Appendix 1
Financial Review

This Financial Review section provides a summary analysis of the consolidated group, including all funds and subsidiary companies, as well as component entities.

States Assembly performance refers to the general revenue income and department expenditure as it has been approved by the States Assembly in the Government Plan or decisions of the Treasury and Resources Minister

The Statement of Comprehensive Net Expenditure is split by 'Core' and 'Group' where 'Core' is all parts of the States of Jersey group apart from the consolidated subsidiaries and 'Group' includes those subsidiaries per the diagram on page 6 and the information in Note 4.26 on page 325.

Income

Consolidated Group

Income, excluding gains/losses on the revaluation of investments, increased by £92 million (6%) in 2022, compared to 2021. There was a £89 million (12%) increase in taxation revenue with an £78 million (12%) increase in income tax and £11 million (10%) increase in GST offset by reductions elsewhere including a £36 million (75%) reduction in dividends income due to the additional £40 million dividend from JT Group following the sale of their Internet of Things business in 2021.

More detail is provided later in this section on page 83.

2021

£1,435m

6%

2022

£1,528m

States Assembly Approved

States Net General Revenues Income increased by £30 million (3%) from 2021. The increase is over the amount for 2021 that included a £40 million exceptional dividend from JT Group.

More detail is provided later in this section on page 85.

2021

£998m

3%

2022

£1,028m

Expenditure

Consolidated Group

Expenditure increased by £60 million (4%) from 2021. There were reductions in spend on specific Covid-19 related costs offset by an increase in staff costs of £38 million (8%).

More detail is provided later in this section on page 83.

2021

£1,530m

4%

2022

£1,590m

States Assembly Approved

Departmental net expenditure, including depreciation, decreased by £15 million (2%), which is primarily the impact of reduced Covid-19 expenditure and an increase in operational income offset by increases in staff costs and other operating expenditure.

More detail is provided later in this section on page 85.

2021

£939m

2%

2022

£924m

Balance Sheet

Consolidated Group

2022 was a challenging year for investment performance on the back of a period of sustained growth in the investment portfolio with investment revaluation losses of £213 million recognised in 2022. Despite that reduction in the value of investments, a strong balance sheet is maintained with a net asset position of £7.9 billion. The decrease in the net asset position of 2% is mainly attributable to the reduction in value of the investment portfolio offset by increases in the value of infrastructure and property assets following revaluation.

More detail is provided later in this section on page 99.

2021

£8,128m

2%

2022

£7,947m

Strategic Reserve

Despite the challenging investment environment in 2022, the Strategic Reserve remains in a strong position with a balance of £992 million. The decrease reflects investment revaluation losses of £68 million, reflecting the overall investment performance as at the end of 2022. There were also transfers in/out of the fund to help manage the costs of financing as planned in the Government Plan.

This is largely within the 'Other Financial Assets' lines within the Statement of Financial Position.

2021

£1,032m

4%

2022

£992m

Social Security Funds

The Social Security Funds have decreased in value by £216 million (9%) from 2021. As with the Strategic Reserve, this is predominantly due to investment performance on the Social Security (Reserve) Fund with the other funds all increasing in value as at the end of 2022.

The largest of these funds, the Social Security (Reserve) Fund, recognised investment losses of £158 million in 2022. Despite this, it remains well placed to manage movements in the market thanks to the investment strategy in place and the longer-term investment performance horizon. Three-year investment performance for the fund was 4.0% and the five-year was 4.6%.

A transfer of £79 million was made from the Social Security (Reserve) Fund to the Social Security Fund in 2022 to offset the removal of the States grant which was re-directed towards funding the Covid-19 response 2022.

This is largely within the 'Other Financial Assets' lines within the Statement of Financial Position.

2021

£2,470m

7%

2022

£2,255m

Consolidated Fund

The Unallocated balance in the Consolidated Fund decreased from £122m in 2021 to £100 million in 2022. However, this is an improvement over the position included in the Government Plan 2023-2026, driven by higher general revenue income than forecast, offset by the cancellation of transfers from the Health Insurance Fund originally planned to fund work on the Jersey Care Model and Digital Care Strategy. Whilst the balance has improved compared expectations in the Government Plan 2023-2026, the Consolidated Fund is still forecast to decrease over the coming years as the States continues to invest in capital projects.

2021

£122m

18%

2022

£100m

States of Jersey Group

The 2022 Annual Report and Accounts presents the financial outturn for the States of Jersey Group, as well as the outturn for the income and expenditure approved by the States Assembly. This section of the report provides background information about the services and activities those figures represent, setting out what is and what is not included in the Group and States of Jersey's accounts.

Government and Non-Ministerial Activities

The Government collects taxes and other levies to fund the provision of a wide range of public services which it administers. These include health care, education, social security, the administration of justice, the provision and maintenance of infrastructure, the protection of the environment and support for the economy, agriculture, fisheries, arts, culture and sport. These functions are primarily carried out by Government and Non-Ministerial departments.

The States of Jersey Accounting Boundary

The entities included within the States of Jersey Accounting Boundary are shown below. More information on specific entities is given below.

Core Entities

The Government collects taxes and other levies to fund the provision of a wide range of public services which it administers. These include health care, education, social security, the administration of justice, the provision and maintenance of infrastructure, the protection of the environment and support for the economy, agriculture, fisheries, arts, culture and sport. These functions are primarily carried out by Government and Non-Ministerial departments.

Consolidated Fund – General Revenues and Department Expenditure

The Consolidated Fund is governed by the Public Finances (Jersey) Law 2019 and is the fund through which the majority of the States' income and expenditure is managed, including Net General Revenue Income and departmental income and expenditure.

Trading Operations

Under the Public Finances (Jersey) Law 2019, the States can designate any distinct area of operation as a States Trading Operation. Estimates for Trading Operations are approved in the Government Plan.

States Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2019 names two States Funds – the Strategic Reserve Fund and the Stabilisation Fund.

The Public Finances (Jersey) Law 2019 also allows the States to establish other States funds for specific purposes.

These are usually established by legislation or a States Assembly decision. A full list of the funds, their purpose and the net asset values held is provided later in this section on page 104.

Social Security funds

In 2013 the Accounting Boundary was expanded to include the Social Security Fund, Social Security (Reserve) Fund and Health Insurance Fund. The Jersey Dental Scheme and the Long-Term Care Fund, were also included in this category.

States-controlled subsidiary entities

Andium Homes Limited

The wholly owned social housing provider. It is Jersey's largest provider of affordable housing, managing more than 4,700 properties and providing homes for more than 10,000 Islanders.

Ports of Jersey Limited

The wholly owned operator of the Island's Airport and Harbours, providing the strategic gateway infrastructure and associated services.

Jersey Development Company

The wholly owned company responsible for the development and regeneration of States owned property no longer required for the delivery of public services.

The above subsidiaries are distinguished from the Strategic Investments in the utility companies shown below by way of the level of control exerted by the Government of Jersey. This judgement has been written in to the accounting boundary defined in the Jersey Financial Reporting Manual ('JFReM') but it is anticipated it will be removed and these entities will also be consolidated within the States of Jersey accounting boundary in future years as part of the continual review of the JFReM against International Financial Reporting Standards ('IFRS').

The relationship with the entities below is judged to be sufficiently different to consider them outside of the group boundary for accounting purposes.

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 are not included in these accounts). These include:

Parishes

The Parishes perform various government functions, including refuse collection, provision of some parks and gardens and the issuing of some licenses. Details of the functions of individual parishes can be found on the Parishes' websites. 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 Government owns controlling investments in the following utility companies:

- Jersey Electricity PLC
- The Jersey New Waterworks Company Limited
- JT Group Limited
- Jersey Post International Limited

In accordance with the interpretation of direct control applied in the Jersey Financial Reporting Manual ('JFReM') based on the States, Council of Ministers or a Minister exercising in year control over operating practices, these entities are not consolidated in these accounts and are held as strategic investments.

More information about the valuation of these companies is given in Note 4.11.

Independent bodies

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

Minor Entities not consolidated but within the accounting boundary

There are a number of smaller entities which fall within the accounting boundary of the States of Jersey but which are not consolidated as they are immaterial to the financial statements as a whole.

