States of Jersey

Financial Report and Accounts 2010

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States of Jersey Treasury and Resources Department

FINANCIAL REPORT AND ACCOUNTS 2010

Treasury and Resources Department

P.F.C. Ozouf	Senator	Minister
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1. Minister's Report

I am pleased to present the 2010 Financial Report and Accounts of the States of Jersey, which for the first time have been prepared in line with UK Generally Accepted Accounting Principles ("GAAP"), interpreted for the public sector in Jersey. The adoption of GAAP will result in greater transparency and better information to guide our decision making.

2010 has been another challenging year, despite the economy showing signs of emerging from what has been a difficult recession. Whilst difficult decisions have been necessary, these accounts show that Jersey's public finances remain strong. We have no debt and a plan to deal with our deficits, and are strongly positioned for the economic upturn.

General Revenue Income, at £546 million was £16 million higher than forecast, but still substantially lower than in 2009. In particular, Income Tax receipts were £394 million compared to £508 million in 2009. Lower employment numbers, lower pay increases, low interest rates and poor investment returns have all contributed to reduce our tax revenues. The drop in tax revenues associated with 0/10 was clearly identified prior to its introduction and this prospective gap was filled by GST, 20 means 20 and efficiencies.

Departments ended the year £23.9 million underspent against approved budgets, which included £8 million that was planned by the States in order to maintain a positive balance on the Consolidated Fund. Net Revenue Expenditure is up compared to 2009, as this includes both expenditure to boost the economy approved through the Fiscal Stimulus programme, and Voluntary Redundancy payments made by departments to enable savings in future years.

The Stabilisation Fund has continued to be put to use for the Island, both through the Fiscal Stimulus programme and through transfers to support the provision of services through the downturn. The Strategic Reserve has been protected and maintained, and holds a balance of £587 million.

Looking forward, there are many challenges facing the States over the coming years. To meet them, the States has approved a Business Plan which, under the Comprehensive Spending Review, sets challenging savings targets whilst maintaining essential services. The States has also made tough decisions in approving a Budget that will ensure that the needs of the Island are funded in a fair and progressive manner, ensuring that we live within our means now, and in the future.

Over the last three years much has been achieved. The Treasury and Resources Department has been fundamentally restructured to consolidate and strengthen its functions. For the first time the States is accounting in line with widely accepted Accounting Standards, as embodied by the Jersey Financial Reporting Manual. Combined with improvements to the way we use our financial systems this will provide better, and more timely, information for decision making. The States has also begun a move to longer term financial planning, which will provide departments with the certainty and flexibility they need to provide services efficiently and effectively.

All that remains is for me to thank all the staff in Treasury and Resources for their hard work again this year, which has seen a major restructure within the department. In particular, I'd like to welcome Laura Rowley, who was appointed Treasurer of the States on 1 January 2011, and who I am sure will drive further improvements in the finance function to strengthen financial management across the States. I also extend my thanks to Malcolm Campbell, the Comptroller of Taxes and Mike Robinson, Head of Customs and Immigration.

Senator PFC Ozouf

Date: 24 May 2011

2. The Annual Report

2.1. Treasurer's Introduction

The 2010 States of Jersey accounts are the first to comply with UK Generally Accepted Accounting Principles (as interpreted for the public sector in Jersey), and the reader will notice significant changes from previous years. More details of the changes are given in Section 6.1, and the move will improve the transparency and usefulness of the accounts. In addition, this, my covering report, has been updated to conform to the best practice recommendations for an Operating and Financial review.

2010 has been a challenging year for the States of Jersey, and the States has been judicious in its efforts to address the future deficits facing the Island, both through the Comprehensive Spending Review (which sets challenging savings over the next three years) and through the Fiscal Strategy Review (which will examine how income should be increased through taxation).

2010 has seen the creation of the Common Investment Fund to make better use of the States' Investments (detailed in Section 2.3.5). We have also seen more economic activity financed from the Fiscal Stimulus programme (as detailed in Section 2.6.4), as well as a significant amount of work on schemes in the Capital Programme (Sections 2.6.3) including the near-completion of the new Energy from Waste plant and significant works on the Health replacement Information and Communication Technology system (the Integrated Care Records [ICR] project).

Finally, the format and content of this covering report have been revised with a view to improving the interpretation and explanation of the financial information included in the Accounts. After a high level analysis of the year's results, the remainder of this report is presented in a number of sections:

- An explanation of the structure of the States of Jersey, and its business and financial planning cycle.
- A detailed financial analysis, including comparison against approvals and previous years, and summary of the States' current financial position.
- A brief outline of the key objectives of the States, and the opportunities and challenges we face.
- An outline of the States' governance structures and policies on Corporate Social Responsibility.

The Accounts also include a separate Remuneration Report and Statement on Internal Control.

2.2. Financial Performance 2010

2.2.1. At a Glance – Financial Results

Table 1 – Financial Results

Year Ended 31 December	Budget / Business Plan 2010 £m	Final Approved Budget Updated Forecast £m	Actual 2010 £m	Actual 2009 £m
Net General Revenue Income	554	530	546	674
Net Revenue Expenditure – Ministerial & Non-Ministerial Departments (Business Plan Basis)	(586)	(623)	(599)	(565)
Net Revenue Expenditure – Trading Operations	–	(4)	(17)	(1)
Budgeting (deficit)/surplus for the year	**(32)**	**(97)**	**(70)**	**108**
GAAP Adjustments – Ministerial & Non-Ministerial Departments	(35)	(40)	(167)	(34)
Other Income/(Expenditure) and Adjustments			22	(30)
Gross Accounting (deficit)/surplus for the year	**(67)**	**(137)**	**(215)**	**44**
Consolidation Adjustments			(14)	2
Net Accounting (deficit)/surplus for the year			**(229)**	**46**

2.2.2. Summary of Performance

Net General Revenue Income is down by £128 million to £546 million, a decrease of 19% on 2009.

The main changes in comparison to the previous year are:

- A significant drop in Company Tax (£134m), due to the introduction of the 0/10 regime and the economic downturn. This planned change in Tax Policy was part of a package of measures including “Twenty means Twenty” and the introduction of GST that together achieved a broadly neutral position on tax revenues.
- An increase in revenues from Salary and Wage Earners (£21m), mostly due to the shareholder taxation provisions of the 0/10 regime.
- A drop in European Union Savings Tax Directive administration income (£6m) due to lower global interest rates in 2010.

In addition, Net Revenue Expenditure subject to States approval of Ministerial & Non-Ministerial Departments is up by £34 million to £599 million compared to 2009.

The main changes in comparison to the previous year are:

- More revenue expenditure on Fiscal Stimulus projects during 2010 (£14m compared to £1m in 2009).
- A one-off expenditure approval of £6m for voluntary redundancy payments to enable future, ongoing savings.
- Spend against other one-off expenditure approvals of £4m.

In total Ministerial & Non-Ministerial Departments ended the year £24m underspent against Net Revenue Expenditure approvals.

An interim property revaluation was carried out.

- Upwards revaluations of £196m were recorded in the revaluation reserve;
- Downwards revaluations of £145m were recorded as impairments in the Operating Cost Statement.

The States Reserves enjoyed good returns, and have been put to use.

- The Strategic Reserve saw net income of £35m, and now holds nearly £587m. Looking ahead, we are reviewing an investment strategy with a view to generating higher returns and maximising the value from the States' investments.
- A transfer of £68m was made from the Stabilisation Fund to the Consolidated Fund to support the Island through the downturn in the economy.

The summary financial results in Table 1 can be reconciled to the States Accounts as shown in the table below:

Table 2 – States of Jersey Income and Expenditure

	General Revenues £m	Ministerial & Non-Ministerial Departments £m	Trading Operations £m	Other £m	Consolidation Adjustments £m	States of Jersey £m
Income	552	117	53	57	(33)	**746**
Expenditure	(6)	(883)	(70)	(35)	19	**(975)**
Surplus / (Deficit)	**546**	**(766)**	**(17)**	**22**	**(14)**	**(229)**

2.3. Explanation of the Structure of the States of Jersey

2.3.1. 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.

2.3.2. 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.

STATES OF JERSEY GROUP

CONSOLIDATED FUND	TRADING OPERATIONS	RESERVE FUNDS	SPECIAL FUNDS	WHOLLY OWNED COMPANY
Ministerial Departments	Harbours	Strategic Reserve	Loans Funds	Waterfront Enterprise Board Ltd
Non-Ministerial Departments	Airport	Stabilisation Fund	CI Lottery Fund	
General Revenue Income	Fleet Management		Currency Funds	
	Car Parks		Tourism Fund	
			Housing Development Fund	
			Confiscation Funds	

Some functions of Government are carried out by entities outside of the accounting boundary including some social benefits met by the Social Security Fund and Health Insurance Fund.

2.3.3. Description of Entities and their Functions

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.

Planning for income to the Consolidated Fund is governed through the States Annual Budget process which sets out the taxation measures and the expected level of income, as explained further in section 2.4 .

Through the Annual Business Plan debate, the States Assembly allocates funding to departments. In the form of Net Revenue Expenditure Limits (budgets) from the Consolidated Fund. Any approved changes to expenditure limits are reported to the States Assembly.

The component parts of the Consolidated Fund are shown in the following tables.

Ministerial Departments

DEPARTMENT	FUNCTION
Chief Minister's Department	Provides support and advice to the Chief Minister and Council of Ministers, and co-ordinates policies and strategies across the States. Also responsible for a range of services, including international relations, constitutional issues, States staffing and IT, statistics, and the Law Draftsman's Office.
Economic Development	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.
Education, Sport and Culture	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.
Health and Social Services	Promotes health and social wellbeing for the whole community, providing prompt services to all and protecting the interests of the frail and the vulnerable.
Home Affairs	Responsible for the States of Jersey Police, the Fire and Rescue Service, the Prison Service, Customs and Immigration, criminal justice policy, the registration of births, deaths and marriages, and the Building a Safer Society Strategy.
Housing	Responsible for the provision of social housing and estates management.
Planning and Environment	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.
Social Security	Responsible for the administration of contributions and benefits, the Health and Safety Inspectorate, and a number of employment services, including the Work Zone.
Transport and Technical Services	Manages the highway, public transport and traffic management network, and has the responsibility for all transport policy in Jersey. Also ensures drivers and vehicles are roadworthy, manages the disposal of the Island's waste and provides cleaning and parks and gardening services.
Treasury and Resources	Manages the Island's finances and assets, ensuring the protection and good use of public funds. It is responsible for all taxation, States budgets and financial policies. It also manages States' property and represents the States' shareholder interests in publicly-owned companies.

Non-Ministerial Departments

Some States Departments do not come under direct Ministerial control, due to the nature of the work they perform. Also included in this section are the Overseas Aid Commission, who report directly to the States, and the States Assembly itself.

DEPARTMENT	FUNCTION
Bailiff's Chambers	Provides support to the Bailiff who is head of the judiciary, President of the States and civic head of Jersey.
Law Officers' Department	Provides legal advice to the Crown and the States, including Ministerial and other Departments.
Judicial Greffe	Provides administrative and secretarial support to ensure the effective operation of Jersey's courts.
Viscount's Department	Responsible for ensuring the decisions of Jersey's Courts and States Assembly are carried out.
Official Analyst	Carries out authoritative and impartial scientific analysis to support the work of other States departments, local businesses and individuals.
Office of the Lieutenant Governor	The Lieutenant Governor of Jersey is the representative of the Her Majesty the Queen in the Bailiwick of Jersey.
Office of the Dean of Jersey	The Dean of Jersey is the leader of the Church of England in Jersey.
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.
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.
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.
Overseas Aid	Manages and administers the monies voted by the States of Jersey for overseas aid.
States Assembly	The highest decision-making authority of the Island. See Governance section "The States Assembly" for details.

General Revenue Income

General Revenue Income policy is set via the States Annual Budget, as explained further in section 2.4 .

The main income streams are: Taxation, Impôts (e.g. duty on alcohol, tobacco and fuel), Stamp Duty, Investment Income and Island Rates.

Other Funds

States 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. At present, four such operations have been designated.

TRADING OPERATION	FUNCTION
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.
Jersey Harbours	Responsible for the operation of Jersey's commercial port of St Helier and outlying ports.
Jersey Car Parking	Responsible for the administration, management, financing, development and maintenance of public parking places.
Jersey Fleet Management	Responsible for the acquisition, maintenance, servicing, fuelling, garaging and disposal of vehicles and mobile plant on behalf of the States.

Reserve Funds

The States operates two reserve Funds with specific purposes.

RESERVE	FUNCTION
Strategic Reserve	A permanent reserve, 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.
Stabilisation Fund	Provides some protection from the adverse impact of economic cycles (by taking money out of the economy when it is strong, and releasing it when it is weaker), creating a more stable economic environment with low inflation.

States Separately Constituted (Special) Funds

The Public Finances (Jersey) Law 2005 allows the States to establish special funds (also known as Separately Constituted Funds). These are funds with a specific purpose and are usually established by legislation or a States decision. A summary of the purpose of the various funds is given below.

