000
Basic Pay	261,543	271,816
Shift Allowances	7,958	8,172
Overtime	6,568	6,857
Standby Payments	2,160	1,852
Other Time Payments	412	333
Skill Related Payments	4,319	4,411
Business Expenses	176	147
Relocation Expenses	547	558
Ad Hoc Payments/Supplements	3,213	3,084
Benefits	429	609
Sickness Offsets from Social Security	(1,383)	(1,424)
Amounts shown in Other Staff Costs	(647)	(511)
Other Accounting Adjustments	(455)	(862)
Total Salaries and Wages	**284,850**	**295,042**
Pension	36,235	37,943
Social Security	16,511	17,196
Total	**337,596**	**350,181**

ANALYSIS OF STAFF COSTS BY PAY GROUP

Pay Group	Restated 2012 £'000	2013 £'000
Civil Servants (including A Grades)	111,693	119,375
Manual Workers	29,893	30,361
EfW Operations	1,210	1,167
Doctors and Consultants	15,437	15,883
Nurses and Midwives	41,291	43,055
Other Health Pay Groups	5,437	5,351
Uniformed Services	21,784	22,097
Heads and Deputy Heads, Highlands Managers	5,482	5,635
Teachers and Lecturers	39,987	40,258
Youth Service	1,014	1,001
Other Ports of Jersey Pay Groups	4,161	4,387
Chief Officers, Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	8,018	7,845
Amounts shown in Other Staff Costs	(647)	(511)
Other Accounting Adjustments	90	(862)
Total Salaries and Wages	**284,450**	**295,042**
Pension	36,235	37,943
Social Security	16,511	17,196
Total	**337,596**	**350,181**

9.12 Grants

Significant Grants made during 2013

The note below summarises grants of £75,000 and over made by the States of Jersey in 2013.
Full details of Grants below £75,000 are given in Appendix A of the Annex to the Accounts.

Issuing Dept	Grantee	2012 Grant £	2013 Grant £	Reason for Grant (Strategic Priority)
JOAC	Overseas Aid Grants	8,779,362	9,089,719	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives (n/a)
EDD	Jersey Finance Limited	3,784,048	4,089,952	Market and promote the Finance Industry and provide technical assistance to Government (1)
ESC	Jersey Heritage Trust	2,775,422	2,808,932	Support the operations of the Jersey Heritage Trust (4)
ESC	De La Salle College	1,895,612	1,932,780	Support the operation of De La Salle College (1, 4)
ESC	Beaulieu School	1,898,192	1,878,650	Support the operation of Beaulieu School (1, 4)
ESC	Non-provided schools	822,119	1,065,019	Support the operation of non-provided schools (1, 4)
SSD	The Jersey Employment Trust	1,073,188	953,500	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (4)
ESC	Jersey Heritage Trust	–	738,000	To support the restoration and purchase of local Celtic coin hoard (4)
CILF	Association of Jersey Charities	401,709	684,555	Grant aid to various registered Jersey Charities (4)
EDD	Digital Jersey	134,168	635,000	Grant support to cover operating costs (1, 6)
EDD	Jersey Business Limited	304,000	615,000	Grant support to cover operating costs (1, 2)
SSD	The Jersey Employment Trust	558,693	595,238	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
ESC	Jersey Arts Trust	571,956	572,000	To repay the Opera House refurbishment loan (4)
ESC	Serco (Jersey) Limited	483,822	491,772	Subsidy in respect of the operation of the Waterfront Pool (4)
ESC	Jersey Arts Centre Association	454,447	479,282	Support the operations of the Jersey Arts Centre (4)
ESC	The Jersey Opera House	469,000	448,900	Support the operations of the Jersey Opera House (4)
SSD	Jersey Advisory and Conciliation Service	322,755	379,200	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)

Issuing Dept	Grantee	2012 Grant £	2013 Grant £	Reason for Grant (Strategic Priority)
CMD	Channel Islands Brussels Office	401,474	361,695	Grant for the operation of the Channel Islands Brussels Office (1, 7)
EDD	Jersey Competition Regulatory Authority	300,000	335,000	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (1)
H&SS	Citizen's Advice Bureau	223,130	278,830	Provide information and advice to members of the public (4, 5)
EDD	Royal Jersey Agricultural and Horticultural Society	245,156	251,284	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)
EDD	The Jersey Royal Company	271,485	233,928	Area Payments support to underpin a base level of farming activity in the countryside (1, 7)
EDD	Jersey Conference Bureau Limited	220,500	220,500	Support the operation of the Jersey Conference Bureau (1)
CMD	Bureau de Jersey	105,000	215,000	Grant for the operation of Bureau de Jersey in Caen (1, 7)
CMD	Government of Jersey London Office	–	210,000	Grant for the operation of the Government of Jersey London Office (1, 7)
ESC	Jersey Arts Trust	158,778	178,033	Support the operations of the Jersey Arts Trust (4)
ESC	Jersey Childcare Trust	175,005	175,236	Support the operations of the Jersey Childcare Trust (1, 4)
EDD	Jersey Product Promotion Limited	130,000	153,180	Support for promoting Jersey products e.g. Genuine Jersey (1, 7)
ESC	Le Don Balleine Trust	140,097	141,606	Support the operation of Le Don Balleine (4)
EDD	Battle of Flowers Association	130,000	130,000	Battle of Flowers 2013 – Event grant (1)
EDD	Jersey Consumer Council	103,695	125,818	Funding of all functions and activities (1)
ESC	2015 Island Games Organising Committee	–	100,000	Support the organisation of the 2015 Island Games (4)
EDD	Jersey Dairy	–	100,000	Grant for Flexifiller Machine (1, 7)
Judicial Greffe	Jersey Legal Information Board	120,000	100,000	Assist with running costs (4)
TDF	Branchage Film Festival	10,000	90,000	Annual and Biennial Film Festival (1)
EDD	Jersey International Air Display	90,000	90,000	Jersey International Air Display – event grant (4)
SSD	Autism Jersey (Vocational Day Scheme)	80,061	89,044	Provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
SSD	Jersey Mencap (Vocational Day Scheme)	101,784	77,537	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
	Total significant grants awarded in 2013		**31,363,155**	

Significant Grant Schemes made during 2013

The note below summarises payments under States of Jersey Grant Schemes where total payments exceeded £25,000 in 2013.

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	2012 Grant £	2013 Grant £	Reason for Grant (Strategic Priority)
ESC	Nursery Education Fund	1,583,565	1,552,075	Provide pre-school learning through the Nursery Education Fund (1,4)
DoE	Energy Efficiency Service	745,324	666,504	Initiative to assist low-income and vulnerable households reduce their energy bills and keep warmer through the winter (3)
SSD	Various employment schemes	–	631,794	Additional employment opportunities for the unemployed – includes Back to Work , Enhanced Workzone, Advance Plus (4)
EDD	Area Payments to Individuals	994,763	614,677	Support to underpin a base level of farming activity in the countryside (1,7)
EDD	Quality Milk Payments to Individuals	481,909	459,630	Transitional support to allow the industry to implement their Dairy Industry Recovery Programme (1,7)
DoE	Countryside Enhancement Scheme	177,644	272,977	Environmental financial support to land owners for the benefit of the Island's population (4)
ESC	Support for purchasing equipment and organising activities	157,913	172,500	To support sport and leisure clubs and associations in purchasing equipment and organising activities (4)
EDD	Rural Initiative Scheme	170,598	144,194	Provides support for innovation and business diversification (1,7)
ESC	Support for travel to participate in sports events	115,188	141,195	To support individuals, clubs and associations in travel to participate in sports events (4)
ESC	Grants to individuals (Jersey College for Girls)	112,706	121,271	To assist students in the payment of fees (1,4)
ESC	Grants to individuals (Victoria College)	74,679	73,958	To assist students in the payment of fees (1,4)
SSD	Other grants under the Vocational Day Scheme	92,723	70,104	Provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
EDD	Skills Accelerator Grant	–	45,042	To provide skills training to employees with the aim of making a difference to the sustainability or development of their employer's business (1)
EDD	Employment of Apprentices	167,144	44,866	Grant to employer in respect of apprentices employed (1,2)
	Total significant grants awarded under States of Jersey Grant Schemes in 2013		**5,010,787**	
	Total other Grants and Subsidies – see Appendix A		**848,643**	
	Grand Total – Grants and Subsidies awarded in 2013		**37,222,585**	

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 2012 £'000	2013 £'000
Interest Expense		
PECRS Pre-1987 Debt Expense	13,979	13,574
Finance Lease Interest	843	683
Other Interest	79	8
Total Interest Expense	**14,901**	**14,265**
Finance Charges		
Bank and Other Charges	185	317
Total Finance Charges	**185**	**317**
Total Finance Costs	**15,086**	**14,582**