States of Jersey Group (SOJ Group)

States Assembly approved

Consolidated Fund

- Ministerial Departments
- Non-Ministerial Departments
- Jersey Overseas Aid Commission*
- General Revenue Income

Trading Operations

- Fleet Management
- Car Parking

Funds

- Strategic Reserve
- Stabilisation Fund
- Currency Fund
- Insurance Fund
- Loans Funds
- Tourism Development Fund
- Lottery Fund
- Housing Development Fund
- Confiscations Funds
- Ecology Fund
- Jersey Reclaim Fund
- Climate Emergency Fund
- Fiscal Stimulus Fund
- Jersey Innovation Fund
- Technology Accelerator Fund
- Social Security Fund
- Social Security (Reserve) Fund
- Health Insurance Fund
- Long Term Care Fund
- Jersey Dental Scheme

Wholly owned companies

- States of Jersey Development Company Ltd
- Andium Homes Ltd
- Ports of Jersey Ltd

SOJ Group – Financial Performance

SOJ Group

- **Revenue £1.5 billion** (up 6%)
- **Expenditure £1.6 billion** (up 4%)
- **Losses from the revaluation of investments of £213 million compared to gains of £348 million last year**

Highlights Include:

States Assembly approved

Net General Revenue Income £1,028 million. £30 million (3%) increase from 2021. Includes:

- Income Tax £720 million (up 12%)
- GST £118 million (up 11%)
- Impôts and Stamp Duties £121 million (up 14%)
- Dividends £12 million (down 75%)

Department Net Expenditure £873 million. £15 million (2%) decrease from 2021. Includes:

- Staff Costs £512 million (up £35 million, 7%)
- Social Benefits Payments of £127 million (down £29 million, 19%)

Operating Surplus £155 million. (£110 million in 2021)

Surplus after depreciation £104 million. (£59 million in 2021)

Revenue spend on projects less net income from trading operations £35 million (£12 million in 2021)

Funds

Income £366 million. £33 million (10%) increase from 2021. Includes:

- £326 million of Social Security contributions excluding those from the States of Jersey (up 10%)

Expenditure £440 million. £35 million (9%) increase from 2021. Includes:

- Social Security contributory benefits £376 million (up 7%)

Net Operating Expenditure £74 million (£72 million 2021)

Investment losses of £239 million. (£326 million gains in 2021)

Net Expenditure £313 million. (£254 million net income in 2021)

Subsidiaries

Income £109 million. £11 million (11%) increase from 2021. Includes:

- £58 million of rental income through Andium Homes (up 5%)
- £29 million of sales in Ports of Jersey including landing dues (up 38%)

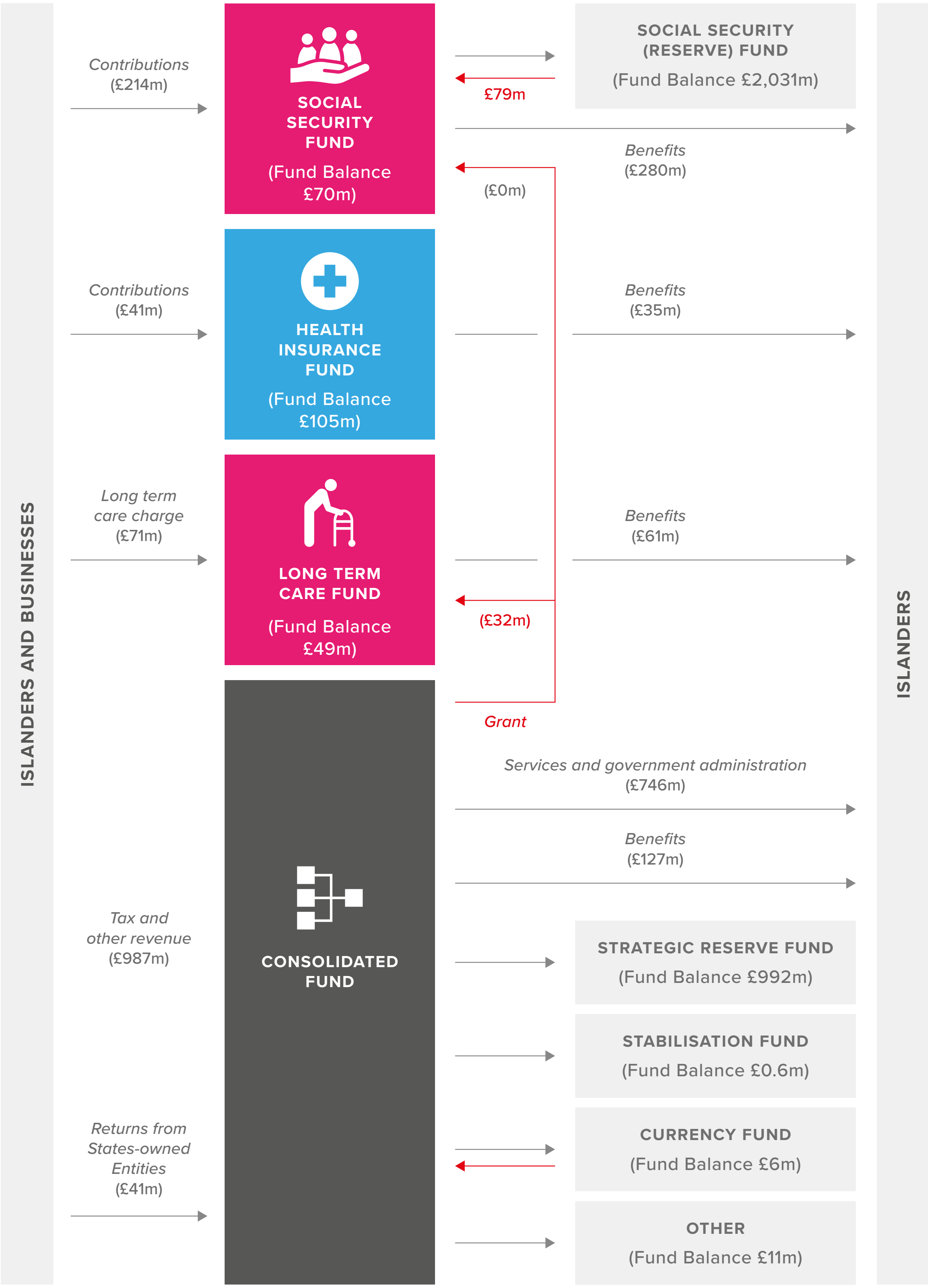
Expenditure £111 million. £9 million (7%) decrease from 2021. Includes:

- £30 million of staff costs (up 15%)
- £29 million of financial returns to the States of Jersey from Andium Homes (down 5% from 2021)
- £18 million of premises and maintenance costs (up 16%)

Net Operating Expenditure £2 million. (£22 million in 2021)

(Rounding applied)

How Islanders' Money Is Used



Financial Summary 2022

States of Jersey Group

Revenue

£1.44bn	2021
£1.53bn	2022

Expenditure

£1.53bn	2021
£1.59bn	2022

Overall

£63m Deficit

__Excluding__ investment revaluation losses and movements in pension past service liabilities

£268m Deficit

__Including__ investment revaluation losses and movements in pension past service liabilities

Breakdown of Revenue

		Movement from 2021	% of Total
£839m	Taxation Revenue	£89m (12%)	55
£269m	Social Security Contributions	£28m (11%)	17
£148m	Island rates, duties, fees, fines and penalties	£19m (-11%)	10
£227m	Earned through operations	£23m (11%)	15
£45m	Investment Income	£29m (-39%)	3

Breakdown of Expenditure

		Movement from 2021	% of Total
£471m	Social Benefit Payments	£6m (-1%)	30
£520m	Staff Cost	£38m (8%)	33
£388m	Other Operating Expenditure	£24m (7%)	24
£89m	Depreciation and Amortisation	£2m (-2%)	6
£70m	Grants and Subsidies Payments	£2m (-2%)	4
£34m	Finance Costs	£7m (24%)	2
£18m	Impairments	£1m (5%)	1

(Rounding applied)

Excluding losses on the revaluation of investments and the movement in the pension liabilities, expenditure exceeded income by £63.0 million in 2022, compared with £95.4 million in 2021. (See the 'Operating Net Revenue Expenditure/(Income)' line in the Statement of Comprehensive Net Expenditure on page 231).