SPECIAL FUND	FUNCTION
Dwelling House Loan Fund	Lends money to residentially qualified first-time buyers for the acquisition of housing. Whilst it has not been formally suspended, it is not anticipated that further loans will be approved.
Assisted House Purchase Scheme	Aided 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	Allowed the former Housing 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	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.

SPECIAL FUND	FUNCTION
Jersey Currency Notes	Established under the Public Finances (Jersey) Law 2005, and the Currency Notes (Jersey) Law 1959, the fund holds assets that match the value of Jersey currency notes in circulation. It also produces and issues currency notes, and administers the notes in issue.
Jersey Coinage	Established under the Public Finances (Jersey) Law 2005, and the Decimal Currency (Jersey) Law 1971, the fund holds assets that match the value of Jersey coinage in circulation. Produces and issues currency coins, and administers the coins in issue.
Tourism Development Fund	Makes grants to stimulate investment in the tourism industry and infrastructure in order to improve Jersey's competitiveness and sustain the industry as a second 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.
Housing Development Fund	Established under P74/99 and P84/99, 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	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.
Drug Trafficking Confiscation Fund	These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Civil Asset Recovery Fund	

Wholly Owned Company

The Waterfront Enterprise Board Limited (WEB) is a wholly owned subsidiary company of the States. This was incorporated in 1996 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.

On 13 October 2010, the States approved proposition P73/2010, which set out proposals for the restructure of WEB into The States of Jersey Development Company Limited. These changes will be implemented during 2011.

2.3.4. Public Sector Bodies Outside of the Accounting Boundary

Major Public Sector Bodies that are outside of the Accounting Boundary include:

Parishes

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

Social Security Funds

FUND	PURPOSE
Social Security Fund	These funds collect Social Security Contributions, and pay related benefits and any associated expenses. The Reserve fund provides a buffer for these payments in the future.
Health Insurance Fund	
Social Security (Reserve) Fund	

Strategic Investments

INVESTMENT	PURPOSE
Jersey Electricity plc	The States owns controlling investments in these utility companies, but as it does not exert direct control these are accounted for as Strategic Investments in the Accounts.
Jersey New Waterworks Company	
Jersey Telecom Group Limited	
Jersey Post International Limited	

Independent Bodies

BODY	PURPOSE
Including, for example	These bodies mainly provide supervisory and regulatory functions, and are established by legislation to be independent from the States of Jersey.
– Jersey Competition Regulation Authority	
– Jersey Financial Services Commission	

2.3.5. Common Investment Fund

The States of Jersey – Common Investment Fund (CIF) was established by proposition P35/2010, 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. It is only open to States Funds (including Reserves, Separately Constituted (Special) Funds, Trust Funds and Bequest Funds), and allows them to benefit from greater investment opportunities and economies of scale. The proposition was approved by the States of Jersey on 12th May 2010.

The CIF began operation on 1st July 2010 and as at 31 December 2010 was made up of 10 pools covering a range of asset classes (including equities, bonds, gilts and cash instruments). These allow participant funds to invest in accordance with their own agreed investment strategies.

2.4. The States of Jersey Business and Financial Planning Cycle

The States Strategic Plan sets out the States' vision for the next five years including the broad financial framework. The Annual Business Plan allocates funds to individual departments and capital projects so as to deliver Jersey's Strategic Aims. The Business Plan, debated in September, approves both expenditure for the following year and indicative expenditure totals for a further three or four years.

The States then considers the Annual Budget report that proposes taxation changes and other revenue raising measures.

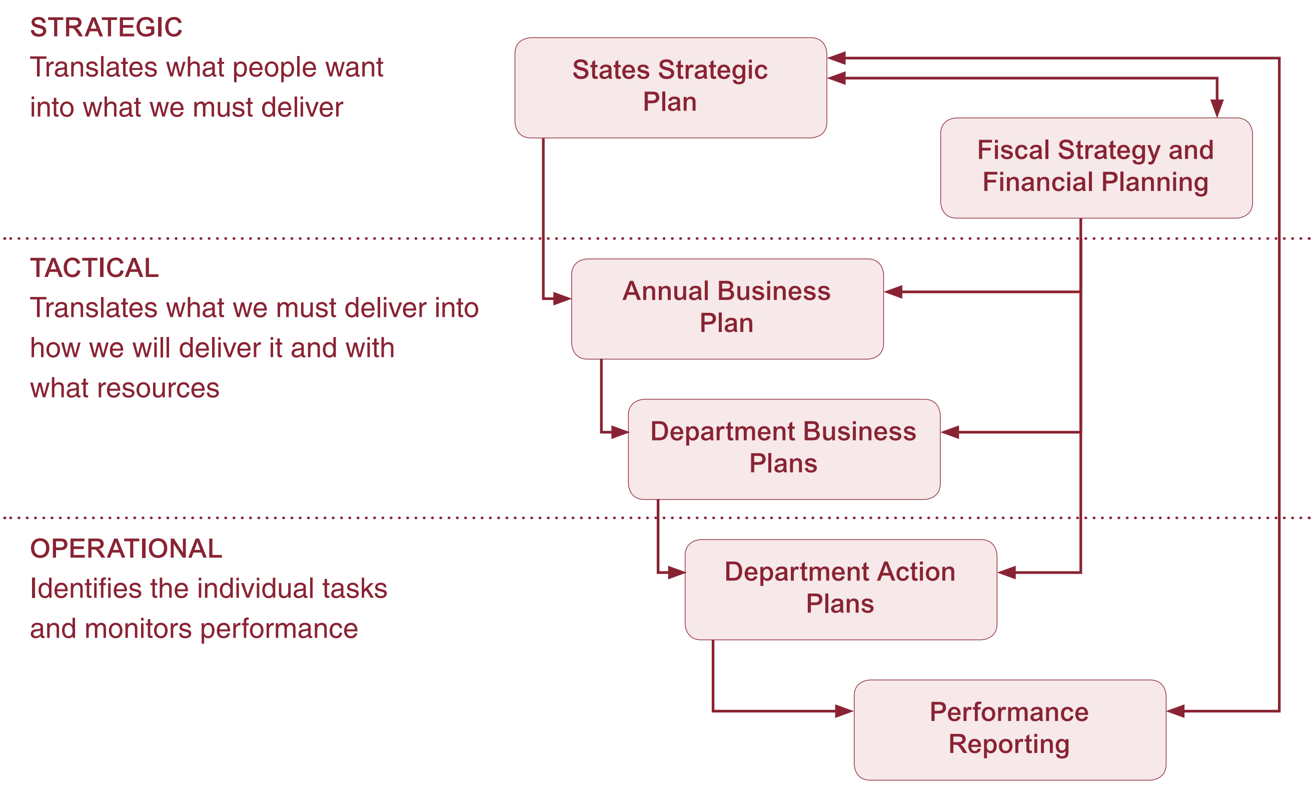
Departments then prepare their individual Business Plans which set out their objectives for the year, and how these help deliver the strategic priorities agreed in the Strategic Plan. The plans also keep Islanders informed about how political decisions are carried out day-to-day. The States two main controls on expenditure are through Net Revenue Expenditure limits, and Capital Project budgets voted by the States to departments.

During the year, these expenditure limits can be varied for the following main reasons:

- Carry forward of unspent revenue expenditure budget voted in the previous year's Business Plan, approved by the Minister for Treasury and Resources.
- Amounts transferred between capital and revenue budgets, approved by the Minister for Treasury and Resources.
- Additional amounts voted by the States Assembly during the year.

There is a clear linkage between the high-level priorities set in the Strategic Plan and the detailed departmental business plans that are published annually. Within the year in question, regular reporting occurs on performance against financial targets and Departmental Business Plans, including quarterly reporting to the Council of Ministers. These processes are part of a year round financial planning and monitoring cycle. The performance reports and financial accounts are co-ordinated to be produced in time to inform the latter stages of the business planning process. The financial and performance reporting and monitoring will thus inform future resource allocation.

Figure 1 – Diagram of Planning Cycle



2.5. Comparison of Results against Approvals

The tables below present the information in the Accounts in a format consistent with the Business Plan and Budget, to allow a comparison against amounts approved by the States to be more easily shown. The income and expenditure included in the Accounts is broken down into the following:

	ITEM	APPROVAL
Table 3	Net General Revenue Income	Budget – Summary Table A
Table 4	Net Revenue Expenditure (Ministerial and Non-Ministerial Departments)	Business Plan – Summary Table A
Table 5	Adjustments made to departments to achieve GAAP compliance	Business Plan – Summary Table A
Table 6	Net Revenue Expenditure (Trading Operations)	Business Plan – Summary Table B
Table 7	Other Income and Expenditure	Not Approved by the States

This analysis complies with the recommendations of International Public Sector Accounting Standard 24 (Presentation of Budget Information in Financial Statements).

Table 3 – Net General Revenue Income – Outcome compared to Budget Summary Table A

	2010 Budget £'000	Updated Forecast – Oct 2010 £'000	Actual Amount £'000	Difference from Forecast £'000
Net Income Tax	391,000	379,000	394,353	15,353
Goods and Services Tax	51,250	47,000	44,200	(2,800)
Impots Duty	50,180	50,000	49,412	(588)
Stamp Duty	22,000	20,000	20,139	139
Island Rate	10,850	11,000	10,510	(490)
Other Income	28,760	23,000	27,672	4,672
Net General Revenue Income	**554,040**	**530,000**	**546,286**	**16,286**

The forecast for Net Income Tax was reduced in the 2011 Budget (in October 2010) to reflect the impact of a larger than expected fall in financial services profits, and other economic factors. By the year end, Net Income Tax was £15m higher than the updated forecast. This is primarily a consequence of greater revenue from Personal Tax. Approximately £9m of the variance came from higher 'shareholder' income than was forecast (at the time of the forecast in early September, a significant proportion of personal tax assessments had not yet been completed), while the remainder was due to a number of smaller influences, none of which were significant on their own.

Goods and Services Tax revenue was £3m lower than forecast. The principal reasons for this were: an increase in bad debt provisions at the year end; return values for the period after the forecast that were lower than expected and the impact of a small over-recognition of income in the prior year on current year revenues.

The forecast for Other Income was reduced to reflect lower than expected interest rates, which affects both investment income and European Union Savings Tax Directive (EUSD) Administration Income. These areas did see marked drops from budget (£3m), but this was offset by better a than expected surplus in the currency fund (£1m) and receipt of more dividends than forecast (£1m), meaning that actual income was close to the original budget.

A more detailed breakdown and analysis of Next General Revenue Income is given in the Annex to the Accounts.

Table 4 – Net Revenue Expenditure – Outcome compared to Business Plan Summary Table A

	2010 Business Plan £'000	Final Approved Budget £'000	Actual Amount £'000	Difference from Final Approved Budget £'000
Ministerial Departments				
Chief Minister	20,397	27,321	25,786	(1,535)
- Grant to the Overseas Aid Commission	8,055	8,132	8,127	(5)
Economic Development	15,880	19,308	17,799	(1,509)
Education, Sport and Culture	99,517	104,582	101,954	(2,628)
Health and Social Services	168,878	172,849	169,101	(3,748)
Home Affairs	46,067	49,398	48,633	(765)
Housing	(23,287)	(17,034)	(18,742)	(1,708)
Planning and Environment	6,824	7,552	7,261	(291)
Social Security	171,599	171,323	162,967	(8,356)
Transport and Technical Services	27,610	26,819	26,698	(121)
Treasury and Resources	22,914	24,033	22,804	(1,229)
Non Ministerial States Funded Bodies				
- Bailiff's Chambers	1,260	1,659	1,582	(77)
- Law Officers' Department	6,190	8,955	7,761	(1,194)
- Judicial Greffe	3,982	7,532	7,532	–
- Viscount's Department	1,422	1,409	1,080	(329)
- Official Analyst	600	553	530	(23)
- Office of the Lieutenant Governor	743	830	823	(7)
- Office of the Dean of Jersey	25	25	24	(1)
- Data Protection Commission	223	223	214	(9)
- Probation Department	1,604	1,582	1,550	(32)
- Comptroller and Auditor General	739	850	649	(201)
States Assembly and its services	5,126	5,126	4,996	(130)
Net Revenue Expenditure – Business Plan Basis	**586,368**	**623,027**	**599,129**	**(23,898)**

The 2010 Annual Business Plan authorised net revenue expenditure of £586,367,800. Table 5 reconciles approvals in the Business Plan to the Final Approved Budget, which includes amounts carried forwarded from previous year's approvals (as set out in Ministerial Decision TR–2010–0067), Additional Approvals by the States, and Capital to Revenue transfers. More information on these additional approvals is included in the Annex to the Accounts.