9.14 Property, Plant and Equipment

2013

	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	189	–	–	7	13	112	–	–	38,359	38,711
Disposals	(1,189)	(973)	–	(31)	–	(645)	(3,571)	(5)	–	–	(6,414)
Transfers	3,166	4,066	(688)	4,433	889	2,547	3,876	28	–	(16,647)	1,670
Revaluations	–	676	432	58,389	–	–	–	–	–	–	59,497
Impairments	–	–	–	(42,088)	–	–	–	–	–	–	(42,088)
Reclassification of Housing Assets	(3,044)	(330)	(609,076)	(3,261)	–	–	–	–	–	(12,577)	(628,288)
At 31 December 2013	**381,085**	**756,228**	**–**	**1,153,830**	**327,472**	**17,902**	**190,841**	**4,407**	**697**	**41,784**	**2,874,246**
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	–	(22,962)	(6,871)	(4,434)	(6,934)	(1,563)	(13,862)	(478)	(4)	–	(57,108)
Disposals	–	372	–	–	–	537	3,468	5	–	–	4,382
Transfers	(1,415)	(73)	–	–	(29)	53	(23)	–	–	–	(1,487)
Revaluations	–	–	3	3,277	–	–	–	–	–	–	3,280
Impairments	–	–	–	(1,140)	(1)	–	–	–	–	–	(1,141)
Reclassification of Housing Assets	1,863	82	33,217	–	–	–	–	–	–	–	35,162
At 31 December 2013	**(66,817)**	**(103,477)**	**–**	**(7,502)**	**(50,857)**	**(7,762)**	**(49,860)**	**(3,030)**	**(22)**	**–**	**(289,327)**
Net Book Value: 31 December 2013	**314,268**	**652,751**	**–**	**1,146,328**	**276,615**	**10,140**	**140,981**	**1,377**	**675**	**41,784**	**2,584,919**
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	270,423	622,946	–	1,146,328	–	10,029	140,773	1,377	41	41,784	2,233,701
Donated	34,435	163	–	–	269,260	111	208	–	634	–	304,811
Leased	9,410	29,642	–	–	7,355	–	–	–	–	–	46,407
Net Book Value: 31 December 2013	**314,268**	**652,751**	**–**	**1,146,328**	**276,615**	**10,140**	**140,981**	**1,377**	**675**	**41,784**	**2,584,919**

2012 (RESTATED)

	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 2012	**376,708**	**619,883**	**550,275**	**1,177,644**	**201,908**	**15,095**	**183,235**	**4,264**	**673**	**49,141**	**3,178,826**
Additions	2,299	646	–	–	–	25	81	–	24	35,149	38,224
Disposals	(2,432)	(21)	–	–	–	(1,256)	(675)	–	–	–	(4,384)
Transfers	(1,159)	17,139	14,430	4,272	4,872	2,123	7,914	120	–	(51,641)	(1,930)
Revaluations	21,069	128,903	45,333	–	119,796	–	–	–	–	–	315,101
Impairments	(14,364)	(13,950)	(706)	(45,528)	–	–	(131)	–	–	–	(74,679)
At 31 December 2012	**382,121**	**752,600**	**609,332**	**1,136,388**	**326,576**	**15,987**	**190,424**	**4,384**	**697**	**32,649**	**3,451,158**
Accumulated Depreciation											
At 1 January 2012	**(39,616)**	**(126,681)**	**(42,589)**	**(899)**	**(19,279)**	**(6,414)**	**(25,618)**	**(2,051)**	**(13)**	**–**	**(263,160)**
Depreciation charge	–	(14,404)	(9,780)	(4,254)	(6,583)	(1,512)	(13,100)	(506)	(5)	–	(50,144)
Disposals	2,377	–	–	–	–	1,137	618	–	–	–	4,132
Transfers	–	(355)	420	–	1	–	(66)	–	–	–	–
Revaluations	5,631	27,132	21,026	–	9,224	–	–	–	–	–	63,013
Impairments	(35,357)	(23,643)	(4,623)	(52)	(27,257)	–	(1,277)	–	–	–	(92,209)
Impairment Reversal	(300)	57,055	9,197	–	1	–	–	–	–	–	65,953
At 31 December 2012	**(67,265)**	**(80,896)**	**(26,349)**	**(5,205)**	**(43,893)**	**(6,789)**	**(39,443)**	**(2,557)**	**(18)**	**–**	**(272,415)**
Net Book Value: 31 December 2012	**314,856**	**671,704**	**582,983**	**1,131,183**	**282,683**	**9,198**	**150,981**	**1,827**	**679**	**32,649**	**3,178,743**
Net Book Value: 1 January 2012	**337,092**	**493,202**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,617**	**2,213**	**660**	**49,141**	**2,915,666**
Asset Financing											
Purchased	271,011	640,988	582,983	1,131,183	275,113	9,050	150,809	1,827	45	32,649	3,095,658
Donated	34,435	169	–	–	–	148	172	–	634	–	35,558
Leased	9,410	30,547	–	–	7,570	–	–	–	–	–	47,527
Net Book Value: 31 December 2012	**314,856**	**671,704**	**582,983**	**1,131,183**	**282,683**	**9,198**	**150,981**	**1,827**	**679**	**32,649**	**3,178,743**

During the year ended 31 December 2013 the States of Jersey undertook a full valuation of Infrastructure assets. The impact of this valuation exercise on the value of the Infrastructure Assets held by the States was an increase of £19.1 million to the total portfolio. Property assets that will transfer upon the incorporation of the Housing department (£593.1 million) have been reclassified as Assets of the Housing Department in 2013. More details on these Housing Assets are given in Note 9.42. There were also additions of £38.1 million, depreciation of £57.1 million and disposal and transfers of £1.8 million.

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). No material impairments of assets, except those due to changes in market value, occurred during the year. Impairments totaling £1.1 million were recorded in the SoCNE in 2013 (2012: £29.1 million). These were recorded due to the revaluation of Networked Assets during the year.

Investment Properties

Whilst the States does not generally hold assets solely for investment purposes, assets valuing £2.6 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 IAS16 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 2013.

The principal 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 as 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 principal 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 Statement of Financial Position 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. 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's Mace and the Royal Seal (no reliable estimate of value available)
- Honours Boards, Memorials, Clocks, etc (recognised only where a reliable estimate exists)

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 an 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 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**

	Information Technology Software £'000	Assets Under Course of Construction £'000	Total £'000
Cost or Valuation			
At 1 January 2012 (Restated)	**27,569**	**882**	**28,451**
Additions	378	1,892	2,270
Transfers	1,212	(1,212)	–
At 31 December 2012 (Restated)	**29,159**	**1,562**	**30,721**
Accumulated Amortisation			
At 1 January 2012 (Restated)	**(16,983)**	**–**	**(16,983)**
Amortisation charge	(2,482)	–	(2,482)
At 31 December 2012 (Restated)	**(19,465)**	**–**	**(19,465)**
Net Book Value: 31 December 2012 (Restated)	**9,694**	**1,562**	**11,256**
Net Book Value: 1 January 2012 (Restated)	**10,586**	**882**	**11,468**

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

	2012 £'000	2013 £'000
Cost or Valuation		
At 1 January	**3,362**	**632**
Additions	–	–
Transfers	1,930	887
Disposals	(4,708)	(714)
Revaluations	136	–
Impairments	(88)	–
Reclassification of Housing Assets	–	(690)
At 31 December	**632**	**115**
Accumulated Depreciation		
At 1 January	**(98)**	**(94)**
Disposals	90	1
Revaluations	3	–
Impairments	(91)	–
Impairment Reversal	2	–
At 31 December	**(94)**	**(93)**
Net Book Value: 31 December	**538**	**22**
Net Book Value: 1 January	**3,264**	**538**

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. Non-Current Assets Held for Sale that will transfer upon the incorporation of the Housing department have been reclassified as Assets of the Housing Department in 2013. More details on these Housing Assets are given in Note 9.42.

9.17 Loans and Advances

ANALYSED BY FUND

		1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Consolidated Fund		4,674	3,150	3,644
Dwelling Houses Loan Fund		5,413	4,689	4,121
99 Year Leaseholders Account		169	165	160
Assisted House Purchase Scheme		3,367	2,654	2,298
Agricultural Loans Fund		1,423	1,164	1,008
Total Loans and Advances		**15,046**	**11,822**	**11,231**

MATURITY ANALYSIS

		1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Receivable within one year		2,446	1,739	1,202
Receivable between one and two years		1,874	1,331	1,193
Receivable between two and five years		3,579	3,008	2,789
Receivable in five years or more		7,147	5,744	6,047
Total Loans and Advances		**15,046**	**11,822**	**11,231**

CHANGES TO LOANS AND ADVANCES

	Note	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Opening Balance		17,897	15,046	11,822
Additional Advances made	i	–	–	1,587
Repayments		(2,851)	(3,224)	(2,178)
Write Offs		–	–	–
Closing Balance		**15,046**	**11,822**	**11,231**

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.