Revenues increased overall with taxation revenues increasing by £89.1m (12%) and social security contributions by £27.6m (11%).

Expenditure increased overall by £60.0 million (4%) in 2022. Social benefits expenditure reduced by £5.5m (1%) which is the result of reduced levels of Covid-19 benefits for the second consecutive year. This was offset by increases across other benefits.

Staff costs increased by £37.6m (8%) in 2022 reflecting an increase in the number of staff and pay awards in the year. There is more detail on staff numbers and costs by segment in the Staff Report.

Finance costs have also increased by £6.6 million (24%) to £34.2 million in 2022 which is primarily the cost of servicing the additional bond issued in 2022 to repay the pension past service liabilities and the revolving credit facility.

Non-Operating Gains/Losses

In a challenging market setting, the Common Investment Fund generated a net loss of 6.5% in 2022, outperforming most market indices and not fully eroding the gains of 10.5% seen in 2021. This resulted in losses of £213 million compared to gains of £348 million in 2021.

Investments are subject to volatility and are best viewed over a long term investment horizon. While the 2022 loss has reduced performance over all timescales, performance over 3,5 and 10 years remains positive at 3.7%,4.2% and 7.2% respectively. Since inception in June 2010, the CIF has delivered an annualised average net return of 7.2%.

The pension debt liabilities reduced by £8 million in 2022 compared to a £14 million increase in 2021. This valuation movement was prior to the full repayment of these liabilities using the proceeds of the additional borrowing in 2022.

These items have been separated in the financial statements as they are non-operational and subject to greater volatility. Isolating them makes it easier to understand the underlying financial performance of the organisation.

Including all of the above, there was a deficit of £268 million in 2022 compared to a surplus of £239 million in 2021.

(See the 'Net Revenue Expenditure/(Income)' line in the Statement of Comprehensive Net Expenditure on page 231).

States Assembly Approved

Net General Revenue Income

£998m	2021
£1.03bn	2022

Expenditure (including depreciation)

£939m	2021
£924m	2022

Overall

£104m Surplus

(after depreciation)

Including depreciation, there was a surplus of £104 million in 2022 compared to £59 million in 2021. As agreed in the Government Plan 2022, no States Grant to the Social Security Fund was made in 2021 or 2022. This would have been an additional expenditure of £65 million in 2021 and £80 million in 2022.

Breakdown of Net General Revenue Income

		Movement from 2021	% of Total
£720m	Net Income Tax	£78m (12%)	70
£118m	Goods and Services Tax (GST)	£11m (11%)	12
£67m	Impôts Duties	£14m (-17%)	7
£54m	Stamp Duty	£7m (-11%)	5
£15m	Island Rate	£0.8m (6%)	1
£12m	Other Income (Dividends)	£36m (-75%)	1
£14m	Other Income (Non Dividends)	£1.5m (-9%)	1
£29m	Other Income (Return from Housing Associations)	£1.5m (-5%)	3

(Rounding applied)

£ Net Income Tax

Net General Revenue Income for 2022 was £1,028.4m compared to £998.1m for 2021.

Net income tax was £77.9m (12%) higher than 2021 and comprised Personal Income Tax of £599.4m and Companies Income Tax of £121.5m.

In the latest Fiscal Policy Panel (FPP) report (FPP Annual Report March 2023), the Panel suggest strong growth in all of the components used in the forecasting model for income with the growth in overall income suggested to be the highest in over a decade.

In preparing their economic assumptions, the FPP also assume that employment income will rise consistently in the finance sector whilst non-finance sectors will see a period of above trend growth. This reflects the strong post-pandemic recovery in the labour market.

Personal income tax for 2022 is £41.6m (7%) higher than reported in 2021. This is £42.3m higher than the estimate in the Government Plan 2022 and £29.4m higher than the most recent forecast used in Government Plan 2023-26.

The increase in 2022 personal income tax revenues reflect a continued growth in earnings in line with the expectations of the FPP.

Companies Tax increased by £36.1 million (42%) from 2021 and was £26.8m higher than estimated in the Government Plan 2022 and £11.5m higher than the latest forecast used in the Government Plan 2023-26. As Company Tax is recognized one year in arrears, this reflects a recovery in 2021 profits following the impact of the pandemic on business in 2020.

GST

GST increased by £11.0 million (10%) compared to 2021. The outturn was approximately £14 million higher than the estimate in the Government Plan 2022.

The retail sector makes up the largest proportion of GST revenue with 43% in 2022. As GST is a sales-based tax, revenue generally increases in-line with inflation assuming there are no big changes in overall sales volumes. The All items Retail Price Index (RPI) or Jersey increased by 12.7% during the twelve months to December 2022. GST from the retail sector increased by 14% in 2022, up to £43.9 million.

While the impacts of restricted off-island travel due to Covid-19 were less in 2022 compared to prior years, travel numbers haven't returned to pre-pandemic levels. This, combined with the increase in online shopping with the reduction in the de minimis for GST on imported goods introduced in 2021 has also led to an increase in import GST.

The next largest sectors for GST revenue are financial services and hospitality with increases of 20% and 36% respectively which, again, reflects an increase in activity and turnover across both of those sectors in 2022.

Impôts Duties

Impôts decreased by £13.7 million (17%) from 2021. The outturn was £5.6 million lower than the estimate in the Government Plan 2022 and £7.6 million lower than the forecast included in the Government Plan 2023-26.

Income from Impôts was significantly higher than trend over 2020 and 2021. This has been largely attributed to the lack of opportunities for duty free imports with restricted travel. Limited travel restrictions were in place in 2022 which corresponds with a significant reduction in duties from both tobacco and spirits as the two most common duty free commodities.

Tobacco saw the largest reduction in duties received with a reduction of £11.9 million (46%).

The Government Plan 2022 continued the published policy to increase tobacco duty by an additional 65p (RPI (3.5%) + 6.0%) per pack of 20 cigarettes and an additional £3.55 (RPI + 10%) per 50g tobacco pouch in 2022 on health grounds. In addition, new legislation came into force in Jersey on 31st July 2022 introducing plain packaging for domestic sales and banning flavoured cigarettes (e.g. menthol) from being produced or supplied in the Island. The Restriction on Smoking (Standardised Packaging and Labelling) (Jersey) Regulations 2021 are intended to encourage smokers to stop smoking and may in turn contribute to the steady decline in consumption and quantities of duty paid tobacco in Jersey which for the period 2015-2019 averaged about -6% each year.

It is difficult to precisely separate the impact of duty free imports and public health policy on the consumption of duty paid tobacco products but there was a clear spike in duties during the periods of restricted travel. The reduction in 2022 brings tobacco duties more in line with pre-pandemic levels albeit the lowest since 2015.

Duties from spirits reduced by £2.0 million (22%) in 2022 which brings it in line with the pre-pandemic trend, suggesting reduced duty free imports during 2020 and 2021 are the primary factor.

Stamp Duty

Stamp Duty decreased by £6.7 million (11%) from 2021. The outturn was £12.6 million higher than the estimate in the Government Plan 2022 and £0.6 million lower than the forecast included in the Government Plan 2023-26.

2021 was a particularly strong year for property transactions with a lot of activity in the market and strong growth in property prices. While that did carry on through 2022, conditions had already shifted in the latter half of the year as economic conditions tightened and the Bank of England Bank Rate was increased from the unprecedented low levels seen in recent years. The Bank Rate shifted from 0.25% at the start of 2022 to 3.5% as the year closed with broader impacts seen in the commercial residential lending markets following unexpected UK Government policy announcements leading in to Quarter 4.