Table 5 – Reconciliation of Final Approved Budget to the Business Plan

	£'000
Business Plan Approval	**586,368**
2009 approvals carried forward to 2010	5,812
Additional amounts voted by the States of Jersey	32,265
Capital to Revenue Transfers	(1,418)
Final Approved Budget	**623,027**

The underspend position against Final Approved Budget of £23.9m is a result of many factors. The States had planned for at least £8m underspend to be achieved in 2010 in order to maintain a positive balance in the Consolidated Fund. Each Department gives an explanation of differences between actual amounts and approvals as part of their departmental pages, included in the Annex to the Accounts. Some of the larger underspends include:

- £6.5m – lower income support and GST benefit claims (Social Security)
- £3.1m – delays in the development of Children's Services, Endoscopy and legal costs (Health and Social Services)
- £1.5m – due to the system of delegated financial management (Education Sport and Culture)
- £1.1m – extra rentals due to lower than expected sales of social housing (Housing)
- £1.0m – delays in policy reviews and census work (Chief Minister's)
- £0.8m – relating to a Court Order awarding costs to the States (Law Officers')
- £0.7m – unbudgeted income from Ofcom (Economic Development)

This level of underspending in 2010 is in part due to Departments preparing for cuts in funding agreed in the Comprehensive Spending Review.

Table 6 – Adjustments made to departments to achieve GAAP compliance

	2010 Business Plan £'000	GAAP Compliant Budget £'000	Actual Amount £'000	Difference from GAAP Budget £'000
Depreciation	34,500	39,876	37,211	(2,665)
Impairments			130,151	130,151
Asset Gain/Loss			(81)	(81)
Other GAAP adjustments			(35)	(35)
Total GAAP Adjustments	**34,500**	**39,876**	**167,246**	**127,370**
Net Revenue Expenditure – Business Plan Basis b/f	586,368	623,027	599,129	(23,898)
Net Revenue Expenditure – GAAP Basis	**620,868**	**662,903**	**766,375**	**103,472**

The 2010 Business Plan did not allocate depreciation budgets to individual departments, instead a single figure was approved within the Treasury and Resources department (based on Capital Servicing calculations in previous years). Budgets for profits or losses on disposal of fixed assets are also excluded from 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 with profit or loss on disposal. A GAAP compliant depreciation budget was prepared internally at a departmental level, and full details are available in the Annex to the Accounts.

During the year an interim revaluation of property assets was carried out, in line with the States accounting policies and the requirements of the Jersey Financial Reporting Manual (JFReM). As part of this process, the value of some assets was increased and others decreased, primarily due to changes in market conditions. In accordance with GAAP, upward revaluations are credited to the revaluation reserve which is included on the Balance Sheet. Downwards revaluations are taken first to any existing revaluation reserve, and then to the Operating Cost Statement (OCS). This led to a charge of £130m being recorded in the OCS during 2010, which could not be budgeted for as the figure is dependant on market conditions. These are accounting adjustments relating to movements in asset values and represent unrealised losses/gains to the States.

Table 7 – Net Revenue Expenditure – Outcome compared to Business Plan Summary Table B

	2010 Business Plan £'000	Final Approved Budget[1] £'000	Actual Amount £'000	Difference from Final Approved Budget £'000
Trading Operations				
Jersey Airport	(236)	3,185	4,327	1,142
Jersey Harbours	549	949	11,952	11,003
Jersey Car Parks	(216)	254	1,343	1,089
Jersey Fleet Management	(159)	(159)	(570)	(411)
Net Revenue (Income)/Expenditure	**(62)**	**4,229**	**17,052**	**12,823**

The Trading Operations were affected by the interim valuation, with total impairments of £1.3m, £12.5m and £1.2m being recorded in Jersey Airport, Jersey Harbours and Jersey Car Parks respectively.

Jersey Harbours also achieved more income through growth in volumes of passengers and vehicles (£0.6m) and a reduction in staff costs (£0.5m). Similarly Jersey Airport achieved higher income than budget for both Channel Island Control Zone Income (£0.9m) and Aircraft/Passenger Charges (£0.8m). This was, however, offset by a reduction in grant income recognised due to a States decision to remove funding for the "Below Ground Works" from 2012.

For further information on the Trading Operations, including an explanation of differences between actual amounts and approvals refer to the Annex to the Accounts.

Table 8 – Other Income / (Expenditure) – Outside of the Budgeting Boundary

	Actual Amount £'000
WEB Net Revenue Income	2,076
Reserves and Separately Constituted Funds NRI	41,464
Movement in pension liability	(40,817)
Other Expenditure	19,089
Other Income	**21,812**

Entities and Expenditure outside the Budgeting Boundary

Income/expenditure approvals for Separately Constituted Funds and Reserves are not included in the Business Plan, and so results for these entities cannot be compared to budget. Similarly, WEB is outside of the Budgeting Boundary.

The Reserves and Separately Constituted Funds' Net Revenue Income (NRI) figure is due to returns on the Strategic Reserve (£34.7m), net income in the Criminal Offences Confiscation Fund (£6.6m) and smaller amounts in other funds.

1 Trading Operations include a reconciliation of Final Approved Budget as part of their Annex pages.

There are also some items of expenditure that are outside of the scope of the budget approval process. One example is actuarial movements in pension liabilities, which is a non-cash accounting adjustment. Other Expenditure includes the reversal of grant expenditure relating to Airport Below Ground works (BGW) due to the decision to withdraw funding (£16m). This has been fully eliminated on preparation of the consolidated accounts.

Consolidation adjustments

Table 9 – Consolidation Adjustments

	Actual Amount £'000
Consolidation Adjustments	**(13,820)**

Under the previous accounting policies, transactions between States entities, and within a Department, were not eliminated in the preparation of the accounts, meaning that income, expenditure and balance sheet items were shown in aggregate. GAAP requires transactions and balances between entities within the group boundary to be eliminated in the consolidated accounts. As well as eliminations between income and expenditure, the figure above also includes an elimination of the adjustment to the "Below Grounds Works" grant (£16m – mentioned above) and consolidation adjustments to correctly state Common Investment Fund income for the States as a whole (£2m), both of which span the balance sheet and operating cost statement.

Table 10 – Summary of Expenditure

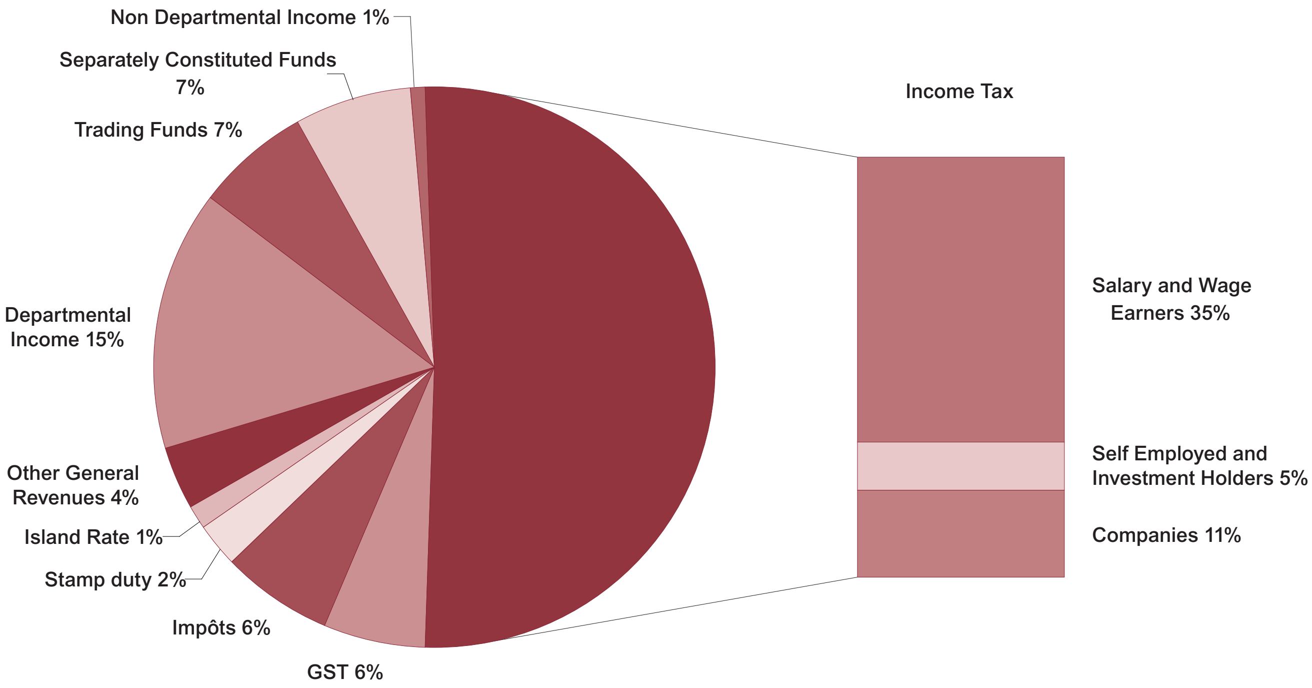
	Table	Actual Amount £'000
Net General Revenue Income	*3*	546,286
Net Revenue Expenditure – Ministerial and Non-Ministerial Departments	*4, 6*	(766,375)
Net Revenue Expenditure – Trading Operations	*7*	(17,052)
Other Income	*8*	21,812
Consolidation Adjustments	*9*	(13,820)
Deficit for the Year in the States Accounts		**(229,149)**

2.6. Detailed Financial Analysis

2.6.1. Income

In 2010, Total Gross Income (before consolidation adjustments – see Note 2) for the States of Jersey Group was £778m, compared to £863m for 2009. Figure 2 shows the split of income for 2010.

Figure 2 – Breakdown of States Income



General Revenue Income makes up 71% of Income in 2010, totalling £552m (2009 – 79%, £679m).

In the Budget Statement General Revenue Income is voted net of directly related expenditure, such as Irrecoverable Debts or Investment Management fees. These expenses totalled £6.1m in 2010 (2009 – £5.4m), giving Net General Revenue Income of £546m. Table 11 shows a summary of General Revenue Income net of these expenses:

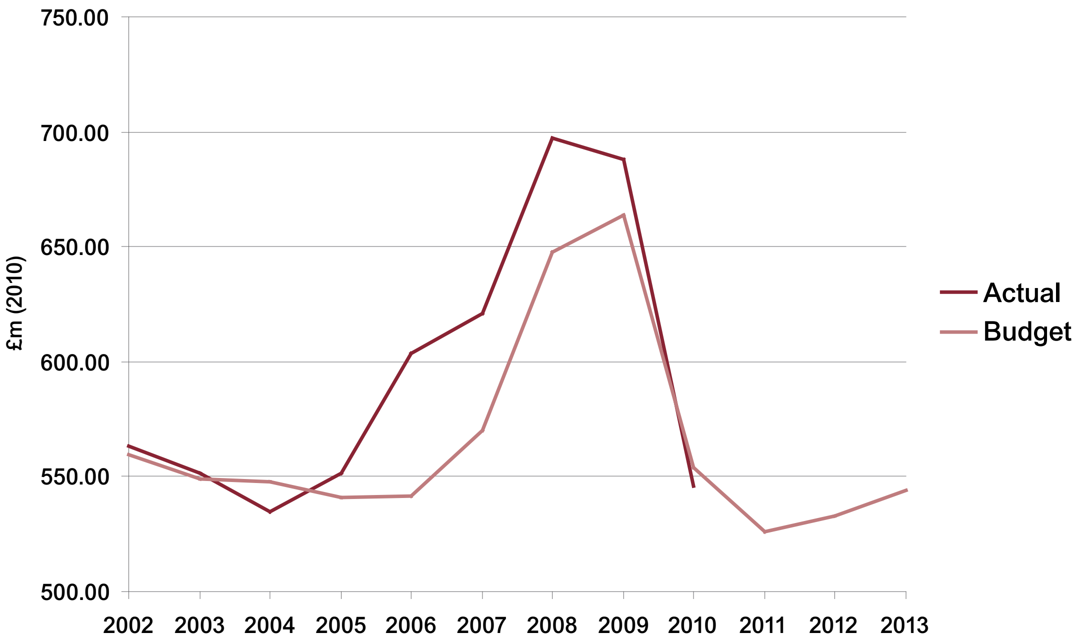
Table 11 – Net General Revenue Income

2010 Budget £'000		2010 Actual £'000	2009 Actual £'000	Increase/ (Decrease) %
391,000	Net Income tax	394,353	507,661	(22%)
51,250	Goods and Services Tax (GST)	44,200	47,142	(6%)
50,180	Impôts	49,412	51,372	(4%)
22,000	Stamp Duty	20,139	23,576	(15%)
10,850	Island Rate	10,510	10,306	2%
28,760	Other General Revenue income	27,672	33,756	(18%)
554,040	**Net General Revenue Income**	**546,286**	**673,813**	**(19%)**

The main change from 2009 was the significant drop in Company Tax (£134m) in the main due to the introduction of the 0/10 regime and the economic downturn. This was partly offset by higher yields from individuals. Stamp Duty was also lower due to the continuing fragility of the housing market. Lower interest rates than forecast meant that Investment Income and Union Savings Tax Directive (EUSD) Administration Income have been significantly lower (£8m), although this was partially offset by other items within Other Income. More detail on these variances is given in the Annex to the Accounts.

Figure 3 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 2010 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.

Figure 3 – Net General Revenue Income at 2010 Prices



The graph shows a large drop in Net General Revenue Income between 2009 and 2010, which was anticipated in the budget.