Notes

i. **Changes to Loans and Advances:** The majority of the new advances made in the year related to the Pilot Starter Home Deposit Loan Scheme, which was launched in July 2013. The scheme made £1.6 million available to date to help first time buyers who can afford to make monthly mortgage repayments, and have saved at least a 5% deposit, by lending up to a further 15% as an interest free deposit loan. The buyer would need to borrow the rest of the money from Skipton International Limited, the scheme's approved mortgage lender. As at the end of the year 31 loans had been issued and gone through court.

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. At present the States has no plans to sell any of the assets below.

	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Strategic Investments: Equity Shares			
Jersey Electricity plc	67,600	53,300	65,500
Jersey New Waterworks Company Limited	20,200	25,300	31,300
JT Group Limited	180,800	183,000	183,500
Jersey Post International Limited	20,900	19,800	26,100
Total: Equity Shares	**289,500**	**281,400**	**306,400**
Strategic Investments: Irredeemable Preference Shares			
Jersey New Waterworks Company Limited	7,400	7,400	7,400
JT Group Limited	29,500	–	–
Total: Preference Shares	**36,900**	**7,400**	**7,400**
Total Strategic Investments	**326,400**	**288,800**	**313,800**
Other Available for Sale investments held at Fair Value			
Homebuyer Housing Property Bonds	8,190	8,229	–
P6 Housing Property Bonds	5,847	6,057	–
Other	298	303	303
Total Other Available for Sale Investments	**14,335**	**14,589**	**303**

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 2013 (86.4% of the total voting rights). Jersey Electricity plc also has "A" Ordinary 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 fifth Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2013.

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 Investments 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. During 2012, the 9% cumulative preference shares were redeemed by the company at their par value of £20 million.

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.

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, IAS 39 and the Accounting Policies specified in Note 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 2013 Valuation

Overall the value of Strategic Investments increased by £25.0 million.

The investment in Jersey Electricity increased in value by £12.2 million, reflecting the increase in the traded share price at the 2013 year end compared to 2012.

The investment in Jersey Water increased by £6 million, partly due to an increased terminal multiple, reflecting movements in the valuation of comparable companies, and increased cash balances held by the company.

The valuation of Jersey Post has increased by £6.3 million. This is primarily due to changes in the value of the company's pension liabilities, which have reduced substantially, and an increase in the cash equivalents held by the company.

There was also a small increase in the value of JT.

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. 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. The Bonds are revalued annually.

The majority of these bonds will transfer upon the incorporation of the Housing department, and so are included within the Assets of the Housing department in 2013. More details on the movements in the bonds are given in Note 9.42.

9.19 Infrastructure Investments

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Currency Fund: JT – Gigabit Jersey	–	10,000	10,000
Currency Fund: Parish of Trinity	–	–	4,896
Currency Fund: SOJDC Car park	–	–	–
Total Infrastructure Investments	**–**	**10,000**	**14,896**

Jersey Telecom – 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

A £6 million investment was approved in 2012 to provide financing to the Parish of Trinity for their phase one building project on Field No 578 to construct 25 first time buyer homes. The Currency fund will carry out an Infrastructure investment in the Parish for this specific purpose, in line with its current Investment Strategy. During 2013 £4.9 million was drawn down and the balance is expected to be drawn down in 2014. The Investment is expected to last for approximately 18 months and the investment returns will exceed the current level of returns the Currency Fund receives from its cash investments.

States of Jersey Development Company Limited

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. The intention is for this not to be revalued as it has a 2 month written notice period for termination by either party. The Currency Fund will carry out an Infrastructure investment for this specific purpose, in line with its current Investment Strategy. This investment is expected to last for approximately 5 years.

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 9.34. A small proportion of investment holdings are also 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.

	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Equities	682,287	887,935	1,142,775
Government bonds	206,601	207,273	197,657
Corporate Bonds	149,983	147,431	–
Certificates of Deposit	185,051	239,455	145,857
Fixed Income Unit Trusts	–	–	311,770
Property Unit Trusts	–	–	37,595
Equity Unit Trusts	308,823	244,691	303,475
Gilt Unit Trusts	122,780	124,693	–
Cash Unit Trusts	52,963	53,914	50,375
Total Investments at FVTPL	**1,708,488**	**1,905,392**	**2,189,504**

Investments are carried at market value in the accounts, which is not materially different from fair value.

MATURITY ANALYSIS

	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Less than one year	251,440	324,957	156,984
Between one and two years	97,401	60,199	91,041
Between two and five years	113,311	118,168	95,355
More than five years	79,483	90,835	134
Equities	682,287	887,935	1,142,775
Fixed income Unit Trusts	–	–	311,770
Property Unit Trusts	–	–	37,595
Equity Unit Trusts	308,823	244,691	303,475
Gilt Unit Trusts	122,780	124,693	–
Cash Unit Trusts	52,963	53,914	50,375
Total Investments at FVTPL	**1,708,488**	**1,905,392**	**2,189,504**

9.21 Inventories

ANALYSED BY FUND:

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Consolidated Fund	5,314	5,216	6,339
Jersey Currency Fund	1,829	1,987	1,712
Jersey Fleet Management	33	50	58
Jersey Airport	346	350	346
States of Jersey Development Company Limited	24,673	25,510	27,111
Total Inventories	**32,195**	**33,113**	**35,566**

ANALYSED BY TYPE:

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Raw Materials, Consumables, Work in Progress and Finished Goods	7,568	7,649	8,501
Development Property Inventories	24,627	25,464	27,065
Total Inventories	**32,195**	**33,113**	**35,566**

During the year the following amounts relating to Inventory were recognised as expenditure.

	2013 £'000
Inventory used during the year	22,536
Inventory written off	125
Reversals of previous write offs	(3)
Total Expense	**22,658**

9.22 Trade and Other Receivables

	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Taxation Receivables: Amounts falling due within one year			
Income Tax Receivables	50,929	54,154	51,950
Income Tax Accrued Income	1,819	1,174	1,869
GST Receivables	3,241	4,904	6,644
GST Accrued Income	18,127	18,731	17,602
Provision for taxation receivables	(9,311)	(11,084)	(14,818)
Total Taxation Receivables	**64,805**	**67,879**	**63,247**
Non-taxation Receivables: Amounts falling due within one year			
Trade Receivables	88,438	91,596	94,552
Prepayments and accrued income	18,684	17,831	14,853
Other Receivables	1,566	3,732	5,012
Provision for non-taxation receivables	(1,134)	(2,018)	(2,605)
Total Non-taxation Receivables	**107,554**	**111,141**	**111,812**
Housing Department Receivables: Amounts falling due within one year			
Trade Receivables	1,479	1,627	–
Total Housing Department Receivables	**1,479**	**1,627**	**–**
Total Receivables due within one year	**173,838**	**180,647**	**175,059**
Amounts falling due after more than one year			
Trade and other Receivables	9	7	7
Total Receivables due after more than one year	**9**	**7**	**7**
Total Receivables	**173,847**	**180,654**	**175,066**

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 receivable balance are debtors with a carrying value of approximately £18.2 million (2012: £9.3 million) which are past due at the reporting date, but for which the States has not made a provision. This is because there has not been a significant change in credit quality and amounts, and the debts are therefore still considered recoverable.

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES

	Restated 2012 £'000	2013 £'000
30–60 days	4,479	5,874
61–90 days	326	1,535
91–120 days	271	1,235
more than 120 days	4,200	9,530
Total past due but not impaired receivables	**9,276**	**18,174**

MOVEMENT IN THE ALLOWANCE FOR NON-TAXATION DEBTS

	Restated 2012 £'000	2013 £'000
Balance at the beginning of the period	1,134	2,018
Impairment losses recognised	751	656
Amounts written off as uncollectible	(197)	(157)
Impairment losses reversed	(3)	(11)
Other Adjustments	161	99
Balance at the end of the period	**2,018**	**2,605**

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 2012 £'000	2013 £'000
30–60 days	64	49
61–90 days	51	10
91–120 days	40	58
more than 120 days	1,863	2,488
Total Impaired receivables	**2,018**	**2,605**

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

	Note	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Bank deposit accounts		79,526	78,951	80,865
Bank current accounts		2,485	7,004	18,504
Cash in hand and in transit		335	386	279
Cash Equivalents	i	101,127	81,678	88,232
Total Cash and Cash Equivalents		**183,473**	**168,019**	**187,880**

Notes:

i. Cash Equivalents are highly liquid investments held by the States Cash Manager.