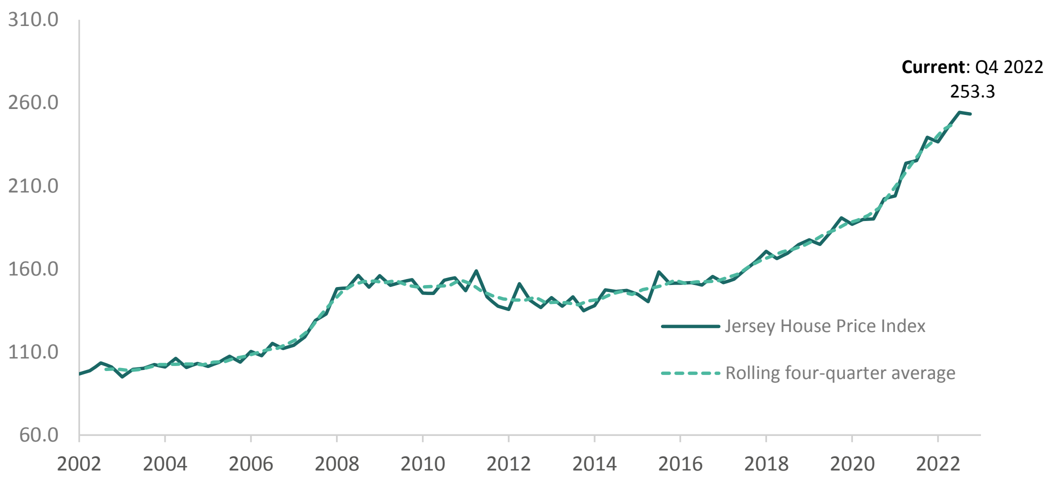
The turnover of properties was 12% lower in 2022 compared to 2021. This comprised an increase in the sale of 1-bedroom properties with decreased sales of all other property types.

There were 341 court transactions with a consideration value of £1.0 million or more in 2022 compared to 431 in 2021. The five largest stamp duty transactions yielded combined duty of £5.1 million in 2022 compared to £6.5 million in 2021.

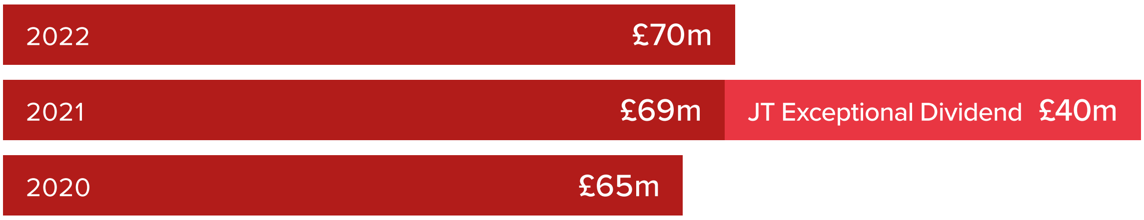
House prices have seen a significant increase in the last few years as illustrated by the below chart from the Statistics Jersey House Price Index Quarterly Summary for Q4 2022. The House Price Index was 11% higher in 2022 than 2021.

Figure 1 – Jersey House Price Index, Q1 2002 to Q4 2022

(2002 = 100; including share transfer properties and non-seasonally adjusted)



Other Income Sources



2021 included a special dividend of £40m from JT Group following the sale of its Internet of Things business.

Excluding this exceptional item, other income increased by £1.5 million (2%) from 2021. The outturn was £3.9 million higher than the estimate in Government Plan 2022 and £7.4 million higher than the forecast included in the Government Plan 2023-26.

While dividend and non-dividend income was higher than forecast for 2022, with company registration fees and tax penalties exceeding expectations, the return from Andium Homes was lower than estimated in the Government Plan 2022 due to the rent freeze and reduction in the market rent cap from 90% to 80% agreed by the States Assembly.

Breakdown of Net Revenue Expenditure By Department

Net Revenue Expenditure	Department	Movement from 2021	% of Total
£247m	Health and Community Services	£18m (8%)	28
£176m	Children, Young People, Education and Skills	£19m (12%)	20
£92m	Customer and Local Services	£0.5m (1%)	11
£75m	Treasury and Exchequer	£0.8m (-1%)	9
£49m	Infrastructure, Housing and Environment	£2.7m (6%)	6
£39m	Chief Operating Office	£5.7m (17%)	4
£37m	Department for the Economy	£4m (12%)	4
£32m	Justice and Home Affairs	£1.6m (5%)	4
£26m	States of Jersey Police	£0.7m (3%)	3
£15m	Jersey Oversea Aid	£2.5m (21%)	2
£12m	Strategic Policy, Planning and Performance	£2.4m (26%)	1
£6m	Office of the Chief Executive	£0.4m (8%)	1
£3m	External Relations	£0.6m (24%)	0
£33m	Non Ministerial States Funded Bodies and the States Assembly	£5m (16%)	4
£43m	Covid 19 Response	£66m (-61%)	5
£0m	Debt management	£0.1m	0
£0.1m	Finance Costs	£0.1m	0
(£9m)	Past Service Pension Liabilities Refinancing	£9m	-1

(Rounding applied)

Breakdown of Net Revenue Expenditure By Type

Net Revenue Expenditure	Type	Movement from 2021
(£123m)	Income	£20m (19%)
£127m	Social Benefit Payments	£29m (-19%)
£512m	Staff costs	£35m (7%)
£278m	Other Expenditure	£5m (2%)
£68m	Grants and Subsidies Payments	£5m (-7%)
£11m	Financing*	£1m (-8%)

(Rounding applied)

*net of £11.8 million gains on a hedging arrangement in 2022

In 2022, Near Cash Net Revenue Expenditure for departments was £873 million (2021: £888 million. This included departmental income of £123 million (2021: £103 million), giving gross expenditure of £996 million (2021: £991 million).

Before taking account of Covid and financing related expenditure, Net Revenue Expenditure increased by £61 million (8%).

Once Covid and financing spend is taken in to account, 2022 Net Revenue Expenditure fell by £15 million (2%) compared to 2021 being the net impact of the £66 million (61%) reduction in costs associated with the response and management of the Covid-19 pandemic and increased income received directly by departments. The reducing cost of Covid-19 is reflected in the £29 million (19%) reduction in social benefits expenditure in 2022 (breakdown can be found in Note 4.6 on page 256), £5 million (7%) reduction in grants and subsidies (breakdown can be found in Note 4.8 on page 258) and £20 million (19%) increase in income in the above chart.

This was offset by a £35 million (7%) increase in staff costs due to an increase in staff numbers and pay awards and other expenditure which increased less than inflation during the year. Details are provided in the Staff Report on page 184 and Note 4.7 on page 257.

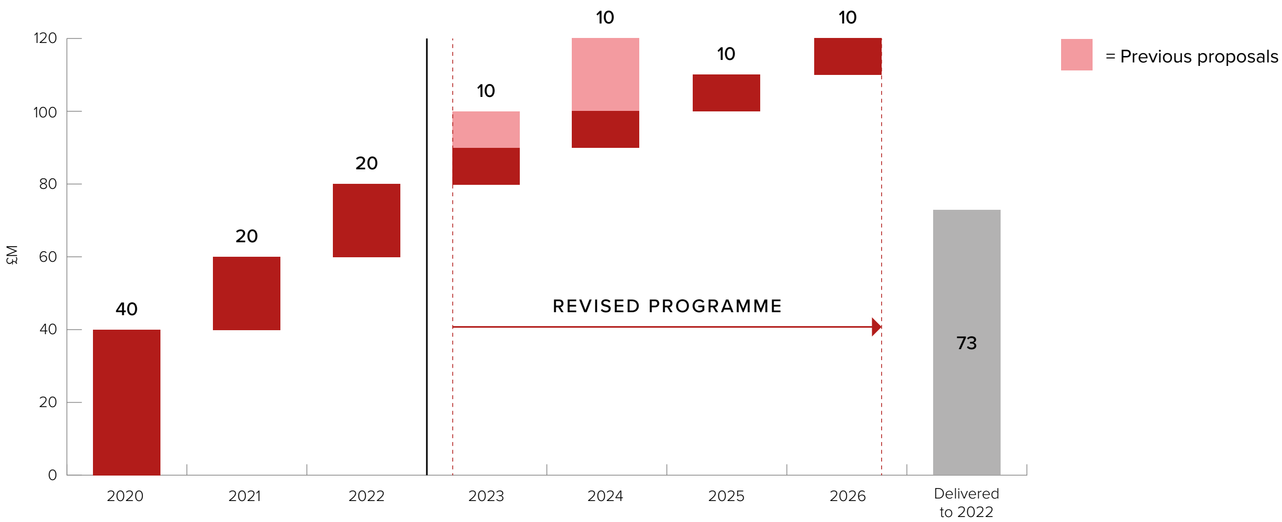
Efficiencies and Rebalancing for 2022

The Government Plan 2020-2023 set out the ambition to achieve £100 million of efficiencies, with the first £40 million to be achieved in 2020. Within the Government Plan 2021-2024, the Council of Ministers added a further £20 million objective in 2024, increasing the total value to £120 million of efficiencies and other rebalancing measures to be delivered across 2020 to 2024.