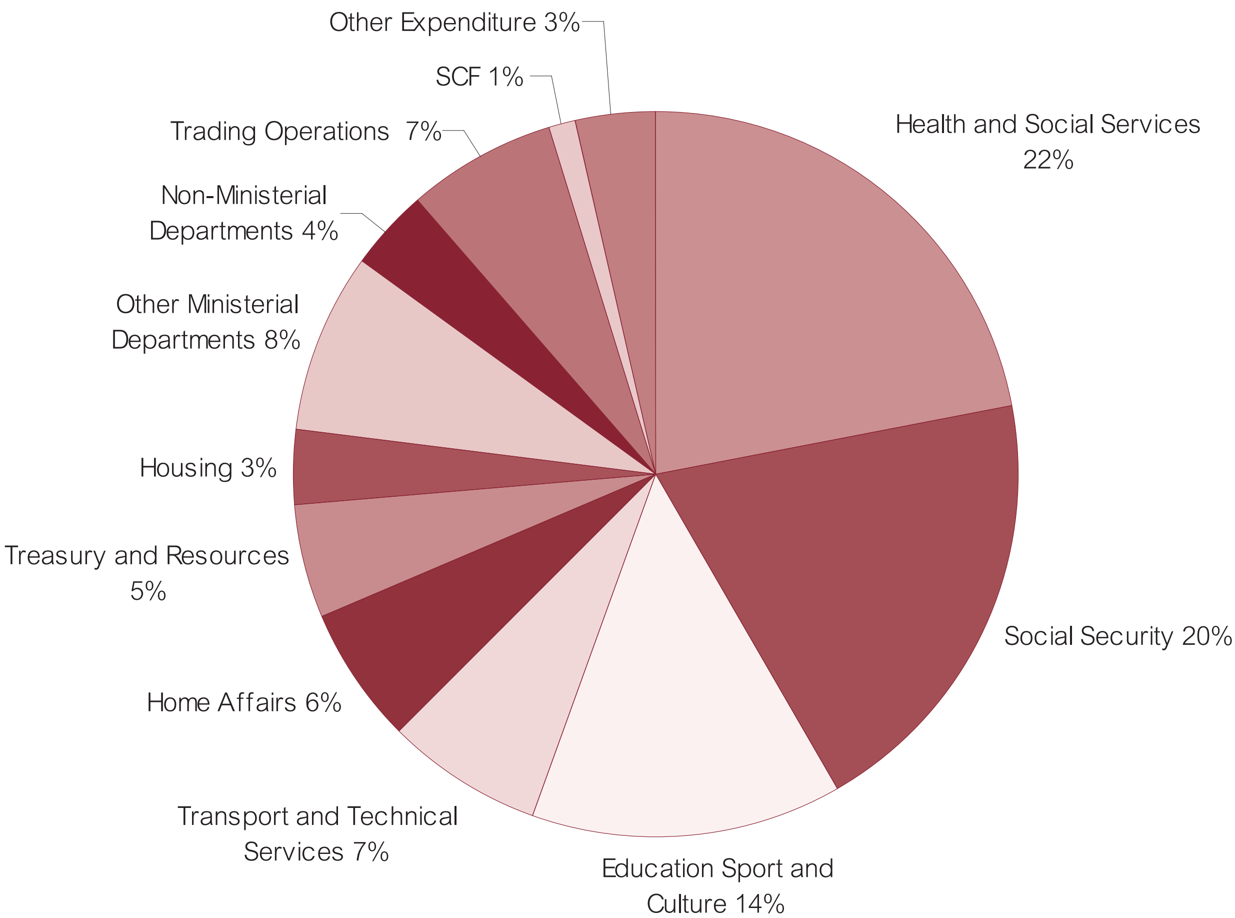
Further details on the individual streams of Net General Revenue Income are included in the Annex to the Accounts.

Individual Departments and Trading Operations include an analysis of their income as part of the departmental pages in the Annex to the accounts.

2.6.2. Expenditure

In 2010, Total Gross Expenditure (before consolidation adjustments – see Note 2) for the States of Jersey Group was £994m, compared to £820m for 2009. As mentioned previously, an interim revaluation of property assets was carried out during 2010 which resulted in a total charge to the States of £145m. There was no comparable amount in 2009 (and will not be in 2011), and so to allow comparability Figure 4 shows how expenditure excluding impairments was made up.

Figure 4 - Breakdown of Expenditure (excluding impairments)



Expenditure by Ministerial & Non-Ministerial departments makes up 89% of total expenditure in 2010 (2009 – 86%).

The Business Plan approves Net Revenue Expenditure (NRE) limits for departments, which take into account departmental income. Departmental income totalled £117m in 2010 (2009: £116m), giving Net Revenue Expenditure of £766m, (2009: £599m) as shown in Table 12.

Table 12 – Net Revenue Expenditure (NRE)

2010 Final Budget £'000		2010 Actual £'000	2009 Actual £'000	Increase/ (Decrease) %
	Ministerial Departments			
27,321	Chief Minister's	25,786	21,496	20%
8,132	– Grant to the Overseas Aid Commission	8,127	7,679	6%
19,308	Economic Development	17,799	17,510	2%
104,582	Education, Sport and Culture	101,954	98,992	3%
172,849	Health and Social Services	169,101	157,564	7%
49,398	Home Affairs	48,633	49,514	(2%)
(17,034)	Housing	(18,742)	(21,482)	(13%)
7,552	Planning and Environment	7,261	7,755	(6%)
171,323	Social Security	162,967	159,533	2%
26,819	Transport and Technical Services	26,698	24,101	11%
24,033	Treasury and Resources	22,804	17,840	28%
	Non Ministerial States Funded Bodies			
1,659	– Bailiff's Chambers	1,582	1,527	4%
8,955	– Law Officers' Department	7,761	6,119	27%
7,532	– Judicial Greffe	7,532	6,370	18%
1,409	– Viscount's Department	1,080	1,438	(25%)
553	– Official Analyst	530	545	(3%)
830	– Office of the Lieutenant Governor	823	744	11%
25	– Office of the Dean of Jersey	24	24	0%
223	– Data Protection Commission	214	230	(7%)
1,582	– Probation Department	1,550	1,562	(1%)
850	– Comptroller and Auditor General	649	791	(18%)
5,126	– States Assembly and its services	4,996	5,021	0%
623,027	**Net Revenue Expenditure - Business Plan Basis**	**599,129**	**564,873**	**6%**
	Amounts not approved for Departments			
39,876	Depreciation	37,211	31,208	19%
–	Impairments	130,151	4,992	2507%
–	Asset Gain/Loss	(81)	(1,772)	(95%)
–	Other GAAP adjustments	(35)	(2)	1650%
662,903	**Net Revenue Expenditure – GAAP Basis**	**766,375**	**599,299**	**28%**

Taking inflation at 2%, the real increase in NRE between the two years was £155m. The main driver behind the increase in NRE was the impairment recorded as a result of the interim property valuation (£130m), which relates to movements in asset value, and not realised losses during the year. In addition a further £14m of revenue expenditure was incurred as part of the economic stimulus programme (£13m more than 2009), more details of which are given in Section 2.6.4.

The States also approved an additional £6m of expenditure for Voluntary Redundancy (VR) payments and £8m for Court and Case Costs through P64/2010. £4m was spent from other approvals during the year, details of which are given in the Annex to the accounts.

In addition to the above items, certain functions transferred from Treasury and Resources to the Chief Minister's department (£2m). The Chief Minister's department also had funds allocated to implement the CSR (£1m). Treasury and Resources received additional funds relating to various initiatives to strengthen financial management (£1m) and increased spend on the backlog maintenance programme with Jersey Property Holdings (£2.5m)

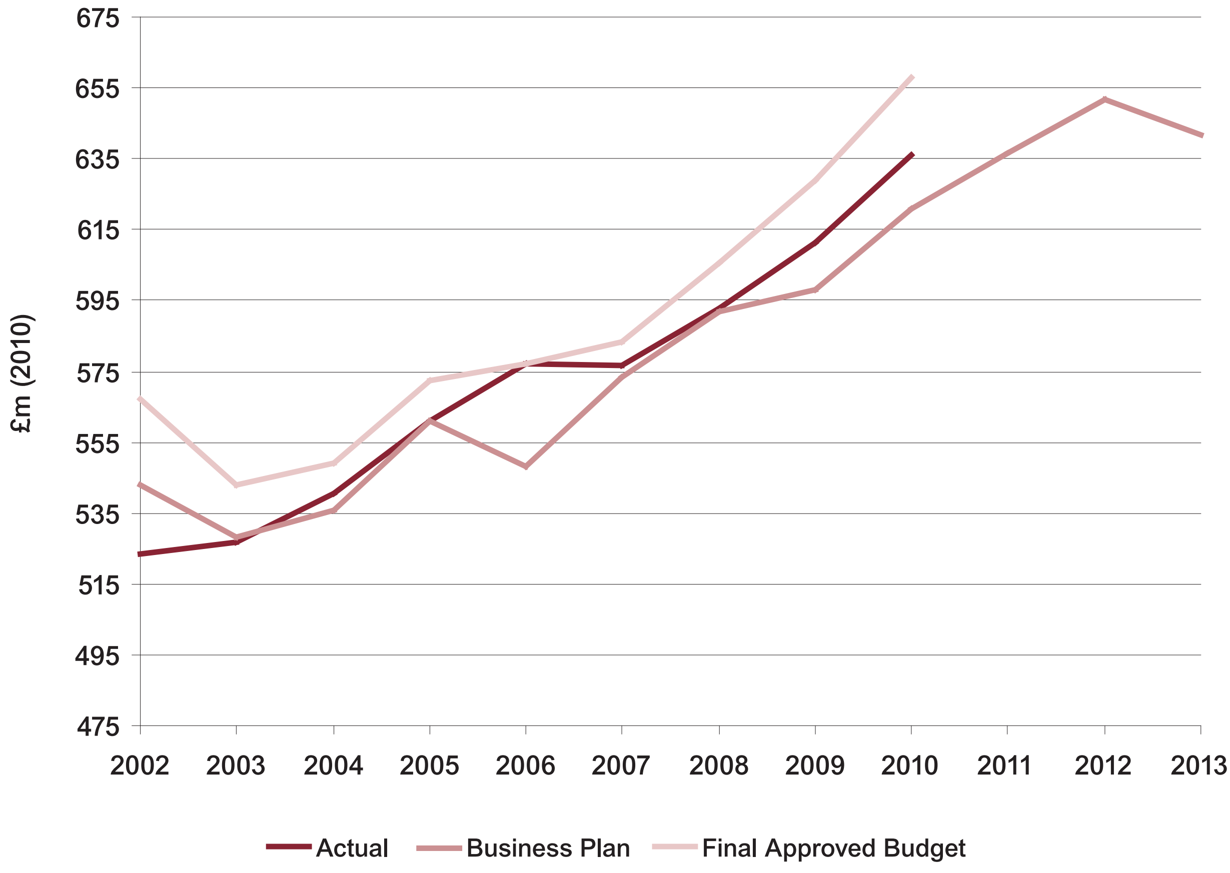
The remaining difference is explained by variances in departments, in the main due to inflationary amounts being absorbed into existing approval limits. Notable movements were an overall increase in spend in Health and Social Services, and a decrease in expenditure on Special Crime Investigation within Home Affairs.

For further information refer to the Annex to the Accounts, where each department gives a more detailed breakdown of the variance from 2009 in their departmental pages.

Figure 5 shows how Net Revenue Expenditure has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2010 prices using the RPI(X), to take into the effects of inflation. GAAP compliant figures have been included for 2009 and 2010, but are not available from previous years, meaning that figures are not perfectly comparable (as explained below).

The impairment of fixed assets due to the interim valuation has been removed, and budget figures adjusted for previously reported accounting restatements to allow comparability.

Figure 5 – Net Revenue Expenditure at 2010 Prices (excluding impairments)



Net Revenue Expenditure figures used in the graph above include capital servicing (before 2009) or depreciation, to reflect the total expenditure of resources. Capital servicing was calculated on a different basis to depreciation under GAAP, but should be broadly comparable. Approvals before 2007 did not include capital servicing, and so have been adjusted to improve 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. In 2009 £12.06m was transferred from capital to revenue during the year. In the 2010 business plan approvals of £11.6m were moved from the capital programme into revenue approvals. It is difficult to assess the magnitude of corresponding amounts in previous years, and so these have not been reflected in the graph.

2.6.3. Capital Programme

Consolidated Fund

The 2010 Business Plan included a capital expenditure allocation from the consolidated fund of £46.1m, with £14.0m funded from expected proceeds from property and social housing disposals. During the year £1.4m was transferred from Capital to Revenue (as explained in "Final Approved Budgets" in the Annex to the Accounts), and £14.0m was allocated from the Fiscal Stimulus Programme giving an effective capital approval of £58.7m. There were also £176.5m of approvals from the previous year brought forward.

During 2010 actual capital expenditure from the Consolidated Fund amounted to a total of £67.8m (including amounts funded through Fiscal Stimulus). The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1m being shown separately.