9.24 Trade and Other Payables

	Restated 1 Jan 2012 £'000	Restated 31 Dec 2012 £'000	31 Dec 2013 £'000
Trade Payables	40,634	42,940	40,406
Current Portion of PECRS Past Service Liability	4,167	4,324	6,370
Income Tax Payables and Receipts in Advance	62,897	69,275	76,443
Accruals and deferred income	14,281	16,486	16,779
Receipts in advance	8,182	8,552	8,592
Total Payables due within one year – Continuing Operations	**130,161**	**141,577**	**148,590**
Housing Department Trade Payables	3,499	3,892	–
Total Payables due within one year	**133,660**	**145,469**	**148,590**

The average credit period taken for purchases in 2013 was 30 days (2012: 33 days).

The States considers that the carrying value of trade payables approximates to their fair value.

9.25 Currency in Circulation

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Jersey Notes issued	91,158	88,984	99,558
Less: Jersey Notes held	(8,451)	(6,703)	(7,294)
Total Jersey Notes in Circulation	**82,707**	**82,281**	**92,264**
Jersey Coinage issued	8,987	9,172	9,340
Less: Jersey Coinage held	(1,098)	(983)	(996)
Total Jersey Coinage in Circulation	**7,889**	**8,189**	**8,344**
Total Currency in Circulation	**90,596**	**90,470**	**100,608**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue bank notes and coins. These are accounted for as inventory 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.

9.26 Finance Lease Obligations

The States of Jersey has 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 2013, the States had commitments to make the following payments under these arrangements.

	Minimum Lease Payments		
	1 Jan 2012	31 Dec 2012	31 Dec 2013
	£'000	£'000	£'000
Within one year	3,962	2,692	2,724
In the second to fifth years inclusive	9,630	8,462	7,464
After five years	3,984	2,460	976
Gross Minimum Lease Payments	**17,576**	**13,614**	**11,164**
Less: future Finance charges	(3,514)	(2,628)	(2,142)
Total Finance Lease Obligations	**14,062**	**10,986**	**9,022**

	Present Value of Minimum Lease Payments		
	1 Jan 2012	31 Dec 2012	31 Dec 2013
	£'000	£'000	£'000
Within one year	3,076	1,964	2,081
In the second to fifth years inclusive	7,485	6,796	6,106
After five years	3,501	2,226	835
Total Finance Lease Obligations	**14,062**	**10,986**	**9,022**

9.27 Provisions

Provisions as at 31 December were made up of:

		1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Self insurance claims		1,508	2,254	2,131
Other provisions – to be used within one year		22,660	1,327	1,471
Other provisions – to be used after one year		6,672	4,607	4,519
Total Provisions		**30,840**	**8,188**	**8,121**

Movement in Provisions were:

			2012 £'000	2013 £'000
Balance 1 January			30,840	8,188
Increase in Provisions			1,425	586
Use in Year			(24,048)	(653)
Other movements			(29)	–
Balance 31 December			**8,188**	**8,121**

Material amounts included in "Other Provisions" include:

	Note	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Asset Sharing Agreement – Nigeria	i	22,600	–	–
Decommissioning – Old EfW	ii	2,080	1,287	1,047
Decommissioning – New EfW	iii	2,080	2,080	2,080
Asset Sharing Agreement – Other	iv	1,871	1,871	1,871

Notes:

i. A significant confiscation was made in 2011 and a provision was made as a consequence of an asset sharing agreement entered into with Nigeria.

ii. 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 P.73/2008, and was used in 2012 and 2013.

iii. 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.

iv. 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.

9.28 Derivative Financial Instruments

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Derivative Liabilities			
HDF Letters of Comfort	2	4	346
Total Derivative Liabilities	**2**	**4**	**346**
Derivative Assets			
Other Financial Derivatives	299	493	174
Total Derivative Assets	**299**	**493**	**174**

Housing Trusts Letters of Comfort

The Treasury and Resources Department has 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 £120.9 million as at 31 December 2013 (2012: £125.4 million). These letters 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 2034.

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 several years, the table below shows what the approximate level of subsidy payments would be in 2014 if rates were at various levels for the year.

Interest Rate (LIBOR)	Value of Subsidies (2014) £'000
3%	–
4%	649
5%	1,498
6%	2,622
7%	3,787
8%	4,952

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 9.33 .

Year of Expiry	Nominal Amount Hedged £'000	Fair Value of Contract 1 Jan 2012 £'000	Fair Value of Contract 31 Dec 2012 £'000	Fair Value of Contract 31 Dec 2013 £'000
2012	3,255	98	–	–
2013	5,056	114	263	–
2014	4,884	87	230	174
Total Derivative Assets		**299**	**493**	**174**

Details of Gains and Losses recognised on these 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.

9.29 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 will 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 2013 the value of the pre-87 debt decreased by £8.1 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 £4 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 £4 million. Such movements in the liability amount are recognised within the “Movement in Pension Liabilities” line in the SoCNE.

	2012 £’000	2013 £’000
Balance at 1 January	**252,019**	**250,451**
Finance Charge	13,979	13,574
Payment in Year	(4,111)	(5,173)
Movement in Liability amount	(11,436)	(16,479)
Balance at 31 December	**250,451**	**242,373**
Amount Relating to Housing		(1,975)
Balance at 31 December – Continuing Operations		**240,398**

Amounts Falling due

	1 Jan 2012 £'000	31 Dec 2012 £'000	31 Dec 2013 £'000
Within one year	4,167	4,324	6,370
After one year	247,852	246,127	236,003
Total	**252,019**	**250,451**	**242,373**
Amount Relating to Housing			(1,975)
Total – Continuing Operations			**240,398**

The calculation of the Closing Liability amount uses the following assumptions:

	2012 % p.a.	2013 % p.a.
Average future increase in Staff Expenditure	4.87	5.42
Discount Rate	5.42	6.15

JTSF Past Service Liability

The Jersey 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, as part of the process for completing the 2010 Actuarial Valuation, the Scheme's Management Board made a proposal to the States on the treatment of the past service 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 2013. As a result the provision has increased from £97.7 million to £101.1 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 2010 Actuarial Valuation of the Scheme and the Management Board proposal.

	2012 £'000	2013 £'000
Balance at 1 January	**135,100**	**97,747**
Movement in Liability amount	(37,353)	3,310
Balance at 31 December	**97,747**	**101,057**

The liability had not been formally agreed as at 31 December 2013, but it is planned that a proposition will be taken to the States to amend the relevant orders to formally recognise the liability. In subsequent years the liability would then be valued in a similar way to the PECRS Pre-1987 Debt.

9.30 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:

	2011 % p.a.	2012 % p.a.	2013 % p.a.
Jersey Price Inflation	3.30	3.20	3.70
Rate of general long-term increase in salaries	4.00	3.90	4.40
Rate of increase to pensions in payment	3.30	3.20	3.70
Rate of increase to pensions in payment payable by PECRS (for PIL)	3.00	3.05	3.55
Discount rate for scheme liabilities	4.60	4.30	4.40

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

	Note	2011 Net (Asset) / Liability £'000	2012 Net (Asset) / Liability £'000	2013 Asset £'000	2013 Liability £'000	2013 Net (Asset) / Liability £'000
Jersey Post Office Pension Fund	i	–	588	(8,336)	9,563	1,227
Discretionary Pension Scheme		298	292	(227)	569	342
Jersey Civil Service Scheme (pre-67)		6,167	5,973	–	6,070	6,070
1972 Pensions Increase Act		5,028	2,429	–	2,849	2,849
Total Defined Benefit Pension Schemes Net Liability/(Asset)		**11,493**	**9,282**	**(8,563)**	**19,051**	**10,488**

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.

Notes:

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.

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.

	2012 £'000	2013 £'000
Jersey Post Office Pension Fund	161	193
Discretionary Pension Scheme	14	12
Jersey Civil Service Scheme (pre-67)	274	247
Pensions Increase Liability	(2,616)	136
Total Defined Benefit Pension Schemes (Income)/Expenditure	**(2,167)**	**588**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through other Comprehensive Income.

	31 Dec 2012 £'000	31 Dec 2013 £'000
Jersey Post Office Pension Fund	(427)	(446)
Discretionary Pension Scheme	12	(48)
Jersey Civil Service Scheme (pre-67)	22	(289)
Pensions Increase Liability	(59)	(306)
Total Actuarial Losses recognised in Other Comprehensive Income	**(452)**	**(1,089)**

9.31 Capital Commitments

At the reporting date the States had authorised capital expenditure of £101.2 million (including £23.1 million for Housing) (2012: £98.9 million) from the consolidated fund which had not yet been incurred.

A further £43.3 million was authorised from the Trading Funds, but not incurred (2012: £41.5 million).