It became apparent during 2022 that the last year of the original rebalancing (efficiency) programme would not meet targets, particularly in the frontline services such as HCS and CYPES. This led to the new government reconsidering the targets, setting out a four-year programme for realising a total of £40m of savings, with a significant focus on targeted Value for Money Reviews.

More detail can be found in the Government Plan 2023-2026.

Below is an illustration of the cumulative delivery of the efficiencies and value for money programme over 2020 - 2026, including the revised profile across 2023 - 2026.



States Funds

During 2022, the funds saw expenditure exceed income before investment returns by £74 million compared to £72 million in 2021.

After investment losses of £239 million (£326 million gains in 2021), Funds had net expenditure of £313 million compared to net income of £254 million in 2021, reflecting no States Grant to the Social Security Fund in each year.

The biggest impact in 2022 was the performance of investments which suffered revaluation losses in extremely challenging market conditions. However, the losses in 2022 are still only equal to 73% of the gains recorded in 2021.

A more detailed look at investment performance in 2022 can be found on page 101.

The Social Security Fund was again impacted by the approval of the States Assembly to cancel the grant paid by the States Treasury and Exchequer from taxation income to supplement Social Security Contributions. The Fund managed that lost income in 2022 through a transfer of £79 million from the Social Security (Reserve) Fund.

Social Security contributions from employers and employees increased by £30 million (10%) to £326 million and social benefits payments increased by £24 million (7%) to £376 million.

60% of social benefits spend out of the Funds is on old age pensions which increased by £15 million (7%) in 2022 to £227 million.

Strategic Reserve Fund

Social Security (Reserve) Fund

Subsidiary Companies

These accounts consolidate the activities of three wholly-owned subsidiary companies: the States of Jersey Development Company, Andium Homes and Ports of Jersey.

The headline performance of each is shown below including investment gains/ losses and before any adjustments in the group accounts for payments made to or from the States of Jersey and differences in accounting treatment.

The financial performance reported below for the subsidiary companies may vary from those reported directly by the entities due to adjustments made during the final stages of respective audits.

More information can be found in the Annual Report and Accounts for each entity which will be published through their respective websites below.

Andium Homes Limited

Ports of Jersey Limited

States of Jersey Development Company Limited

Jersey Development Company Net Income

Jersey Development Company's operational performance remained stable with property rental and car parking income offsetting staff and operational expenses.

However, there was a loss of £1.5 million in 2022 due to the impairment of inventory which was principally because of increased financing costs. This was offset by an unrealised gain of £3.2 million resulting from a hedge, reflecting measures taken to protect the Company against interest rate increases.

Completion of the first block at the Horizon development narrowly missed year end hand over to purchasers, with 108 apartments ready shortly thereafter. The expected share of profits will now be recognised in 2023.

Construction is well underway on the latest office building at the International Finance Centre, IFC6, with the superstructure complete by year end and the project on target for completion in November 2023.

Developments continue to be funded from retained earnings and financing.

Andium Homes Net (Expenditure)

Andium's performance remained stable in 2022 with a £2.6 million increase in operational income from £56.8 million to £59.4 million which is predominantly property rental from the social housing estate with an additional 206 new homes delivered in 2022.

The net expenditure position improved in 2022 from £31.1 million in 2021 to £8.1 million. This is largely a reflection of the continued strength of the housing market, resulting in a reduction in the impairment of our housing stock.

This position also includes a financial return from Andium to the Government of £28.6 million in 2022 (£30.2 million in 2021), which was reduced following agreement by the States Assembly following the decisions to freeze social housing rents and cap them at 80% of market rate compared to 90% of market rate previously.

Ports of Jersey Net (Income)

While the Jersey Development Company and Andium Homes were not significantly impacted by the pandemic, Ports of Jersey suffered significant financial impacts through the loss of travel through the airport and, to a lesser but still significant extent, the harbour.

2022 saw recovering air and sea passenger numbers which contributed to an overall increase in income of £9.3 million (26%) to £45.5 million. Operating costs also increased with the largest increase at the Airport.

Overall, Ports of Jersey moved from net expenditure of £0.7 million in 2021 to net income of £4.7 million in 2022.

Capital and Project Expenditure

2022 saw significant capital and project expenditure. A total of £273 million (£258 million in 2021) - equivalent to 6% of the total value of property, plant and equipment - was spent on capital projects across the States of Jersey Group, comprising:

£273 million

£102m by Departments including:	**£17.6m** on Sewage Treatment Works **£14.7m** on Integrated Technology Solution **£12.1m** on Our Hospital
£3m by Trading Operations including:	**£2.2m** on vehicle and plant replacement **£0.5m** on car park refurbishments
£105m by Andium Homes including:	**£29m** on acquisitions **£15.8m** on Edinburgh House (La Collette Low Rise) **£12.1m** on Cyril Le Marquand Court (Ann Court) **£6.6m** on The Mayfair **£16.4m** on The Limes **£16.6m** on Major refurbishments
£12m by Ports of Jersey including:	**£5.3m** on Harbour Master Plan works **£2.7m** on St Helier Marina works
£51m by States of Jersey Development Company: *(including that of the Joint Venture) on:*	**£32.2m** on the Horizon Development **£17.0m** on the International Finance Centre

A full list of projects with a breakdown of the budget approved in the Government Plan compared to actual spend for 2022 can be found in the Statement of Outturn against Approval section within the Accountability Report on page 200.

Our Hospital Project - Impairment

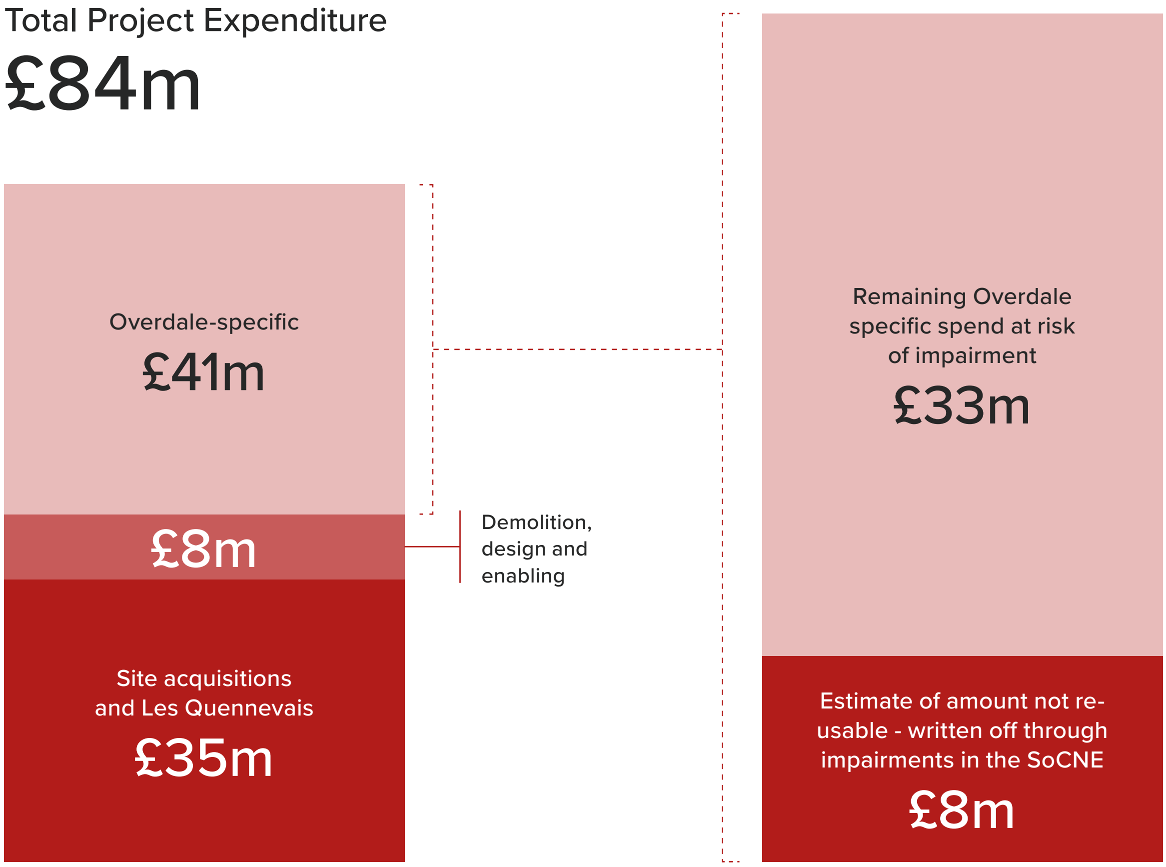
Government ministers announced in 2022 that the project to build a single facility at Overdale will not be progressed. A review of the proposals found "… *the Our Hospital Project is no longer achievable within the £804.5 million funding approved by the last States Assembly, and that it would cost between £70 million and £115 million more under current market conditions*."