	2010 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
JD Edwards IT system	–	–	1,203	1,203
Computer Development Vote	323	323	2,272	1,949
Other Projects	873	873	1,954	1,081
Chief Minister's Department Total	**1,196**	**1,196**	**5,429**	**4,233**
Education, Sport & Culture				
ESC ICT Strategy (Phase 2)	–	1,976	2,515	539
Le Rocquier	39	22,169	22,436	267
Other Projects	103	237	947	710
Education, Sport & Culture Total	**142**	**24,382**	**25,898**	**1,516**
Health & Social Services				
ICR Project	3,159	7,165	8,661	1,496
Equipment, Maintenance & Minor Capital	1,618	2,752	3,643	891
Replacement CT Scanner	1,110	1,110	1,192	82
A&E/Radiology Extension (Phase 2)	1,059	1,588	1,588	–
Other Projects	4	12	984	972
Health & Social Services Total	**6,950**	**12,627**	**16,068**	**3,441**
Home Affairs				
Tetra Radio Replacement	387	387	4,450	4,063
Prison Control Room	–	1,503	1,668	165
Other Projects	–	2,636	3,817	1,181
Home Affairs Total	**387**	**4,526**	**9,935**	**5,409**

	2010 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Housing				
The Cedars – Renovation	28	5,933	6,094	161
Le Marais Low Rise	25	6,925	6,965	40
Le Geyt Flats – Phase 5, 6 & 7	150	845	1,060	215
Housing Rolling Vote	6,034	12,583	32,057	19,474
Other Projects	115	793	856	63
Housing Total	**6,352**	**27,079**	**47,032**	**19,953**
Planning and Environment				
Other Projects	6	590	1,336	746
Planning and Environment Total	**6**	**590**	**1,336**	**746**
Transport and Technical Services				
Infrastructure	3,612	7,511	11,615	4,104
Sludge Thickener Project	1,066	1,697	5,498	3,801
Odour Treatment Works	29	524	1,607	1,083
Town park	262	1,144	11,994	10,850
Fiscal Stimulus Bids	4,800	5,579	6,255	676
Fire Fighting System	763	1,612	4,371	2,759
Energy from Waste Plant, La Collette	34,046	101,118	114,966	13,848
Solid Waste Incinerator 2008	23	664	1,203	539
In-Vessel Composting	77	423	4,462	4,039
Sewage Treatment Works	740	2,851	2,932	81
South La Collette Reclamation	3	26,513	26,600	87
Other Projects	584	2,616	3,870	1,254
Transport and Technical Services Total	**46,005**	**152,252**	**195,373**	**43,121**
Treasury and Resources				
Prison Masterplan/Improvements	1,183	19,164	19,506	342
Grainville (Phase 4a)	1,282	1,467	4,728	3,261
Howard Davis Farm Building and Incinerator	211	211	1,517	1,306
A&E/Radiology Extens (Phase 2)	–	1,789	2,232	443
Mont-a-l'Abbe (Phase 2)	2,520	3,183	4,290	1,107
Public Markets Maintenance	283	1,851	2,858	1,007
Highlands (A Block)	72	4,912	6,073	1,161
Police Relocation (Phase 1)	32	644	16,739	16,095
Other Projects	1,131	1,674	4,828	3,154
Treasury and Resources Total	**6,714**	**34,895**	**62,771**	**27,876**
Non Ministerial States Funded				
Magistrates Court	–	9,154	9,289	135
Other Projects	–	35	65	30
Non Ministerial States Funded Total	**–**	**9,189**	**9,354**	**165**
Consolidated Fund Total	**67,752**	**266,736**	**373,196**	**106,460**

The most significant projects incurring expenditure in 2010 were:

- Energy from Waste Plant: The build was completed ready for testing in September 2010 with the first burn planned for January 2011. The new Energy from Waste Plant is expected to be signed off as fully operational by the end of the second quarter of 2011, at which point the Incinerator at Bellozane will be decommissioned.

- ICR Project: There has been substantial progress on the Integrated Care Records project, which aims to modernise the Health and Social Services Department's technology infrastructure. The Patient Administration System elements of the ICR programme have progressed positively in 2010, and completion of the project is planned for mid-2011.
- Housing Rolling Vote: The main areas of expenditure in the Housing Rolling Vote were the construction projects at Salisbury Crescent and Le Squez Phase 2. The projects are expected to be completed by May and November 2011 respectively.
- Mont-a-l'Abbe (Phase 2): The school provides a broad and balanced education for children with Severe or Profound and Multiple Learning Difficulties aged 3-19. The extension undertaken in 2010 (completed 24th January 2011) converted the existing School into a purpose designed Primary School that complemented the purpose designed Secondary School which was constructed on the nearby Haute Vallée Secondary School campus.

Trading Funds

During 2010 actual capital expenditure from the Consolidated Fund amounted to a total of £5.6m. The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1m being shown separately.

	2010 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Telebag System	1,017	1,052	2,660	1,608
Secondary Radar Les Platons	–	–	1,500	1,500
Regulatory Compliance 2010	450	450	1,990	1,540
Primary Radar Les Platons	2	2	3,464	3,462
Arrivals/Pier/Forecourt	216	684	5,517	4,833
DVOR/Doppler DME (Navigation Equipment)	–	–	1,070	1,070
Engineering/ARFFS Building	5	127	4,211	4,084
South Apron	92	9,059	9,059	–
Air Traffic Control Equipment	1,477	3,306	3,387	81
North Apron	74	9,271	9,600	329
Air Traffic Control Centre	208	7,221	7,321	100
Airside Retail Development	38	1,576	1,576	–
Other Projects	(971)	2,833	6,358	3,525
Jersey Airport Total	**2,608**	**35,581**	**57,713**	**22,132**
Jersey Harbours				
St Aubin Fort Remedial	962	962	1,602	640
St Helier Marina	–	–	1,810	1,810
WB Ro-Ro Ramp	0	–	1,900	1,900
Other Projects	911	1,793	5,507	3,714
Jersey Harbours Total	**1,873**	**2,755**	**10,819**	**8,064**
Jersey Car Parking				
Concrete Repairs	17	1,422	2,644	1,222
Anne Court Car Park	–	321	9,000	8,679
Jersey Car Parking Total	**17**	**1,743**	**11,644**	**9,901**
Jersey Fleet Management				
Vehicle & Plant Replacement	1,056	1,056	1,100	44
Jersey Fleet Management Total	**1,056**	**1,056**	**1,100**	**44**
Trading Fund Total	**5,554**	**41,135**	**81,276**	**40,141**

The major areas of expenditure in 2010 were:

- Telebag System: Expenditure was for the replacement of the old Telebag system and X-Rays with a new Hold Baggage System and new X-Rays. The existing baggage system was installed when the building was opened in 1997 and, along with the X-Rays, have exceeded their useful life. The X-rays and baggage system are being replaced and work should be completed before the start of the 2011 summer season.
- Air Traffic Control Equipment: During 2010 Air Traffic Control Centre (ATCC) equipment was installed and commissioned, with work largely carried out under contract by the National Air Traffic Service. The centre officially opened in June 2010 and, following training and auditing by Civil Aviation Authority, went fully live in December 2010.
- St Aubins Fort Remedial: During 2010 works commenced on stabilising and repairing the Fort Breakwater, North Pier and South Pier of St Aubins Harbour. Works are still currently under way and are due to be completed within budget around the end of May 2011.
- Vehicle and Plant Replacement: Capital additions for Jersey Fleet Management in 2010 comprised vehicles, plant and equipment leased to States Departments. The current vehicle, plant and equipment replacement strategy for Jersey Fleet Management will require funding of £3.7 million over the next three years commencing with an initial outlay of £1.5 million in 2011.

2.6.4. Fiscal Stimulus Programme

On 19 May 2009, the States approved P55/2009 to permit the withdrawal of £44 million from the Consolidated Fund in order to provide funding for a discretionary economic stimulus package. The package of discretionary initiatives provided an extra stimulus to the economy and supported employment and businesses in Jersey through the economic downturn.

The Minister for Treasury and Resources and the Council of Ministers agreed that this overall objective of supporting demand in the economy can be broken down into three objectives:

- Provide a stimulus to the Jersey economy as conditions deteriorate, to help support employment and businesses in Jersey.
- Support employment in the Island by assisting individuals affected by the economic downturn.
- Create new opportunities for businesses in Jersey, to support them through the downturn and mitigate job losses.

The programme of projects given provisional approval can be grouped into the following areas:

Skills and training
Five major project schemes aimed at enhancing skills and getting people back into paid employment.

Support for individuals
This involves a grant to the Citizen's Advice Bureau, to enable them to supply additional debt advisory services.

Support for business
A range of initiatives to help businesses in relation to financial management, business development and growth opportunities.

Civil infrastructure

A programme of 2 highways, 3 drainage and an Urban renewal project has been completed.

Construction and maintenance

A significant portion of the funds are allocated to the Housing department and Jersey Property Holdings to fund backlog maintenance works and major capital projects.

The table below shows total spend to 31 December 2010 and the total amount allocated to each area.

Programme area	Spend 2010 £	Spend to Date £	Budget Allocated £
Skills and training	1,755,495	2,287,633	4,231,453
Support for individuals	8,600	17,200	43,000
Support for business	2,298,077	2,341,972	3,505,149
Civil infrastructure works	4,900,927	5,728,782	6,119,499
Construction & Maintenance works	9,579,136	9,764,199	22,683,158
Project Management	152,124	254,039	254,039
Total Allocated	**18,694,359**	**20,393,825**	**36,836,298**
Provisional Allocations			
Skills & Training	–	–	2,628,850
Construction & Maintenance Works	–	–	4,521,493
Total	**18,694,359**	**20,393,825**	**43,986,641**

The Treasury will issue a more detailed report on the outcomes of the Fiscal Stimulus during 2011.

2.7. Summary of Current Position

2.7.1. The Consolidated Fund

The Consolidated Fund was created by the Public Finances (Jersey) Law 2005 (PFL). The majority of income and expenditure of the States flows through this fund, including taxes and other revenues approved in the budget statement and Ministerial & Non-Ministerial departments' net revenue and capital expenditure as approved in the Business Plan.

The Consolidated Fund balance is calculated in a way to represent funds available to be spent in future years, and therefore includes:

- Financial Assets (Advances and Other Investments).
- Net Current Assets (adjusted for elements of Pension, Finance Lease, and other obligations, which will be included in future expenditure approvals).
- Provisions for liabilities and charges.

The Consolidated Fund excludes:

- Assets which can not be easily converted into cash (Fixed Assets and Strategic Investments).
- Other Long Term Liabilities – which will be settled from future expenditure approvals.

The balance calculated does not take into account withdrawals from the Consolidated Fund that have already been approved (and so are not available to spend). The balance must be adjusted for these to give the balance available.

Capital projects are approved on an allocation basis and so unspent amounts are removed. Similarly, amounts approved for specific purposes (e.g. through requests under Article 11(8) of the PFL), but that have not yet been allocated to departments, and property receipts that will be used to purchase assets under Article 15(3) of the PFL must be adjusted for. The States also approves expenditure each year to provide a suitable insurance provision. Finally, an adjustment must be made for amounts that will be included in a future revenue head of expenditure through the carry forward process.

Available Consolidated Fund Balance

	Balance 2010 £'000	Restated Balance 2009[2] £'000
Available Financial Assets	212,888	259,771
Net Current Assets	(20,336)	(19,656)
Long Term Provisions	(4,387)	(4,089)
Add Back: Government Grants Payable <1yr	4,750	4,000
Add Back: Current Finance Lease Liabilities	667	621
Add back: Current Pension Liabilities	3,774	3,708
Consolidated Fund Balance	**197,356**	**244,355**
Unspent Capital	(106,460)	(111,552)
Voted amounts to be allocated	(26,834)	(64,917)
Provision included in Capital Budget[3]	2,080	2,080
Insurance Provision	(9,317)	(7,269)
Property Receipts to be applied	–	(3,780)
Carry forwards	(16,200)	(7,605)
Available Consolidated Fund Balance	**40,625**	**51,312**

Reconciliation of Consolidated Fund Movement

	£'000
Opening Balance	**244,355**
Surplus/(Deficit)	(229,552)
Non-Cash Amounts[4]	177,841
Capital Expenditure	(71,897)
Transfer from Stabilisation Fund	68,000
Unrealised Gains on Investments	1,093
Actuarial Gain on Pension Liabilities	1,531
Other BS Movements[5]	5,985
Fund Movement	**(46,999)**
Closing Balance	**197,356**

2 The 2009 available balance has changed from that included in the Business Plan due to GAAP adjustments to the calculation.

3 The budget for the new EFW plant included an amount relating to decommissioning, for which a provision is created under accounting standards. To avoid double counting an adjustment is made to the total unspent capital amount.

4 Non-Cash amounts included in the surplus/deficit include depreciation and impairments of fixed assets. These amounts do not affect the fund balance, and so must be added back to the surplus/deficit when considering the movement in the Fund.