This amount includes the following amounts which are committed via a contractual arrangement, but not yet incurred/ provided for.

	Restated 2012 £'000	2013 £'000
HSS: Equipment Replacement	558	407
HSS: Laundry Batch Washer	–	10
HSS: PSA Oxygenators	–	277
TTS: Energy From Waste Project	70	18
TTS: In Vessel Composting	20	7
TTS: Fire Fighting System	254	72
TTS: Phillips Street Shaft	655	1,646
TTS: Town Park	141	7
TTS: Sludge Thickener Project	–	8,039
TTS: Sewage Treatment Works Secondary Treatment Upgrade	–	80
TTS: Waste Ash Pits La Collette	–	20
TTS: Replacement Assets	–	69
TTS: Clinical Waste	–	157
TTS: Infrastructure Rolling Vote	–	1,097
TTS: New Recycling Centre	–	16
TTS: New Public Scrap Yard	–	29
DOE: Equipment maintenance and minor capital	–	37
T&R (JPH): Police Relocation (Phase 1)	1,044	329
T&R (JPH): Oncology Department	499	–
T&R (JPH): Intensive Care Unit	610	–
T&R (JPH): Clinique Pinel Upgrade	–	1,080
T&R (JPH): St Martin	–	4,661
T&R (JPH): Victoria College Extension	–	435
T&R (JPH): Prison Improvement Phase 4	71	318
T&R (JPH): Rosewood House Refurbishment	17	–
T&R (ITAX): Itax Development Office	1,059	1,082
T&R (ITAX): Itax Development Taxes Transformation Programme	166	257

	Restated 2012 £'000	2013 £'000
Home Affairs : Biometric Passports	–	793
Home Affairs : Minor Capital	–	1,990
Home Affairs : F&R Building Repairs	–	42
Home Affairs : Tetra Radio Replacement	–	511
Home Affairs : Prison Control Room	–	222
Home Affairs : Security Measures	–	66
Home Affairs : Prison Cell call system	–	97
Social Security: NESSIE LTCF	–	536
Jersey Airports: Runway Sweeper	112	–
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	546	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
Jersey Harbour: Minor Capital	–	138
Jersey Fleet Management: Vehicle & Plant Replacement	–	832
Total Capital Commitments	**5,822**	**29,563**

9.32 Commitments under Operating Leases

The States as Lessee

Total Minimum lease payments under operating leases are given below:

	Restated 2012 £'000	2013 £'000
Land and Buildings		
Within one year	664	920
In the second to fifth years inclusive	2,348	2,186
After five years	1,037	709
Total Land and Buildings	**4,049**	**3,815**
Plant and Machinery		
Within one year	3	3
In the second to fifth years inclusive	2	–
After five years	–	–
Total Plant and Machinery	**5**	**3**
Other Operating Leases		
Within one year	165	221
In the second to fifth years inclusive	–	187
After five years	–	–
Total Other Operating Leases	**165**	**408**
Total Operating Lease Commitments	**4,219**	**4,226**

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 2012 £'000	2013 £'000
Cost	141,347	133,304
Accumulated Depreciation	(1,214)	(6,109)
Net book Value	**140,133**	**127,195**

At the reporting date, the States had contracted with tenants for the following minimum lease payments:

	Restated 2012 £'000	2013 £'000
Within one year	3,880	3,154
In the second to fifth years inclusive	11,034	11,559
After five years	2,300	2,918
Total	**17,214**	**17,631**

9.33 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 third 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 2013 was £2,372 million, the value invested outside the CIF with Legal and General was £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 to the States on 11 November 2013 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 £1.1 billion in equity traded on a range of global stock exchanges and £87.5 million in equity indirectly through collective investment vehicles within the CIF, outside the CIF £215.9 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.

The States of Jersey Investment Advisor has estimated equity growth in 2014 with a 3% range around a mean estimate to give an optimistic and pessimistic expected 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 3% variation in equity prices in different currency denominations would have affected the value of holdings as at the year ended 31 December 2013. If there was a 3% rise or fall in global equity prices the total impact is estimated to be £43.4 million.

Equity Denomination	Impact of a 3% fall in equity value £m	Impact of a 3% rise in equity value £m
Sterling	(19.0)	19.0
Euro €	(3.4)	3.4
US Dollar $	(15.6)	15.6
Other	(5.4)	5.4

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.

The States of Jersey is exposed to property price risk through its holdings in the CIF; through which £37.6 million is held indirectly via collective investment vehicles investing in UK 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 publicly 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

Currency/Foreign Exchange Risk (Equity Pools)

The Global 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 of 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 of investments is managed through 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 2013. 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 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 €	(11.3)	11.3
US Dollar $	(51.8)	51.8
Other	(18.1)	18.1

Although units in the collective investment vehicles are denominated in Sterling they provide indirect exposure to exchange risk. Of the £215.9 million of collective investment vehicles investing in equity and held outside the CIF, £141.6 million is invested in UK equity with no direct exchange risk; £36 million is invested in US equity, £36.7 million in European equity and £1.6 million in Japanese equity. A 10% movement in their respective exchange rates relative to sterling would increase the values in the above table by approximately £7.4m 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 currency exchange risk.

£50.4 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 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.

The UK Corporate Bond Pool and Absolute Return Bond Pool each hold units in two separate collective investment vehicles. Disclosures with regard to the currency/foreign exchange risk of these vehicles are publicly 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:

- PIMCO Funds: Global Investors Series plc.: Unconstrained Bond Fund
- 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. Increases in market value above the maximum limit may still occur due to market movements and would be highlighted to the Treasurer for consideration, with the advice of Aon Hewitt, to balance back to the approved Strategic Asset Allocation. Our policy is to stay within the Strategic Allocation and report actions to the Treasury Advisory Panel.

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	75	350
Bonds	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. Operational 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 pool's investments. The investment manager of each pool manages the liquidity requirements of the pool in accordance with their investment mandate.

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 operational 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 – 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 UCIT[1] complaint collective investment vehicles, these pools indirectly expose the CIF to credit risk.

1 Undertakings for Collective Investment in Transferable Securities

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.

The investment restrictions and risk disclosures of these vehicles are publicly 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 vehicles:

- PIMCO Funds: Global Investors Series plc: Unconstrained Bond Fund
- 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	£40.9 million
Matures within 1–2 years	£76.1 million
Matures in between 2–5 years	£80.5 million
Matures in over 5 years	£0.1 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 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.

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)	Standard & Poor's A1 and Moody's P1
Long term (over 3 months)	Standard & 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 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 Fund also holds cash and cash equivalents and a limited amount index linked gilts that expose the Fund to cash flow interest rate risk.

Interest rate risk is managed by the investment manager of each respective investment pool through diversification and selection of securities along with their underlying duration.

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.

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:	Restated 2012 £m	2013 £m
US Dollar $	1.9	9.5
Euro €	6.4	5.7
Other	–	3.2

3 Interest rate disclosures

	Fixed rate £'000	Variable rate £'000	No interest payable/ receivable £'000	Total £'000
Financial Assets				
Sterling £				
Advances	9,511	–	1,720	11,231
Infrastructure Investments	10,000	4,896	–	14,896
Investments	–	–	1,033,512	1,033,512
Gilts	197,523	134	–	197,657
Certificates of Deposit	145,857	–	–	145,857
Cash	110,312	58,679	416	169,407
US Dollars $				
Investments	–	–	518,426	518,426
Cash	1,755	7,788	–	9,543
Euros €				
Investments	–	–	113,321	113,321
Cash	1,414	4,281	–	5,695
Other				
Investments	–	–	180,731	180,731
Cash	–	3,235	–	3,235
Total Financial Assets	**476,372**	**79,013**	**1,848,126**	**2,403,511**
Financial Liabilities				
Finance Leases	9,022	–	–	9,022
Total Financial Liabilities	**9,022**	**–**	**–**	**9,022**

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 9.26.