Revised proposals are for a smaller development at Overdale and a redevelopment of the site of the current hospital and adjacent sites. The revised proposals are subject to approval by the States Assembly.

On that basis, a judgement has been made in these accounts that some of the costs incurred on the Our Hospital project will no longer contribute towards the revised solution so they should be recognised through expenditure during the year. This is an estimate based on information available at the time of preparing the accounts. Further information is provided on the uncertainty in Note 4.3.

In summary:

- The total spend on the Our Hospital project to the end of 2022 was £84 million.
- £35 million of that was on site acquisitions and work that will continue to contribute towards subsequent plans such as the Health and Wellbeing Centre at the former Les Quennevais School.
- The remaining £49 million includes £8 million of costs such as demolition and design that are also likely to be reused.
- The balance of £41 million of Overdale-specific costs are at risk of being written off.
- A judgement has been made that 70-90% of the £41 million can be re-used – this does not equate to 70-90% of the floor area or building size.
- A central estimate of 80% of the £41 million being re-usable has been used so an impairment of £8 million (20%) has been recognised in the SoCNE.

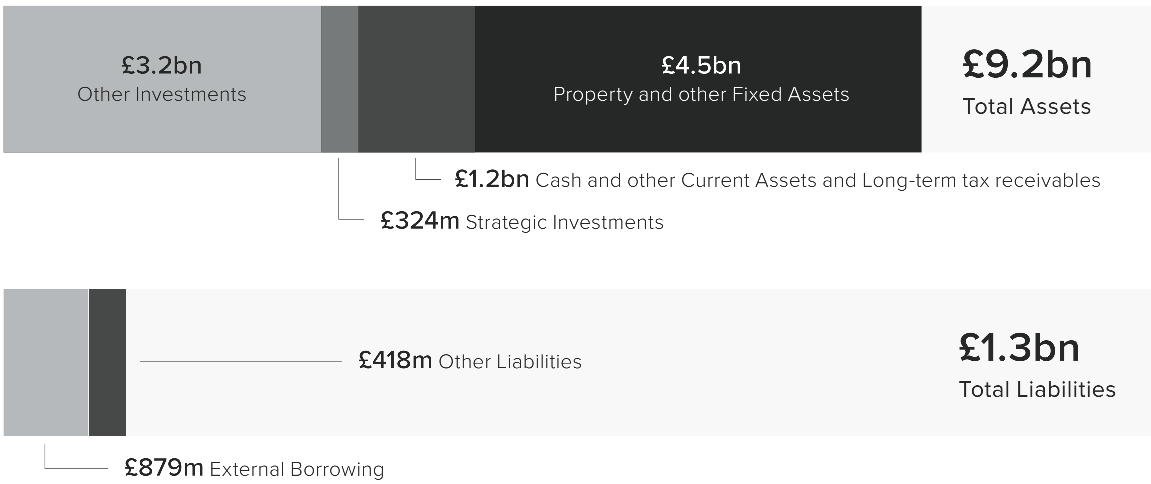


This assumption and estimate will be revisited once a decision has been made with an update provided in the 2023 Annual Report and Accounts. All expenditure across the Future Hospital and Our Hospital projects will be considered in any final judgement.

SOJ Group – Balance Sheet

The States net asset position of £7.9 billion is illustrated by the chart below. The States has total assets of £9.2 billion compared to total liabilities of £1.3 billion. This is a small decrease in the net asset position which was £8.1 billion in 2021.

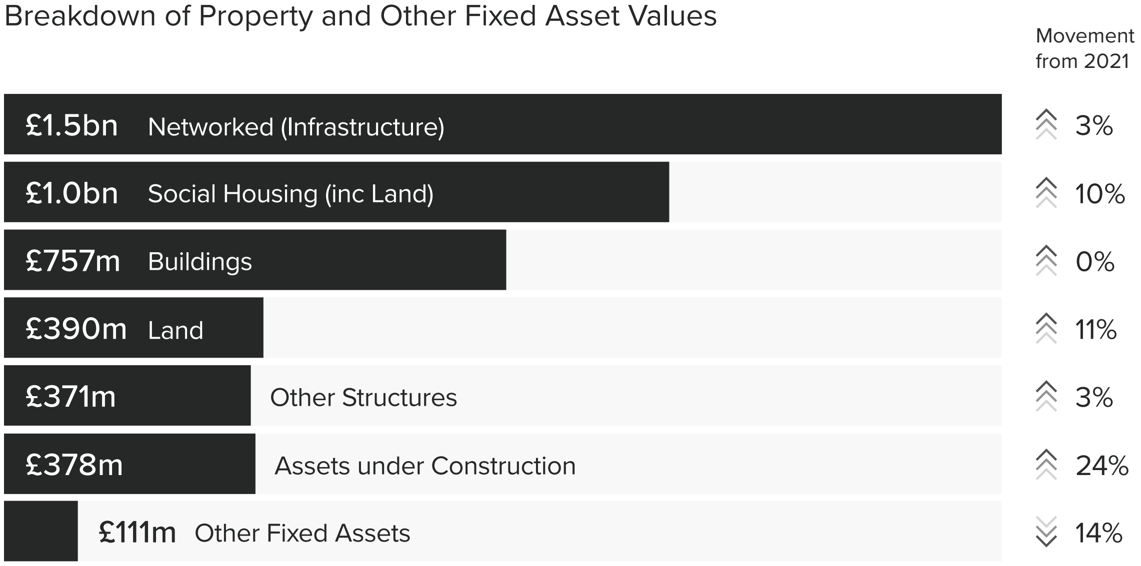
Breakdown of Assets and Liabilities



(Rounding applied)

The majority of the States assets comprise property, plant and equipment of £4.5 billion (up £241 million, 6% from 2021), which includes the Island's infrastructure assets, States land and buildings and the social housing stock administered by Andium Homes Limited. External valuations were carried out in 2022 on land and buildings, social housing and infrastructure assets resulting in upwards revaluations of £281 million offset by downwards movements of £102 million.

Breakdown of Property and Other Fixed Asset Values



The second biggest group of assets totalling £3.5 billion comprises the cumulative investment holdings and includes the funds of the Strategic Reserve and Social Security Funds.

Spotlight on: Pension Refinancing

Pensions liabilities relating to past service have been paid off in full as set out in Note 4.20. In accordance with the plan agreed by the States Assembly in the Government Plan 2022, an amount of £337.5 million for PECRS pre-87 debt and £135.2 million for the JTSF pre 2006 debt were paid in 2022 to clear the liabilities. This was funded from the additional borrowing taken out in 2022 in the form of a £500 million government bond issuance.