5 Other Balance Sheet Movements include movements on items not included in the Fund balance (such as the PECRS past service liability) that are charged to the Operating Cost Statement. Again, these must be added back to the surplus/deficit when considering the movement in the fund.

Assessment of Liquidity

States 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. The Fiscal Policy Panel (FPP), the States' independent fiscal experts, have recommended that a working balance of £20 million should be maintained where possible on the Consolidated Fund with any available surplus balances transferred first to the Stabilisation Fund and then to the Strategic Reserve.

Transfers from the Stabilisation Fund have been necessary to support the Island through the downturn in the economy during 2009 and 2010. In 2010, £68 million was transferred from the Stabilisation Fund to the Consolidated Fund and the remaining balance of £46 million is intended to be transferred to help cover the forecast deficit in 2011.

At the time of preparing the 2011 Budget, the forecast unallocated balance in the Consolidated Fund was £19 million at the end of 2010. In fact, the balance was £41m. The variance is due, in the main, to better performance of General Revenue Incomes than forecast (as detailed in Section 2.5). In addition, nearly £2m was returned to the Consolidated Fund from pre-existing approvals (see the Annex to the accounts for the details).

The 2011 Budget also forecast that the Consolidated Fund Balance would be £12 million at the end of 2011, by which time the balance on the Stabilisation Fund would have been exhausted. The budget also forecast a small deficit on the Consolidated Fund in 2012 and if this were to be the case then further measures would need to be agreed in the 2012 Budget to address this. These estimates will be reassessed and updated as part of the 2012 Business Plan.

With a gradual recovery in the economy forecast from 2011, eventually translating into improved revenues and together with the savings and tax proposals for 2011 to 2013, the forecast is for a return to a projected surplus (with income more than expenditure) by 2013 and a consequent improvement in the Consolidated Fund balance.

There are no proposals for the use of the Strategic Reserve which remains as the Island's permanent reserve with a balance of nearly £587 million.

2.7.2. Other Significant Funds

The key results relating to the position of other significant funds are highlighted below. In all cases the relevant pages in the Annex give more information about the performance and position of the funds.

Trading Operations

The Trading Fund balance increased for each of the Trading Operations during 2010. 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.

Reserves and Separately Constituted Funds

The net asset balance in the Stabilisation Fund has reduced significantly during the year due to a transfer to the Consolidated Fund of £68m to enable public services to be maintained as States' revenues reduced during the downturn and to meet an additional expenditure requirement relating to benefits. This is in accordance with the agreed use of the Fund, and a further £46m will be transferred in 2011, after which the Fund will be exhausted.

The net asset balance in the Strategic Reserve has increased by £36.8m due to a mixture of Investment Income and capital gains. This is an increase of 6.7%.

2.7.3. Key Movements in Assets and Liabilities

During the year Fixed Assets increased by £68.4m. This was in part due to a growth in the asset base of £17.8m (additions of £79.1m, less depreciation of £50.3m and disposals of £11.0m), and partly due to the net effect of the interim valuations of £50.6m (upwards revaluations of £196.1m offset by impairments of £145.5m).

Pension Liabilities relating to past service liabilities increased by £29.7m, as explained in Note 19. In addition there have been two changes to the defined benefits scheme recognised by the States. The liability for the Jersey Civil Service Scheme has always been funded from current revenues. In the interest of best practice and full recognition of potential material liabilities, we have had an actuarial valuation undertaken for 2010 in order that we may fairly reflect the liability in the States Accounts, resulting in a £6.2m liability being recognised.

In addition, in the interest of prudence, £4.7m has been recognised for the Pensions Increase Liability (PIL). Under the regulations of certain schemes, pensioners are guaranteed an increase in line with RPI, and so the States may be required to meet the difference between this and the increases of 0.3% below RPI required to address a deficit in the scheme.

In view of recent announcements of the results of the Hutton Inquiry in the UK, it is important that the States continues to consider the most appropriate structure for public sector pension schemes. The Treasury will consider the results of the Inquiry and its potential impact on the States' pension arrangements for future years.

Other Investments dropped by £83.5m, which was in part to release cash as required by the organisation, and in part due to an increase in the amount of cash held at year end (£48.6m)

Holdings in States owned companies (accounted for as strategic investments) were revalued at the end of the year. As a result the value of Jersey Telecom Group Limited increased by £6m (5%), primarily due to organic growth in the company. In contrast the valuation of Jersey Post International Limited fell by £8m (21%) due to increased competition and continued falling demand for traditional postal services. Both valuations reflect the achievements of the companies' restructuring and cost reduction programmes which have had a positive impact on valuations. As expected and in line with their relatively stable market and operating environment, the value of holdings in Jersey New Waterworks Company Limited and Jersey Electricity plc remained broadly the same.

Trade Debtors increased by £12m, which is primarily due to an increase in Debtors within the Social Security department (£5.8m) relating to Income Support debt recoverable, and a large increase in amounts due from the Social Security Fund and pension funds, which are outside of the group boundary (£6.3m).

Income Tax Creditors and Receipts in Advance also increased by £17.8m, primarily due to there being an increase in the numbers of individual tax payers assessed on a current year basis.

2.7.4. 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.

Significant Treasury Policies

The States of Jersey Treasury Management department is adopting the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services by revising its current policies and procedures.

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 affordable 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.

Office rationalisation process

A phased review of offices in the States of Jersey is currently underway, which aims to consolidate the office estate and reduce its size. This will provide a modern working environment, as well as reducing maintenance expenditure and releasing assets for disposal. A final Business Case for Phase 1 is being prepared for consideration by the Minister for Treasury and Resources.

Review of operational property

The States is also committed to reviewing the appropriateness of its operational properties, with initial reviews of the operational portfolios of the Education and Health departments also undertaken in 2010. These reviews are likely to lead to a rationalisation of these portfolios through better utilisation of buildings; the business cases for this will be considered in 2011.

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 allow investment in the remaining assets.

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.

2.8. Outline of Key Objectives and Strategies

Jersey is facing a range of issues, including expectations of only weak economic growth in 2011 (which is highly uncertain given the global economic environment), and ageing and growing population. The States Strategic Plan aims to address these issues.

The States' Objectives and Strategies are set out in detail in the States Strategic Plan, which is available on the States Website:

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

The Strategic Plan 2009 – 2014 sets the main aim of the States as 'Working together to meet the needs of our community'.

Specifically, by working openly and inclusively with all sectors of our community the States will:

- Enable people to reach their full potential;
- Meet our health, housing and education challenges;
- Prepare for the ageing society;
- Protect the countryside and our environment;
- Create a responsive and efficient government.

To achieve this, the States must also:

- Support and maintain our economy

The Strategic Plan goes on to outline sixteen Priorities that support these aims, and Key Performance Indicators that can be used to measure progress against these priorities.

2.9. Key Challenges and Opportunities

The current economic climate means that there are significant challenges facing the States in the coming years, the foremost of which is the provision of quality services in the face of declining revenues.

Economic growth from 2012 is expected to remain at low levels as the economy recovers, and growth of only 2% above RPI has been included in forecasts for tax revenues and other financial forecasts.

The States is currently undergoing two major reviews which aim to meet these challenges:

Comprehensive Spending Review (CSR)

The objectives on the CSR are to improve financial management and promote longer term financial planning and also to deliver significant savings in public spending but without serious detriment to the level and performance of front line services.

The financial implications have been detailed in the 2011 Business Plan and Budget with a minimum of £65 million of savings phased over the next three years providing challenging spending targets within which the States financial and business planning will be managed.

Fiscal Strategy Review (FSR)

The FSR will phase in tax and funding proposals to balance the remaining deficit after savings have been achieved and allowing for economic growth. The tax and funding measures will be developed in a way which is fair and supportive of economic growth.

The broad balance of measures is £65 million of savings and £46 million of tax and funding measures.

In addition, the States Strategic Plan also identified five major resource initiatives where projects have been established to address significant spending pressures and develop sustainable funding options. These projects will address the challenges of the ageing population, long term care, a strategic review of Health provision, a liquid and solid waste strategy and an office strategy and property rationalisation.

These matters are covered more fully in the States of Jersey Annual Business Plan and Budget.

2.10. Governance Structures

2.10.1. 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 annual estimates of public expenditure (revenue and capital);
c. to appoint a Council of Ministers charged with responsibility for the different aspects of public business;
d. to appoint a Public Accounts Committee 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; and
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 the Law.

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

The present composition of the States, as determined by the States of Jersey Law 2005, is:

Elected Members

- 12 Senators
- 12 Connétables
- 29 Deputies

Non-Elected Members

- the Bailiff
- the Lieutenant-Governor
- the Dean of Jersey,
- the Attorney General and
- the Solicitor General.

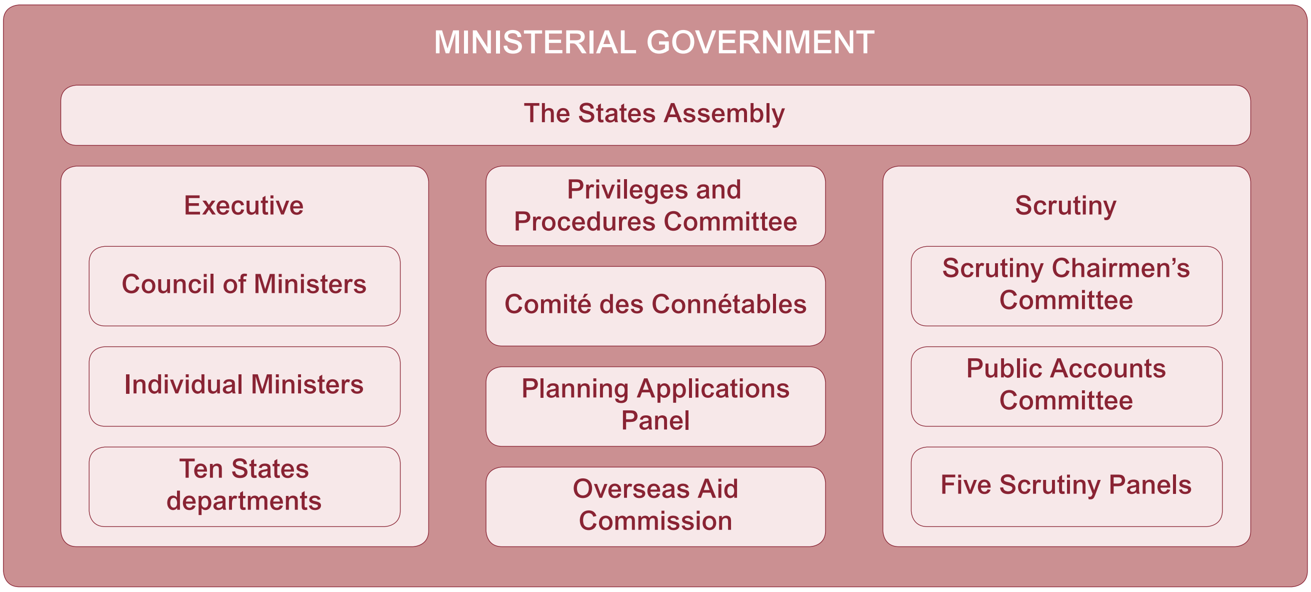
Officers

- the Greffier of the States, who is 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.

Only the elected members have voting rights.

The Ministerial System of Government

In 2005 Jersey adopted a Ministerial system of government. A Council of Ministers works alongside Scrutiny Panels. Of the 53 States members with voting rights, a maximum of 23 members are in ministerial positions either as Ministers (ten members) or Assistant Ministers (up to 13 members). States members who are not Ministers or Assistant Ministers can sit on the Scrutiny Panels and the PAC.



2.10.2. The Council of Ministers

The Council of Ministers is made up of a Chief Minister and nine 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 Council of Ministers. The ten Ministers leading the ten States departments during 2010 are:

DEPARTMENT	MINISTER	APPOINTMENT DATE[6]
Chief Minister's	Senator Terry Le Sueur	12 December 2008
Economic Development	Senator Alan Maclean	12 December 2008
Education, Sport and Culture	Deputy James Reed	12 December 2008
Home Affairs	Senator Ian Le Marquand	12 December 2008
Health and Social Services	Deputy Anne Pryke	28 April 2009
Housing	Senator Terry Le Main	12 December 2008
	Deputy Sean Power	08 June 2010
Planning and Environment	Senator Freddie Cohen	12 December 2008
Social Security	Deputy Ian Gorst	12 December 2008
Transport and Technical Services	Deputy Mike Jackson	12 December 2008
Treasury and Resources	Senator Philip Ozouf	12 December 2008

There are up to 13 Assistant Ministers, each with an area of political responsibility.

The Council of Ministers is responsible for producing Jersey's Strategic Plan. Once the Plan is approved by the States Assembly, the Council will make sure 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 Council of Ministers is supported by the Chief Executive who is the head of the public service and a Corporate Management Board that is made up of the chief officers of the main departments.