Fixed rate financial assets	Weighted average rate	Weighted average period (months)
Advances	4.14%	144.0
Bonds	3.96%	21.0
Certificates of Deposit	0.87%	5.5

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 9.28)

Level 3
Strategic Investments (see Note 9.18)
Other Available for Sale Financial Instruments (see Note 9.18)
Derivative Letters of Comfort (see Note 9.28)

9.34 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 12 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 11 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 1 July 2010 and as at 31 December 2013 contained 14 active pools that hold 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 2013

	Restated 2012	2013		
	Included in the SOJ Accounts	Total CIF	Attributable to Entities Outside the SOJ Accounts	Included in the SOJ Accounts
	£'000	£'000	£'000	£'000
Revenue				
Investment Income	(42,095)	(42,100)	(2,099)	(40,001)
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	(96,949)	(231,461)	(8,903)	(222,558)
Total Revenue	**(139,044)**	**(273,561)**	**(11,002)**	**(262,559)**
Expenditure				
Supplies and Services	7,273	10,551	836	9,715
Other Operating Expenditure	1,121	1,659	54	1,605
Foreign Exchange Loss	62	454	205	249
Total Expenditure	**8,456**	**12,664**	**1,095**	**11,569**
Net Revenue Income	**(130,588)**	**(260,897)**	**(9,907)**	**(250,990)**

c) CIF – Statement of Financial Position as at 31 December 2013

	Restated 1 Jan 2012	Restated 31 Dec 2012	31 Dec 2013		
	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	972,483	1,157,136	2,138,798	372,607	1,766,191
Total Non-Current Assets	**972,483**	**1,157,136**	**2,138,798**	**372,607**	**1,766,191**
Current Assets					
Investments held at Fair Value through Profit or Loss	251,439	324,957	157,930	946	156,984
Trade and Other receivables	8,180	8,860	30,696	24,654	6,042
Cash and Cash Equivalents	19,411	41,480	52,882	5,897	46,985
Total Current Assets	**279,030**	**375,297**	**241,508**	**31,497**	**210,011**
Current Liabilities					
Trade and Other Payables	(452)	(1,498)	(7,910)	(265)	(7,645)
Total Current Liabilities	**(452)**	**(1,498)**	**(7,910)**	**(265)**	**(7,645)**
Assets Less Liabilities	**1,251,061**	**1,530,935**	**2,372,396**	**403,839**	**1,968,557**
Taxpayers Equity					
Accumulated Revenue and Other Reserves	69,385	199,973	464,301	13,336	450,965
Net contributions	1,181,676	1,330,962	1,908,095	390,503	1,517,592
Total Taxpayers Equity	**1,251,061**	**1,530,935**	**2,372,396**	**403,839**	**1,968,557**

d) CIF – Income and Expenditure by Pool

	Restated 2012	2013			
	Net Income £'000	Investment Income £'000	Change in Fair Value £'000	Operating Expenditure £'000	Net Income £'000
Index Linked Bonds Pool	(13)	144	(260)	(15)	(131)
Short Term Government Bonds Pool	1,201	7,622	(7,879)	(114)	(371)
Long Term Government Bonds Pool	–				–
Short Term Corporate Bonds Pool	5,163	1,678	(72)	(71)	1,535
Long Term Corporate Bonds Pool	10,683	1,896	1,516	(79)	3,333
Long Term Cash and Cash Equivalents Pool	4,067	2,391	(153)	(205)	2,033
UK Equities II Pool	29,749	7,896	55,644	(3,376)	60,164
Global Equities I Pool	43,895	6,440	89,176	(3,274)	92,342
Global Equities II Pool	33,733	5,799	51,439	(2,127)	55,111
Passive Global Equities Pool	4,062	5,948	41,776	(1,614)	46,110
Pooled Global Equity Pool	–	–	5,708	(342)	5,366
Pooled Property I Pool	–	393	734	(143)	984
Pooled Emerging Market Equity Pool	–	–	(3,954)	(64)	(4,018)
Global Equities III Pool	–	637	3,169	(218)	3,588
Absolute Return Bond Pool	–	191	(1,851)	(757)	(2,417)
UK Corporate Bond Pool	–	1,043	(2,306)	(214)	(1,477)
Pooled Property II Pool	–	22	(1,226)	(51)	(1,255)
CIF Total	**132,540**	**42,100**	**231,461**	**(12,664)**	**260,897**
Less: amount attributable to Participants outside the Group boundary	1,952	2,099	8,903	(1,095)	9,907
Total – SOJ Accounts	**130,588**	**40,001**	**222,558**	**(11,569)**	**250,990**

During the year the Common Investment Fund restructured its Corporate Bond portfolio, the Short and Long Term Corporate Bond Pools were superceded by the UK Corporate Bond Pool and Absolute Return Bond Pool. In the above table, the short term and long term corporate bond pools remain included for the purpose of disclosing returns generated but were effectively closed from 1 October 2013. Two additional global equity managers and a pooled property pool were added to the CIF during the year, these represent former managers of the Jersey Teachers' Superannuation Fund and were added to the CIF on the scheme's entrance in the third quarter of 2013. The emerging market pool was opened to hold legacy assets of the Jersey Teachers Superannuation Fund, these assets will be incorporated into the emerging market pool once a manager is appointed in 2014. The second pooled property pool was added to the Common Investment Fund to build a property position outside of the Jersey Teachers Superannuation Fund holding. The second holding was segregated from the Jersey Teachers Superannuation Fund position to ensure costs incurred building the new position were not incurred by the participant with a pre-existing holding.

e) CIF – Changes in Market Value of Investments by Pool

	Restated Market Value 1 Jan 2013 £'000	Transfers £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31 Dec 2013 £'000
Index Linked Bonds Pool	4,053	–	26,597	(26,879)	(934)	2,837
Short Term Government Bonds Pool	205,959	–	108,552	(116,962)	(12)	197,537
Long Term Government Bonds Pool	–	–	–	–	–	–
Short Term Corporate Bonds Pool	70,372	–	10,955	(81,080)	(246)	1
Long Term Corporate Bonds Pool	79,318	–	9,094	(82,689)	(5,723)	–
Long Term Cash and Cash Equivalents Pool	240,807	–	324,509	(417,743)	(531)	147,042
UK Equities II Pool	206,804	–	119,691	(102,363)	27,051	251,183
Global Equities I Pool	258,897	–	80,238	(74,712)	66,896	331,319
Global Equities II Pool	252,928	–	20,221	(13,633)	48,288	307,804
Passive Global Equities Pool	181,259	–	181,074	(90,354)	39,833	311,812
Pooled Global Equity Pool	–	–	190,094	(538)	5,708	195,264
Pooled Property Pool	–	–	35,148	(140)	734	35,742
Pooled Emerging Market Equity Pool	–	–	100,838	(64,413)	(27,146)	9,279
Global Equities III Pool	–	–	159,282	(5,405)	(253)	153,624
Absolute Return Bond Pool	–	–	330,701	(119,303)	(5,964)	205,434
UK Corporate Bond Pool	–	–	112,389	(156)	(2,306)	109,927
Pooled Property II Pool	–	–	39,190	(41)	(1,226)	37,923
CIF Total	**1,500,397**	**–**	**1,848,573**	**(1,196,411)**	**144,169**	**2,296,728**
Less: amount attributable to Participants outside the Group boundary	18,304		466,707	(91,861)	(19,597)	373,553
Total – SOJ Accounts	**1,482,093**	**–**	**1,381,866**	**(1,104,550)**	**163,766**	**1,923,175**

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.

9.35 Contingent Assets and Liabilities

Contingent Assets

There are no Contingent Assets as at 31 December 2013 (2012: Nil).

Guarantees not recognised as Financial Liabilities

Jersey New Waterworks Company Limited

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2012: £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 (2012: £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.

Jersey Arts Trust

The States of Jersey has provided a guarantee to Barclays Bank Plc for £3.1 million (2012: £3.5 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House (as approved by P167/98). In the same proposition the States increased the funding provided to the Trust to allow them to cover the loan repayments. Without this funding it is unlikely that the Trust could meet the repayments, and so the States would become liable under the guarantee. However, as there are no plans to reduce the funding at present, no amounts are 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 £2.3 million (2012: £1.9 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 Statement of Financial Position 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 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 £332,166 (2012: £354,345), of which the States has exposure to 75% in accordance with the terms of the Scheme, giving a total exposure of £249,124 (2012: £265,759). During 2011 the States provided £187,500 against these guarantees, leaving a remaining exposure of £61,624. No amount is recognised on the Statement of Financial Position 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 Child 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.

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

9.36 Losses and Special Payments

	Restated 2012 £'000	2013 £'000
Losses		
Losses of cash:		
Overpayment of Social Benefits	131	89
Other losses of cash	36	–
Total losses of cash	**167**	**89**
Bad debts and claims abandoned		
Uncollectible Tax	2,041	1,921
Other Tax Debtors written off	139	75
Other claims abandoned	98	170
Total bad debts and claims abandoned	**2,278**	**2,166**
Damage or loss of inventory		
Write off of expired Flu Vaccine stock	681	99
Other inventory write offs	211	29
Total damage or loss of inventory	**892**	**128**
Other Losses		
Other Losses	71	–
Total Other Losses	**71**	**–**
Total Losses	**3,408**	**2,383**
Special Payments		
Total compensation payments	19	125
Total ex gratia and extra contractual payments	877	1,819
Total Severance Payments	317	199
Total Special Payments	**1,213**	**2,143**
Total Losses and Special Payments	**4,621**	**4,526**

9.37 Gifts

No Gifts were made in 2013 (2012: nil).