The new debt, issued at a lower rate, replaces the older debt paying higher rates earning a net saving for the Government.

The balance of the debt issued has been used to fund expenditure in respect of healthcare facilities.

More detail on the borrowing is provided in Note 4.16.

Movements in Assets and Liabilities

The value of fixed assets such as land and buildings increased by £241 million (6%) in 2022. This follows external professional valuations of land and buildings, infrastructure and social housing assets.

Receivables have increased by £46 million in 2022. This was predominantly due to an increase in Income Tax receivables and accrued income of £81 million which reflects the increase in revenue recognised for both personal and companies taxpayers driven by increased earnings and profits respectively. That increase was offset by reductions across other receivables including a £26 million reduction in Social Security accrued income as the frequency of payment periods increased, reducing the need for estimated liabilities (contributions revenue) for payees. £10.6 million of Social Security Contributions were deferred as at the end of 2022 (£17.8 million as at the end of 2021).

From 2021 all taxpayers became current year taxpayers and 2019 tax bills were frozen but will have to be paid in the future. This frozen tax debtor has been recognised within Taxation Receivables falling due after one year. This does not impact the total receivables but it did reduce current receivables due within one year and increase receivables due over one year. The balance was £316 million as at the end of 2022 as £13 million was paid during the year and assessments were reviewed.

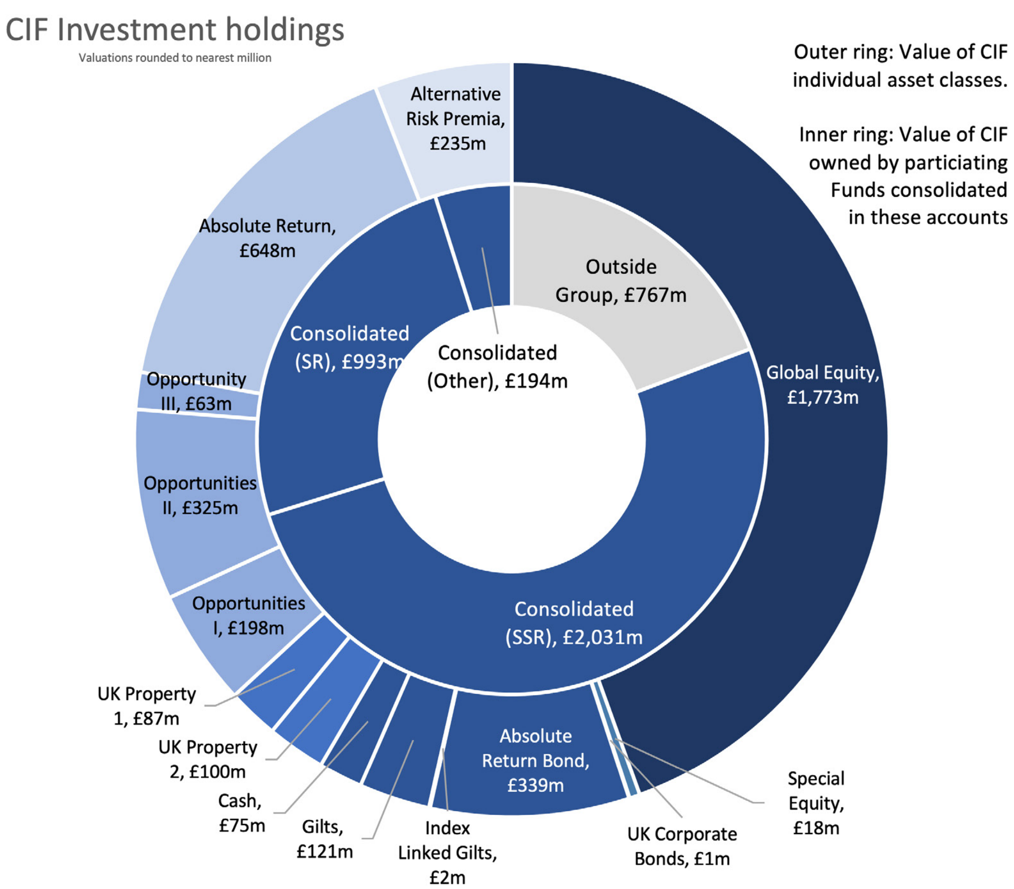
The Common Investment Fund

The Government of Jersey operates its investments through the Common Investment Fund ("CIF"), a pooling arrangement designed to capture economies of scale and enable the effective risk management of the portfolios of Funds it administers. Some Funds which participate in the CIF are outside the direct control of the GoJ and therefore not consolidated in these accounts – most notably the Jersey Teachers Superannuation Fund who produce and publish their own accounts.

Each Fund operating through the CIF follows an investment strategy, collated into an Investment Strategy document presented to the States Assembly by the Minister at least annually and published online (The most recent strategy published in 2022 can be found here). (r.131-2022.pdf (gov.je))

Each Fund strategy is specific to that Fund and designed to meet its individual objectives, such as to protect capital value, provide liquidity or grow over time. The asset allocation and performance of the total CIF is a reflection of these underlying Fund level investment strategies and, in particular, of the two largest invested Funds, the Strategic Reserve Fund ('SR') and Social Security Reserve Fund ('SSR'), which make up over 90% of the investment portfolio consolidated within these accounts.

The following chart illustrates the total value of the CIF as of the year end.



The investment portfolio of the States is exposed to risk through participation in the various markets through which long term returns are generated. In constructing the portfolio, due attention is given to diversification, most notably but not solely, across asset class, sector, and geography. Diversification is designed to spread risk and smooth out unsystematic risk events in a portfolio, so the positive performance of some investments neutralises the negative performance of others. In simple terms, it is the process of ensuring not all eggs are in one basket.

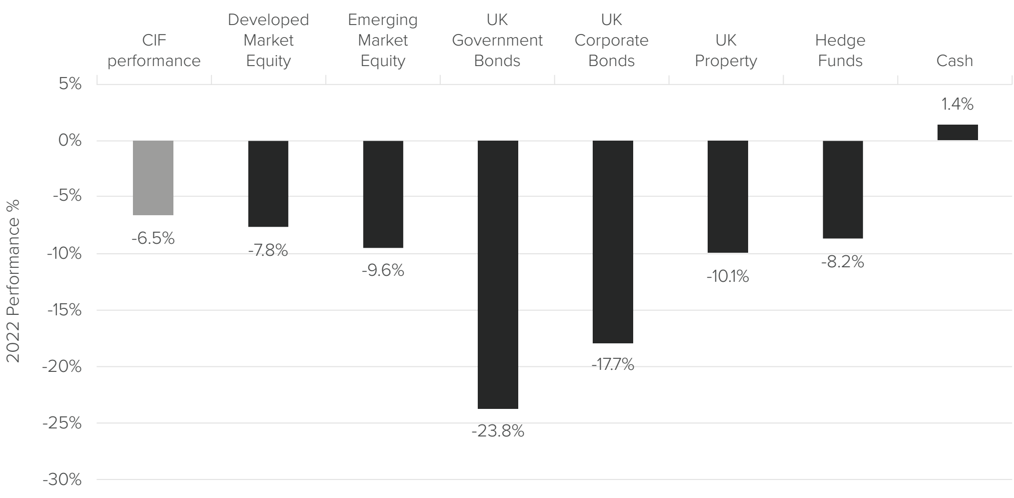
2022 Performance

2022 was a challenging year for the portfolio, driven by a number of shocks impacting an unusually broad range of investment classes. The Russian invasion of Ukraine at the beginning of the year resulted in a sharp selloff of equities, as geopolitical risk took centre stage and unsettled markets. Consequent spikes in energy prices driven by concerns about European gas reserves and ongoing supply chain issues exacerbated by Chinese measures to contain Covid contributed to significant and persistent inflation necessitating aggressive central bank interest rate hikes.

Fixed income and equity markets globally were both negatively affected, suffering significant falls. The losses were unusual in how widely spread they were across different, normally less correlated, markets.