2.10.3. Scrutiny

Scrutiny reviews and comments on the policies and proposed policies of Ministers. It 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:

- **Chairmen's Committee** – a body that co-ordinates Scrutiny and ensures that it is effective and well run. It maintains regular contact with the Council of Ministers and acts as the link between the two parts of government. The Committee is formed by the Chairmen of the Scrutiny Panels, together with two additional Members.
- **Public Accounts Committee** – reviews all public expenditure. Works with the Comptroller and Auditor General. The Committee looks for value for money and elimination of waste.
- **Five Scrutiny Panels**
  - *'Corporate Services'* panel looks at corporate services, corporate policies, external relations and property holdings.
  - *'Environment'* looks at planning and environment, transport and technical services, including waste, public transport and infrastructure.

6 Where more one than one individual is included, the initial Accounting Officer's appointment ceased on the appointment of the new Accounting Officer.

- *'Economic affairs'* looks at economic affairs and development.
- *'Education & Home Affairs'* looks at Education, Sport and Culture including the Youth Service, and Home Affairs which includes the Fire and Police services, Customs and Immigration and Registrar.
- *'Health, Social Security and Housing'* looks at Health and social services, social security and housing.

The Panels are able to scrutinise new laws, existing and proposed new policies, international agreements that might be extended to Jersey and the annual business plan and budget. Each Scrutiny Panel is free to choose which issues it works on and may also accept suggestions from the public.

The Public Accounts Committee 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.

2.10.4. Accounting Officers

Accounting Officers are appointed for each States funded body under the Public Finances (Jersey) Law 2005. The Accounting Officer of a States funded body is personally accountable for the proper financial management of the resources of the body in accordance with the Law. Some specific requirements are set out in the Law, and also in Financial Directions issued in accordance with it.

The following individuals held the post of Accounting Officers for all or part of 2010:

STATES FUNDED BODY/FUND	POSITION	ACCOUNTING OFFICER	APPOINTMENT DATE[6]
Ministerial Departments			
Chief Minister's Department (to include Legislation Advisory Panel)	Chief Executive	William Ogley	01/01/2006
Economic Development (to include La Collette Reclamation Scheme)	Chief Officer	Michael King	01/01/2006
Education, Sport and Culture	Chief Officer	Mario Lundy	01/01/2008
Health and Social Services	Acting Chief Officer	Richard Jouault	01/10/2009
	Chief Officer	Julie Garbutt	01/06/2010
Home Affairs	Chief Officer	Steven Austin-Vautier	01/01/2006
Housing	Chief Officer	Ian Gallichan	01/01/2006
Planning and Environment	Chief Officer	Andrew Scate	26/08/2008
Social Security (including Health Insurance Fund and Social Security Fund)	Chief Officer	Richard Bell	01/06/2006
Transport and Technical Services	Chief Officer	John Rogers	17/04/2009
Treasury Department[7] (including Treasury and Taxes Office)	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	23/04/2010
Resources Department[7] (including Human Resources, Information Services, Property Holdings and Procurement)	Deputy Chief Executive	John Richardson	01/11/2009

7 During 2009 the Treasury and Resources department was restructured into two directorates (with separate Accounting Officers). Responsibility for Information Services and Human Resources (which in 2010 were parts of the Chief Minister's department) fall under the responsibility of the Deputy Chief Executive as the Accounting Officer for the Resources Department.

STATES FUNDED BODY/FUND	POSITION	ACCOUNTING OFFICER	APPOINTMENT DATE[6]
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department	Chief Clerk	Tim Allen	10/07/2006
Judicial Greffe	Judicial Greffier	Mike Wilkins	01/01/2006
Viscount's Department	Viscount	Mike 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
Comptroller and Auditor General	Comptroller and Auditor General	Christopher Swinson, OBE	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
Trading Operations			
Jersey Airport	Airport Director	Julian Green	04/04/2006
Jersey Harbours	Chief Officer	Howard Le Cornu	01/01/2006
Jersey Car Parking	Chief Officer - TTS	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer- TTS	John Rogers	17/04/2009
Separately Constituted (Special) Funds			
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	Chief Officer - EDD	Mike King	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Dwelling House Loan Fund	Assistant Chief Executive	Mick Heald	01/01/2010
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Assisted House Purchase Scheme	Assistant Chief Executive	Mick Heald	01/01/2010
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Housing Development Fund	Deputy Chief Executive	John Richardson	01/11/2009
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Jersey Currency Notes	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Jersey Coinage	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
99 Year Leaseholders Fund	Deputy Chief Executive	John Richardson	01/11/2009
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Criminal Offences Confiscation Fund	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010

STATES FUNDED BODY/FUND	POSITION	ACCOUNTING OFFICER	APPOINTMENT DATE[6]
Drug Trafficking Confiscation Fund	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010
Civil Asset Recovery Fund	Treasurer of the States	Ian Black	01/01/2006
	Interim Treasurer of the States	Hugh McGarel-Groves	16/06/2010

2.10.5. Interests of Senior Management

Under the Standing Orders of the States of Jersey, States Members are required to complete a return of their interests, and a register of these returns is publicly available at the offices of the States Greffe during normal working hours. Details of significant interests of members of the Council of Ministers are therefore available publicly as part of this register.

No Accounting Officers hold any interests significant to their roles. A number of loans issued under the rules of the Assisted House Purchase Scheme (see Section 2.3.3) have continued in 2010, but details are not disclosed due to the sensitive nature of this information.

2.10.6. Auditor

The financial statements for the States of Jersey are audited by PricewaterhouseCoopers LLP, who are appointed by the Comptroller and Auditor General under the Public Finances (Jersey) Law 2005. The Report of the auditor on the accounts is included with the accounts.

Audit fees and Non-audit fees paid to the external auditor are disclosed in Note 6 of the accounts.

The accounts have been properly prepared under the Public Finances (Jersey) Law 2005, in accordance with UK GAAP as interpreted for the States of Jersey by the Jersey Financial Reporting Manual. Our accounting policies are outlined in the accounts and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

There is no relevant audit information of which the States of Jersey's auditors are unaware, and all steps have been taken to identify any relevant audit information and to establish that the States of Jersey's auditors are aware of that information.

An Audit Committee, with an independent chair, operates throughout the year, considering internal control issues.

2.11. Corporate Social Responsibility

2.11.1. Environmental Responsibility

The States of Jersey recognises its environmental responsibilities and the impacts of its many and varied operations upon the environment. We aim to recognise this by acting sustainably and operating our facilities to the highest environmental standards. Good resource management is not only beneficial to the environment, it also makes commercial sense. We recognise that by reducing the energy demand of our organisation, our running costs are lowered and our carbon emissions minimised. In addition through our procurement process we aim to ensure that we undertake business with companies that have sound environmental practices.

In 2010 a cross-departmental programme to reduce the Government's energy use was initiated. In 2011 this resource reduction agenda will be rolled out assisted by 'ECO-ACTIVE States' – a bespoke programme that will provide Departments with the tools to identify their resource use and environmental impacts. From this baseline Action Plans can be developed that will guide environmental improvement and bring about efficiency savings in 5 key areas: energy; waste; water; transport and procurement. By implementing ECO-ACTIVE States we will be able to accurately measure our organisation's environmental impacts and more accurately report on our improvement.

2.11.2. Social Responsibility

Employee Involvement

The States of Jersey consults with all staff on matters that affect their working lives. In addition, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the 21 different pay groups. Formal meetings take place with the Manual Workers' Joint Council four times a year, or as required, and the Civil Service Forum meets twice a year, or as required. Departments also have local arrangements for meeting their accredited representatives to discuss matters of local interest.

Employment of Disabled People

The States of Jersey adopts a flexible and equitable approach to the employment of people who have a special employment need and encourages applications for all public sector vacancies. At all times there are people with special employment needs undertaking a wide variety of paid, therapeutic and unpaid roles across the range of departments and occupational groups.

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 32 days.

Signed:

Laura Rowley *MBA CPFA*
Treasurer of the States
Date: 24 May 2011

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 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 Statement on Internal Control.

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

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

Signed:

Laura Rowley *MBA CPFA*
Treasurer of the States
Date: 24 May 2011

4. Remuneration Report

4.1. Remuneration Policy

Pay for all States of Jersey employees is determined by the States Employment Board and the States of Jersey is currently in the second year of a two year pay award. The remuneration level for Senior Managers is determined by a job evaluation process for each post and the agreed pay award for Civil Servants has been applied to Senior Managers' pay. A performance related pay scheme is not in operation at present for Senior Managers or for other Civil Servants.

Senior Managers are normally appointed on permanent contracts of employment with a notice period which is either that prescribed by law, or a longer notice period of six months.

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.

States Members had a full year pay freeze for 2010, and were entitled therefore to the same amounts as for 2009: namely remuneration of £44,032 (which includes a sum of £3,650 for expenses). Although States members are treated as being self-employed for Social Security purposes the States also pays a sum in relation to members which is equivalent to the amount of an employer's liability for persons who are employed.

4.3. Accounting Officers

Salaries, Allowances and Taxable benefits

	2010 SALARY £000	2009 SALARY £000
Chief Executive		
Mr W Ogley	**210–215**	210–215
Chief Officer – Economic Development		
Mr M King	**125–130**	120–125
Chief Officer – Education, Sport and Culture		
Mr M Lundy	**130–135**	125–130
Chief Officer – Health and Social Services		
Mr R Jouault (Acting Chief Officer - to 31 May 2010) *Full year equivalent salary*	**45–50** *115–120*	25–30 *115–120*
Mrs J Garbutt (from 1 June 2010) *Full year equivalent salary*	**95–100** *170–175*	– –
Chief Officer – Home Affairs		
Mr S Austin-Vautier	**115–120**	110–115

	2010 SALARY £000	2009 SALARY £000
Chief Officer - Housing		
Mr I Gallichan	**100–105**	100–105
Chief Officer - Planning and Environment		
Mr A Scate	**110–115**	105–110
Chief Officer – Social Security		
Mr R Bell	**115–120**	110–115
Chief Officer – Transport and Technical Services		
Mr J Richardson (to 16 April 2009)	**–**	35–40
Full year equivalent salary	–	*125–130*
Mr J Rogers (from 17 April 2009)	**125–130**	80–85
Full year equivalent salary	–	*115–120*
Treasurer of the States		
Mr I Black (to 23 April 2010)	**45–50**	140–145
Full year equivalent salary	*140–145*	–
Deputy Chief Executive (Resources Department)		
Mr J Richardson (from 1 November 2009)	**140–145**	20–25
Full year equivalent salary	–	*140–145*
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	**70–75**	70–75
Chief Clerk – Law Officers' Department		
Mr T Allen	**75–80**	70–75
Judicial Greffier and Viscount		
Mr M Wilkins	**135–140**	130–135
Chief Probation Officer		
Mr B Heath	**85–90**	85–90
Greffier of the States		
Mr M De La Haye	**110–115**	105–110
Airport Director		
Mr J Green	**120–125**	120–125
Chief Officer – Jersey Harbours		
Mr H Le Cornu	**105–110**	100–105

No taxable benefits-in-kind were received by the officers above during 2010.

Payments to third parties for services of a senior manager

During the year, payments totalling £193k were made to third parties for services of Hugh McGarel-Groves, in his role as Interim Treasurer (appointed on 23 April 2010).

Pension benefits

	TOTAL ACCRUED PENSION AT RETIREMENT AS AT 31 DEC 2010[8] £000	CETV[9] AT 31 DEC 2009 (OR DATE OF APPOINTMENT IF LATER) £000	CETV AT 31 DEC 2010 £000	REAL INCREASE OR (DECREASE) IN CETV[10] £000
Mr W Ogley	Pension 25–30 *Increase of 2.5–5*	341	414	62
Mr M King	Pension 5–10 *Increase of 0–2.5*	95	125	24
Mr M Lundy	Pension 55–60 *Increase of 2.5–5* Lump Sum 175–180 *Increase of 7.5–10*	1,088	1,178	81
Mr R Jouault	Pension 15–20 *Increase of 2.5–5*	168	197	25
Mrs J Garbutt	Pension 80–85	892	909	12
Mr S Austin-Vautier	Pension 20–25 *Increase of 0–2.5*	388	434	41
Mr I Gallichan	Pension 20–25 *Increase of 0–2.5*	300	333	28
Mr A Scate	Pension 0–5 *Increase of 0–2.5*	13	25	6

8 Members of PECRS can choose to exchange up to 25% of their pension for a lump sump 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 (who joined the scheme prior to 1 April 2007) receive an automatic lump sum on retirement and this is included in the table.

9 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.