9.38 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 and their sponsored bodies that are a result of their role of 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 Jersey Telecom

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.

2013

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 and P Ryan are Board Members. Expenditure includes grants of £215k.
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 Vallée 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.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
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 Française de Jersey	–	58	–	–	P Ozouf, Treasury and Resources Minister is Vice Chair. Expenditure includes a grant of £10k.
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, P Ryan and S Pinel are Members of the Board. Expenditure includes grants of £1,549k.
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 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.

2012 (RESTATED)

Housing have been included in the table below as, although they are a discontinuing operation, they continue to be included in the Group, and as such, related parties are still considered to be related to the group.

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	2,076	1,638	246	35	Expenditure includes grants of £45k
Jersey Post International Limited	495	90	25	8	Expenditure includes grants of £11k
JT Group Limited	418	95	43	4	
The Jersey New Waterworks Company Limited	136	124	1	–	
Directly Controlled Entities – Minor Entities					
Bureau de Jersey Limited	–	105	–	–	A Maclean and P Ryan are Board Members. Expenditure is a grant of £105k.
Jersey Legal Information Board	–	120	–	–	A Maclean, Economic Development Minister, is a Board Member. Expenditure is a grant of £120k
Directly Controlled Entities – Other					
Haute Vallee School Fund	–	15	–	–	
Hautlieu School Fund	–	11	–	–	
Jersey College for Girls School Fund	–	21	–	–	
Victoria College School Fund	–	53	–	–	Expenditure includes grants of £35k
Victoria College Prep School Fund	–	7	–	–	
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	–	214	–	5	Subsidiary of JEC
Jersey Energy	–	26	–	2	Subsidiary of JEC. Expenditure includes grants of £8k
Foreshore Limited	–	131	–	–	Joint Venture JEC. Expenditure is a grant of £131k
Retirement Schemes					
PECRS	546	–	444	–	Income related to services provided by the Treasury Department
JTSF	299	–	417	–	Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Française de Jersey	–	64	–	–	P Ozouf, Treasury and Resources Minister is Vice Chair. Expenditure includes grant of £12k

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Augres Landscape	5	15	–	–	P Ryan, Education, Sport and Culture Minister, is the Owner.
Governing body of Institute of Law	4	92	–	30	P Bailhache, Chief Minister's Assistant Minister, is the Chairman. Expenditure includes grants of £32k.
Grafters Limited	–	21	–	–	J Baker, Economic Development Assistant Minister, is a Shareholder.
Jersey Employment Trust	34	1,656	–	33	J Martin, P Ryan and S Pinel are Members of the Board. Expenditure includes grants of £1,632k.
Jersey Hospitality Association	–	67	–	–	L Farnham, Home Affairs Assistant Minister, is the President. Expenditure includes a grant of £66k.
Jersey Mencap	1	102	–	–	P Routier, Chief Minister's Assistant Minister is a Member. Expenditure is a grant of £102k
Jersey Table Tennis Association	4	4	102	–	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes a grant of £4k. Amounts due relate to a loan from the States.
Les Amis Incorporated	2	1,611	–	17	E Noel, Treasury and Resources Assistant Minister and P Routier, Chief Minister's Assistant Minister, are Trustees.
Les Vaux Housing Trust	101	–	1,831	–	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	24	3	–	–	A Pryke, Health and Social Services Minister, is President.
The Yacht Hotel Limited	3	15	–	2	L Farnham, Home Affairs Assistant Minister, is a Director.
Parish of St Peter	33	34	–	–	J Refault, Housing and Health and Social Services Assistant Minister, is the Connétable.

9.39 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 Drug Trafficking Confiscations Fund or 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:

	2012 £'000	2013 £'000
Viscount's Department	30,745	32,852
Health and Social Services Department	332	259

In addition to the liquid assets listed above the Viscount's Department holds real property and contents with an approximate total value of £11.1 million (2012: £13.6 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 (2012: £0.4 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, for example the Social Security Reserve Fund. Further details of the Common Investment Fund, including the value of investments falling into both these categories can be found in Note 9.34 .

9.40 Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

Chief Minister's Department
Economic Development Department
Education, Sport and Culture Department
Department of the Environment
Health and Social Services Department
Home Affairs Department
Housing Department[1]
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
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 Parking
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 Lease
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
Civil Asset Recovery 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

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 will be effective from the 1st July 2014. The newly formed company will be accounted for as a Strategic Investment in the Accounts, rather than a consolidated entity. To reflect this change amounts for the Housing Department are shown separately in the Financial Statements (as required by Accounting Standards).

Subsidiary Companies

States of Jersey Development Company Limited (previously the Waterfront Enterprise Board Limited), including subsidiary companies.

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;
- Net book value of Property, Plant and Equipment at year end; or
- 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 and Loss and Currency in Circulation)

for the States of Jersey in the previous financial year.

For 2013, the threshold was therefore £2,350,000 (based on Net Current Assets for 2012).

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 2013, the following are considered to be Minor Entities:

Bureau de Jersey
Ecology Fund
Jersey Legal Information Board

9.41 Social Security Funds Primary Statements

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	2012				
	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	(157,977)	(28,915)	–	–	–
States Contributions to Social Security Funds	(61,150)	–	–	–	–
Sales of goods and services	(163)	–	–	–	(111)
Investment income	(300)	(8,407)	(97,838)	–	–
Other revenue	–	–	–	–	(121)
Total Revenue	**(219,590)**	**(37,322)**	**(97,838)**	**–**	**(232)**
Expenditure					
Social Benefit Payments	191,456	26,712	–	–	–
Other Operating expenses	5,125	7,746	380	–	229
Grants and Subsidies payments	–	24	–	–	–
Depreciation and Amortisation	582	–	–	–	–
Impairments	(1,386)	–	–	–	–
Finance costs	38	–	–	–	1
Total Expenditure	**195,815**	**34,482**	**380**	**–**	**230**
Net Revenue Income	**(23,775)**	**(2,840)**	**(97,458)**	**–**	**(2)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	1,014	–	–	–	–
Total Other Comprehensive Income	**1,014**	**–**	**–**	**–**	**–**
Total Comprehensive Income	**(22,761)**	**(2,840)**	**(97,458)**	**–**	**(2)**

2013				
Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
(156,415)	(28,573)	–	(11,700)	–
(62,200)	–	–	–	–
(163)	–	–	–	(117)
(165)	(8,653)	(195,602)	(1)	–
(308)	–	–	–	(121)
(219,251)	**(37,226)**	**(195,602)**	**(11,701)**	**(238)**
201,678	27,213	–	–	–
5,825	4,495	328	–	236
–	–	–	–	–
659	–	–	–	–
–	–	–	–	–
39	–	–	–	1
208,201	**31,708**	**328**	**–**	**237**
(11,050)	**(5,518)**	**(195,274)**	**(11,701)**	**(1)**
–	–	–	–	–
–	**–**	**–**	**–**	**–**
(11,050)	**(5,518)**	**(195,274)**	**(11,701)**	**(1)**

STATEMENT OF FINANCIAL POSITION

	1 Jan 2012 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	6,933	88	–	–	–
Intangible Assets	1,217	–	–	–	–
Investments held at Fair Value through Profit or Loss	–	67,810	854,323	–	–
Total Non-Current Assets	**8,150**	**67,898**	**854,323**	**–**	**–**
Current Assets					
Trade and Other receivables	51,635	8,042	–	–	32
Amounts due from the Consolidated Fund	–	5,855	–	–	–
Cash and Cash Equivalents	9,621	–	183	–	37
Total Current Assets	**61,256**	**13,897**	**183**	**–**	**69**
Total Assets	**69,406**	**81,795**	**854,506**	**–**	**69**
Current Liabilities					
Trade and Other Payables	(5,702)	(1,746)	(188)	–	(61)
Amounts due to the Consolidated Fund	(11,394)	–	–	–	–
Total Current Liabilities	**(17,096)**	**(1,746)**	**(188)**	**–**	**(61)**
Assets Less Liabilities	**52,310**	**80,049**	**854,318**	**–**	**8**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	47,990	80,049	854,318	–	8
Revaluation Reserve	4,320	–	–	–	–
Total Taxpayers' Equity	**52,310**	**80,049**	**854,318**	**–**	**8**