Although losses have been seen across all key markets as illustrated in the graphic below, the diversification of the CIF has provided some protection. Wary of the potential for rising rates to negatively impact the portfolio, care has been taken to ensure diversification by strategy, including allocation to a number of market neutral strategies such as absolute return, and non-correlated assets such as alternative risk premia, designed to generate returns and provide protection even in a rising rate environment such as that seen this year. These strategies have been successful in preserving value.

2022 Market backdrop

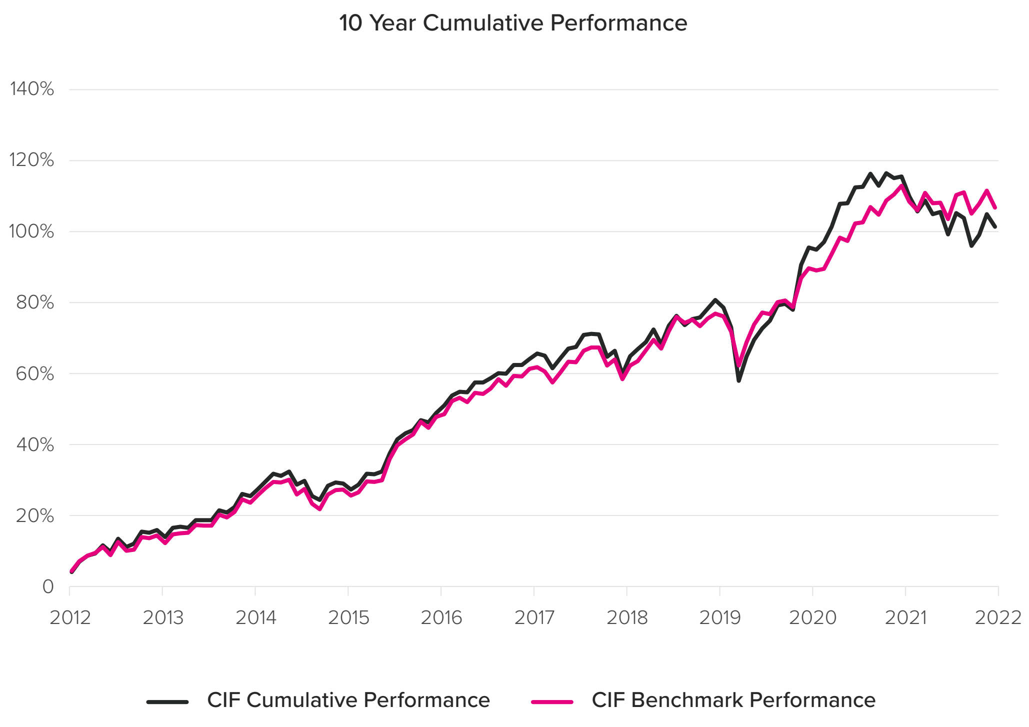


However, the CIF as a whole saw a drop in value of 6.5% in 2022, which was a smaller drop than most market indices, but larger that the CIF's composite benchmark (2.9%). This was driven mostly by the relative performance of equity investments against benchmark. The equity pool is a highly active pool, taking concentrated positions away from the benchmark to generate outperformance over the long run. Whilst this is still expected, the performance information is used to assess the quality of the decisions of the CIFs underlying managers.

The CIF invests for the long term, and since inception in June 2010, the CIF has delivered an annualised net return of +7.2%. The drop in value in 2022 is lower than the 10.5% gains seen in 2021, meaning the CIF has increased in value over the 2 years. Nevertheless longer term performance benchmarks have been impacted reducing annualised gains over 3,5 and 10 years to +3.7%,+4.2% and +7.2% respectively.

The two largest participants, the Social Security (Reserve) and Strategic Reserve were impacted - recording losses of 6.9% and 6.4% respectively.

One of the greatest strengths of the States investment portfolio is the ability to take a long-term view and hold assets through periods of volatility to secure improved returns. The following diagram illustrates the power of simple compounded returns over an extended period.



The Treasury Advisory Panel, who advise the Minister and Treasurer, will continue to monitor the CIF's long-term strategic aims and individual managers closely. Periods of underperformance are expected where active investment is undertaken and strategies may underperform across multiple time periods however through a systematic strategic approach to allocation, we have a high degree of confidence that we are well placed to meet our long-term investment objectives for the public of the Island.

States Funds

States Funds	2022	2021	Function
	£000	£000	
Strategic Reserve Fund	991,919	1,031,704	Established under the Public Finances (Jersey) Law 2005 and continued in the 2019 Law with the same name, this is a permanent reserve. The policy for the Reserve was agreed by the States under P.133/2006, 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 subsequently approved P.84/2009 which proposed that this policy be 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.
Stabilisation Fund	571	611	Established under the Public Finances (Jersey) Law 2005 and continued in the 2019 Law of the same name, 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.
Insurance Fund	7,335	8,437	Established in R111/2019 as required under the Public Finances (Jersey) Law 2019, the Fund facilitates the provision of mutual insurance arrangements for States funded bodies and other participating bodies.
Dwelling Houses Loans Fund	1,662	5,286	Established under the Building Loans (Jersey) Law 1950, to establish a building loans scheme to enable residentially qualified first-time buyers, who have never owned residential freehold property in Jersey, to purchase their first home. No new loans were made in 2019.
Assisted House Purchase Scheme	300	2,276	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	837	830	Established by the former Housing Committee under the general powers of the Building Loans (Jersey) Law 1950, this fund allowed the Committee to lend to individuals offering leasehold property as security (at a time when there was no share transfer or flying freehold legislation). It is no longer making new loans.
Agricultural Loans Fund	579	571	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	17	17	Established under P.170/2001 to replace the Tourism Investment Fund, this fund makes grants to the tourism industry in order to improve Jersey's competitiveness and sustain the industry as an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	1,612	2,601	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. The money held is distributed to charities.
Jersey Innovation Fund	848	3,854	Established under P.124/2012, the fund was set up to make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.

States Funds (continued)

States Funds	2022	2021	Function
	£000	£000	
Housing Development Fund	(14,303)	(14,625)	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	1609	4167	These funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Civil Asset Recovery Fund	44	11	
Ecology Fund	457	544	Established in 1991, the purpose of this fund was to support local environmental projects.
Dormant Bank Accounts	0	0	Established under the Dormant Bank Accounts (Jersey) Law 2017. The Fund serves to receive the balances of dormant Jersey bank accounts transferred in accordance with the law. Money from Jersey bank accounts meeting dormancy conditions, as outlined in the Law and accepted by the Chief Minister, are to be transferred into the Fund annually. Banks may reclaim from the Fund amounts paid out to customers in relation to those dormant accounts, up to a maximum equal to the amount paid in. The Chief Minister having consulted the Minister for Treasury and Resources, may determine to make distributions from the Fund for the purposes outlined below: • to defray the cost of the remuneration or other payment for the services of the Commissioner due under the terms of his or her appointment and the cost of providing staff, accommodation or equipment that are required for the proper and effective discharge of the Commissioner's functions; and • charitable purposes in accordance with the Law.
Currency Fund	6,056	13,000	Established under the Public Finances (Jersey) Law 2019, 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.
Climate Emergency Fund	10,362	7,698	The Climate Emergency Fund (CEF) was established in the Government Plan 2020-2023. It provides an initial route of income and source of expenditure for projects tackling the climate emergency.
Fiscal Stimulus Fund	0	0	Established to provide funding for fiscal stimulus projects. Funded from the borrowing facility. Only the amount paid out during the year was required to be drawn down from the borrowing facility which leaves a net asset value of nil.
Technology Accelerator Fund	19,770	0	Established in 2022 to be used to accelerate the use of technology which supports economic, environmental and social priorities such as: • improving productivity and Islanders' skills • supporting new economic opportunities • improving health and wellbeing • responding to the climate emergency.

Social Security Funds

States Funds	2022	2021	Function
	£000	£000	
Social Security Fund	69,858	66,252	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	2,030,724	2,263,660	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	104,696	96,072	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	49,375	41,031	Established under the Long Term Care (Jersey) Law 2013, the fund receives allocations under the Social Security Law, for the purpose of paying out benefits and expenditure relating to longterm care.
Jersey Dental Scheme	33	29	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.