31 Dec 2012					31 Dec 2013				
Social Security Fund	Health Insurance Fund	Social Security (Reserve) Fund	Long Term Care Fund	Jersey Dental Scheme	Social Security Fund	Health Insurance Fund	Social Security (Reserve) Fund	Long Term Care Fund	Jersey Dental Scheme
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
7,170	285	–	–	–	6,735	–	–	–	–
1,148	–	–	–	–	1,111	–	–	–	–
–	70,086	962,143	–	–	–	78,739	1,157,731	–	–
8,318	**70,371**	**962,143**	**–**	**–**	**7,846**	**78,739**	**1,157,731**	**–**	**–**
56,436	8,874	–	–	30	58,789	9,111	–	–	34
–	2,939	–	–	–	3,350	193	–	–	–
8,287	–	43	–	70	7,758	1	148	11,701	62
64,723	**11,813**	**43**	**–**	**100**	**69,897**	**9,305**	**148**	**11,701**	**96**
73,041	**82,184**	**962,186**	**–**	**100**	**77,743**	**88,044**	**1,157,879**	**11,701**	**96**
(3,807)	(1,648)	(113)	–	(90)	(1,539)	(1,989)	(62)	–	(85)
(4,080)	–	–	–	–	–	–	(123)	(11,700)	–
(7,887)	**(1,648)**	**(113)**	**–**	**(90)**	**(1,539)**	**(1,989)**	**(185)**	**(11,700)**	**(85)**
65,154	**80,536**	**962,073**	**–**	**10**	**76,204**	**86,055**	**1,157,694**	**1**	**11**
61,848	80,536	962,073	–	10	72,898	86,055	1,157,694	1	11
3,306	–	–	–	–	3,306	–	–	–	–
65,154	**80,536**	**962,073**	**–**	**10**	**76,204**	**86,055**	**1,157,694**	**1**	**11**

9.42 Discontinuing Operations

9.42.1 Analysis of Housing Department Net Revenue Expenditure

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 will be effective from the 1st July 2014. The newly formed company will be accounted for as a Strategic Investment in the Accounts, rather than a consolidated entity.

To reflect this change results of the Housing Department are shown separately in the Financial Statements (as required by the JFReM), and this note gives further details of the performance and position of the Department.

These results differ from those shown in the Department's pages in the Annex to the Accounts as they reflect consolidation adjustments, such as the removal of charges between departments and the cessation of deprecation after classification as a Discontinuing Operation in the Consolidated Accounts.

	2012 £'000	2013 £'000
Revenue		
Sales of goods and services	(40,709)	(42,094)
Investment income	(8)	(15)
Other revenue	(265)	(203)
Total Revenue	**(40,982)**	**(42,312)**
Expenditure		
Staff costs	2,682	2,731
Other Operating expenses	13,800	13,328
Grants and Subsidies payments	2	3
Depreciation and Amortisation	9,786	14,074
Impairments	(2,697)	(2,362)
Finance costs	1	1
Total Expenditure	**23,574**	**27,775**
Consolidation Adjustments[1]	(499)	(8,543)
Net Revenue Income	**(17,907)**	**(23,080)**

Note

1. Consolidation adjustments include £7.1 million to reflect the impact of depreciation ceasing when the Department was classified as a discontinuing operation.

9.42.2 Analysis of Assets, Liabilities and Taxpayer Equity of the Housing Department

	Note	31 Dec 2013 £'000
Non-Current Assets		
Property, Plant and Equipment	i	685,452
Other Available for Sale investments	ii	15,104
Total Non-Current Assets		**700,556**
Current Assets		
Non-Current Assets classified as held for sale	iii	3,965
Trade and Other receivables		1,461
Total Current Assets		**5,426**
Total Assets		**705,982**
Current Liabilities		
Trade and Other Payables [1]		(4,504)
Total Current Liabilities		**(4,504)**
Non-Current Liabilities		
Pension Liability [2]		(1,975)
Total Non-Current Liabilities		**(1,975)**
Total Liabilities		**(6,479)**
Assets Less Liabilities		**699,503**

Notes

1. Net of amounts internal to the States
2. This is the Department's portion of the PECRS Pre-1987 Debt, and is not included on the departments Annex pages.

Note i) Property, Plant and Equipment

	Land £'000	Buildings £'000	Social Housing (inc Land) £'000	Networked assets (inc Land) £'000	Assets Under Course of Construction £'000	Total £'000
Cost or Valuation						
At 1 January 2013	**3,044**	**330**	**609,332**	**3,261**	**8,073**	**624,040**
Additions	–	–	–	–	16,557	16,557
Disposals	–	–	–	–	–	–
Transfers	(2,558)	–	7,574	–	(14,779)	(9,763)
Revaluations	–	–	83,063	–	–	83,063
Impairments	–	–	(1,836)	(112)	–	(1,948)
Impairment Reversals	–	–	–	–	–	–
At 31 December 2013	**486**	**330**	**698,133**	**3,149**	**9,851**	**711,949**
Depreciation						
At 1 January 2013	**(1,863)**	**(78)**	**(26,349)**	**–**	**–**	**(28,290)**
Depreciation charge	–	(7)	(6,874)	–	–	(6,881)
Disposals	–	–	–	–	–	–
Transfers	1,488	–	–	–	–	1,488
Revaluations	–	–	4,849	–	–	4,849
Impairments	–	–	(6,179)	(16)	–	(6,195)
Impairment Reversal	–	–	8,532	–	–	8,532
At 31 December 2013	**(375)**	**(85)**	**(26,021)**	**(16)**	**–**	**(26,497)**
Net Book Value: 31 December 2013	**111**	**245**	**672,112**	**3,133**	**9,851**	**685,452**
Net Book Value: 1 January 2013	**1,181**	**252**	**582,983**	**3,261**	**8,073**	**595,750**
Asset Financing						
Purchased	111	245	670,956	3,133	9,851	684,296
Donated	–	–	–	–	–	–
Leased	–	–	1,156	–	–	1,156
Net Book Value: 31 December 2013	**111**	**245**	**672,112**	**3,133**	**9,851**	**685,452**

During the year ended 31 December 2013 the Housing Department under took a full valuation of its Social Housing portfolio. The impact of this valuation was an increase of £88.3 million to the value of the portfolio. Net additions of £8.3 million were made during the year and depreciation of £6.9 million was charged, meaning that the total movement in the portfolio value was £89.7 million.

Note ii) Other Available for Sale investments

	2013 £'000
Homebuyer Housing Property Bonds	8,251
P6 Housing Property Bonds	6,853
	15,104

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 £810,000 (2012: £181,250) 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 2013, £31,666 of bonds were redeemed (2012: £31,430), with a gain of £15,500 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

	2012 £'000	2013 £'000
Opening	**14,037**	**14,286**
Issue of New Bonds	181	810
Redemption of bonds	(31)	(32)
Movement in Fair Value	68	39
Other Movements	31	1
Closing	**14,286**	**15,104**

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.

Note iii) Non-Current Assets classified as held for sale

	2013 £'000
Cost or Valuation	
At 1 January	**–**
Transfers	7,205
Disposals	(3,240)
At 31 December	**3,965**

These are Social Housing Assets that the Housing Department has classified as held for sale under Accounting Standards. All such assets were purchased by the States of Jersey. There are no leased or donated Non-Current Assets Held for Sale.

Note iv) Capital commitments

This amount includes the following amounts which are committed via a contractual arrangement, but not yet incurred/provided for.

	2012 £'000	2013 £'000
Le Squez Phase 2	4,868	40
Le Squez Phase 2C	–	1,707
La Collette Phase 1	4,039	863
Salisbury Crescent	11	–
Clos Gosset 1 – 83 Refurbishment	600	49
Pomme D'Or Farm Refurbishment	1,548	82
Journeaux Street 2 and 4	1,327	241
Jardin Des Carreaux	169	32
Lesquende – Phase 1	368	461
Le Coin	179	233
1–4 Hampshire Gardens	–	98
De Quetteville Court 1–32	–	143
Le Squez Phase 3	–	186
Osbourne Court	–	1,439
Field 516, 517 and 518	–	3,567
Lesquende – Phase 2	–	289
	13,109	**9,430**

Note v) Commitments under Operating Leases

The Housing Department as Lessee

Total Minimum lease payments under operating leases are given below:

	2012 £'000	2013 £'000
Land and Buildings		
Within one year	18	18
In the second to fifth years inclusive	72	72
After five years	18	18
Total Land and Buildings	**108**	**108**

The Housing Department as Lessor

The Housing Department acts as lessor in a number of operating lease arrangements.

Included in Property, Plant and Equipment are assets held for use in operating leases:

	2012 £'000	2013 £'000
Cost	609,829	698,599
Accumulated Depreciation	(27,020)	(26,131)
Net book Value	**582,809**	**672,468**

At the reporting date, the Housing Department had contracted with tenants for the following minimum lease payments:

	2012 £'000	2013 £'000
Within one year	40,050	41,658
In the second to fifth years inclusive	173,748	182,839
After five years	46,249	50,557
Total	**260,047**	**275,054**

9.43 Events after the Reporting Date

There are no significant events after the reporting date requiring disclosure in these 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 31 December 2013 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution.

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