10 This increase is shown after deducting contributions by the individual, including any transfers into the scheme.

	TOTAL ACCRUED PENSION AT RETIREMENT AS AT 31 DEC 2010[8] £000	CETV[9] AT 31 DEC 2009 (OR DATE OF APPOINTMENT IF LATER) £000	CETV AT 31 DEC 2010 £000	REAL INCREASE OR (DECREASE) IN CETV[10] £000
Mr R Bell	Pension 15–20 *Increase of 0–2.5*	154	177	18
Mr J Richardson	Pension 65–70 *Increase of 5–7.5*	877	995	109
Mr J Rogers	Pension 10–15 *Increase of 2.5–5*	77	134	50
Mr I Black	–	1,043	–	–
Mr D Filipponi	Pension 10–15 *Increase of 0–2.5*	126	145	15
Mr T Allen	Pension 35–40 *Increase of 2.5–5*	582	651	65
Mr M Wilkins	Pension 75–80 *Increase of 2.5–5*	1,304	1,338	25
Mr B Heath	Pension 40–45 *Increase of 0–2.5*	568	620	47
Mr M De La Haye	Pension 45–50 *Increase of 2.5–5*	611	670	53
Mr J Green	Pension 5–10 *Increase of 0–2.5*	53	71	11
Mr H Le Cornu	Pension 10–15 *Increase of 0–2.5*	144	170	20

Compensation Payments

Compensation Payments of £7.521m were made to States employees on termination of contract during 2010 (2009: £719k).

Signed:

Terry Le Sueur
Chair of the States Employment Board
Date: 25 March 2011

5. Statement on Internal Control

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.

In accordance with a Financial Direction issued under the Law, each accounting officer has formally recorded in a Statement on Internal Control the basis upon which they believe their duties have been properly discharged during 2010 for his or her area(s) of responsibility. These documents are a key element of the States' Internal Control Framework and outline the arrangements in place and the improvements being made in internal control procedures across the States of Jersey.

Each Accounting Officer is personally accountable for the proper financial management of the resources under his or her control in accordance with the Law, including the Regulations approved under the Law and Financial Directions issued by the Treasurer of the States. In particular, an accounting officer must ensure that:

- Expenditure does not exceed the amount approved by the States and is used for the purpose for which it was intended.
- All money owed is collected and paid into an appropriate bank account, and that all money owed is duly paid.
- Records and proper accounts of all financial transactions are kept and are promptly provided when required for the production of the annual financial statement;
- Administration is undertaken in a prudent and economical manner;
- Resources are used efficiently and effectively; and the provisions of the Law are otherwise complied with.

In discharging his or her statutory duties, an Accounting Officer is responsible for ensuring that there is a sound system of internal control which includes arrangements for the management of risk and corporate governance.

The States of Jersey Statement on Internal Control sets out the Accounting Officers' responsibilities, summarises the high level arrangements, and considers controls, risks and action plans from a States wide perspective.

5.2. The purpose of the system of internal control

The system of internal control is designed to manage the risk of failure to appropriately manage and control the resources for which an Accounting Officer is responsible. 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.

Under the Law, the Minister for Treasury for Resources has delegated power to the Treasurer of the States to issue Financial Directions. In 2010, Ian Black resigned as Treasurer of the States and an interim Treasurer was appointed. During this transition period, work on non-essential Financial Directions (i.e. Directions not associated with the production of the States of Jersey Accounts under UK GAAP) ceased. Laura Rowley took up her post as Treasurer on 1st January 2011 and work on developing financial controls has recommenced in earnest.

The system of internal control has otherwise been in place in the States of Jersey for the year ended 31 December 2010 and up to the date of approval of the 2010 Financial Report and Accounts.

5.3. Capacity to handle risk

Leadership is given to the risk management process by the Chief Executive Officer (CEO) with the support of a Corporate Management Board (CMB) sub-group. The sub-group comprises accounting officers from the Treasury, Resources, Education, Sport and Culture, Housing and Social Security Departments, and was set up to lead and oversee risk management within the States of Jersey, set the tone and influence the culture of risk management across the organisation. The risk management sub-group is working towards a "no surprises" culture to reporting existing, new and emerging risks and preparing and implementing plans for mitigating risks.

The States of Jersey's approach to risk management is set out in a Financial Direction, the current version of which has been effective since September 2006. The requirements of the Direction cover identifying, evaluating and assessing risks, identifying responses to risk, and monitoring and reviewing progress.

Internal audit undertakes a periodic review to assess the status of risk management within the States of Jersey compared to best practice (IIA–UK Risk Maturity Continuum), a review of which is currently in progress.

5.4. The risk and control framework

Each accounting officer is required to establish a risk management strategy, which defines an appropriate framework for the structured consideration of risk. These strategies form an important element of departments' corporate governance and internal control arrangements and define each department's approach to risk management.

Members of the CMB participate in a facilitated annual risk management workshop. Risks that may prevent the achievement of States' objectives are assessed, and documented in a risk register. The resulting risk register is managed and reviewed quarterly by the CMB sub-group, which is chaired by the Deputy CEO who acts as risk champion for the States of Jersey, and appropriate actions are taken to mitigate the risks identified.

The Financial Direction on Risk Management is designed to ensure that:

- There is a consistent understanding of risk management processes across the organisation.
- The ownership of key risks is appropriately assigned.
- CMB is informed by escalation of significant departmental and cross cutting risks.

Financial Directions

A key element of the internal control system is the framework of Financial Directions issued by the Treasurer of the States, to provide guidance to departments on the controls necessary to deliver the proper stewardship and administration of the Law and the public finances of Jersey. Accounting Officers are required to comply with Financial Directions and other key controls, including Human Resource, Information Management and other resource management policies.

Objective setting

The States' business planning and budgeting process is used to set objectives and allocate resources. Each department has established its own management structure and processes to set key objectives, linked to the States of Jersey's strategic priorities and manage performance. A structured process is also in place to measure progress against objectives and this is used to further inform the planning and decision making processes.

At the beginning of 2010, the Council of Ministers (CoM) agreed a major review of public expenditure in response to the projected structural deficit. The Comprehensive Spending Review (CSR) is being undertaken to maximise spending savings, establish spending priorities and implement a medium term financial planning process.

Ministerial Decision-making

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

Financial Management

Month end processes and procedures adopted by departmental finance teams include the provision of financial support to budget holders. This support includes the production of management reports, variance analysis and forecasting the year end position against budget. There is a renewed energy in Departments taking advantage of budget holder training for their managers.

Corporate Reporting

The process of Financial Reporting on a quarterly basis to individual Ministers ensures that both the individual Ministers and, ultimately, the CoM are informed of financial results. Key financial performance indicators are included in departments' Balanced Scorecards along with summaries of serious risks to departments' achievement of their objectives. A high level report is produced and presented to the CMB on a monthly basis which concentrates on significant items and highlights any financial and non-financial risks.

Financial Reporting

The States of Jersey 2010 Financial Report and Accounts are the first to have been prepared fully in line with UK Generally Accepted Accounting Principles (GAAP), as interpreted for the States of Jersey by the Financial Reporting Manual (JFReM). As a result, the 2010 Accounts include more detailed disclosure and therefore improved transparency on a range of items, including Fixed Assets, Remuneration, Pensions, Losses and Special Payments, Gifts and Related Party Transactions.

5.5. Review of effectiveness of the system of internal control

Accounting officers have responsibility for maintaining and reviewing the effectiveness of the system of internal control. During their review, the work of internal audit, external audit, and other assurance mechanisms is taken into consideration as follows:-

Audit Committee:

The Audit Committee provides a process of constructive challenge to help ensure that the most efficient, effective and economic risk management, control and governance processes are in place. The Committee meets quarterly, and the CEO, the Comptroller and Auditor General and external auditors attend the meetings. The CEO informs CMB of the key issues arising out of the Audit Committee. The Audit Committee's Terms of Reference and work plan are currently under review with the intention of strengthening independence and its contribution to effective corporate governance.

Internal audit:

The role of internal audit provides an independent and objective opinion on risk management, control and governance. The Chief Internal Auditor undertakes an annual internal audit programme, which is agreed with the Treasurer of the States and monitored by the Audit Committee.

A total of 46 internal audit reports were finalised in 2010, as part of the 2009 and 2010 audit plans, of which 1 was not applicable for scoring. Each audit report rates the area of review on a four point scale, with 4 being the highest. A number of internal audit reports were finalised after 31st December 2010 and are excluded from the summary of results in Table 13 below.

Most recommendations or agreed actions for improvement have been accepted by managers, and have either been implemented by departments or are in progress with the oversight of internal audit. We are working to improve the quality of the Internal Audit process and actions include challenging the quality of draft reports through more vigorous internal review before they are issued in draft, a new process for verifying that a report scoring 1 or 2 is justifiable and accepted by the Department and improving response times from Departments.

Table 13 – Summary of 2010 Internal Audit Reports finalised during 2010

Assurance Rating			Number of Internal Audits
4	**Performing Well**	Management can place reliance on the adequacy of the internal control environment to manage inherent risk	**2**
3	**Adequate**	Reasonable reliance can be placed on the adequacy of the internal control environment to manage inherent risk.	**32**
2	**Inadequate**	There is limited assurance on the adequacy of the internal control environment to manage inherent risk.	**10**
1	**Unacceptable**	Management cannot place any reliance on the adequacy of the internal control environment to manage inherent risk.	**1**

The Comptroller and Auditor General:

The Comptroller and Auditor General (C&AG) examines how public money is spent, and looks at how best value for money can be achieved by managing finances to the highest standards. The C&AG considers and reports to the States on: (a) the effectiveness of the internal financial controls; (b) economical, effective and efficient use of resources; and (c) the corporate governance arrangements. In each case, the Comptroller makes recommendations to bring about improvement, where improvement is needed. Reports published during 2010 include 'Review of the provisions of the Public Finances Law 2005' (February 2010), 'Historic Child Abuse Enquiry' (July 2010), 'Public Library Service' (November 2010) and 'Asset Disposals by the States of Jersey during 2009' (December 2010). Work on updating the Public Finances Law 2005 is being undertaken and will be completed in two phases: the first phase addresses the appropriation and budgeting process and the C&AG's remit, and the second will cover responsibilities and accountabilities.

Public Accounts Committee:

The role of the Public Accounts Committee (PAC) is to improve efficiency and effectiveness by examining audit reports, investigating the use of resources and public funds, and by challenging the adequacy of the corporate governance arrangements. The PAC also reports directly to the States Assembly. Reports published in 2010 include 'Jersey Heritage Trust – Financial Review' (July 2010) and 'Report on the Accounts of the States of Jersey 2009' (December 2010).

Scrutiny Panels

The role of Jersey Scrutiny is to protect the public interest by examining executive policy decisions. Scrutiny Reports acknowledge good practice and, where necessary, recommend improvements to services or changes to policy. After a suitable period to allow for the implementation of recommendations, Scrutiny Reports are revisited by Panels to find out whether recommendations have been implemented. Reports published during 2010 range from 'Scrutiny of the Comprehensive Spending Review' (Corporate Services Panel) to 'School Suspensions' (Education and Home Affairs Scrutiny Panel).

External Audit

The external auditors spend at least one week with each principal finance team as part of the audit of the annual accounts. At the end of the audit, the auditors and management agree audit recommendations, including timeframe and designated persons based on their review of controls, policies and procedures in place. A formal report is then issued for each department and consolidated in the final ISA260 "Communication to those charged with Governance" Report, which summarises the findings and agreed actions. The implementation of external audit recommendations is monitored at departmental and corporate level, and any outstanding recommendations are picked up by the external auditors as part of the audit for the following year. Refer to the Auditors' Report in the 2010 Financial Report and Accounts for further information on the responsibilities of the auditors.

Other assurance mechanisms – Departmental assurances:

The majority of departments routinely carry out internal and external reviews (e.g. compliance and/or sample testing) as a means of deriving assurance over the effective operation of internal financial controls, particularly controls relating to expenditure.

Generally, training is considered key to improving assurance. Budget holders across the organisation have either received training or will be receiving training on the cornerstones of financial management, including reporting, budgeting and forecasting, the financial control and assurance framework, and the Enterprise Resource Management system.

5.6. Significant internal control issues

The Treasurer of the States determined the most significant internal control issues to include in this Statement on Internal Control, in collaboration with the Deputy Treasurer, the Chief Internal Auditor and the Financial Accounting and Control Team. The significant issues that have arisen in 2010 are shown in Table 14 below.

Table 14 – Significant internal control issues

ISSUE	RISK	ACTION(S)
Income Tax and GST: • Segregation of duties • Succession planning • Policies and procedures • Compliance with tax repayment procedures • Reliance on an IT System from a small supplier	Business continuity may be significantly impacted; knowledge transfer may be inadequate; staff may adopt inconsistent procedures; unauthorised repayment could be made; unauthorised repayment could be made	• Implemented: Finance and IS Director's role segregated • Implemented: new post of Assistant Director created • In progress: Income Tax policies are being collated • Implemented: authorisation thresholds for GST repayments in place • A review of the tax collection arrangements has been carried out and an implementation plan prepared in response
Business and personal tax calculations: provisions for uncollectible estimates:	Risk of error and misstatement in the financial statements	• Implemented: revised process for reviewing debtor balances including provisions operational
GST estimated income and provisioning process: year end provisions **Integration of GST, business and personal tax departments**: information sharing	Information pertinent to the GST function may not be being passed on by business or personal tax teams	• Implemented: revised process for determining GST accruals introduced • Progress ongoing: co-operation and information exchange will be enhanced and improved in future years

ISSUE	RISK	ACTION(S)
Procurement/contracts: • General contract management	Failure to maximise value for money; failure to detect service level failings and escalate for timely action	• In progress: work on negotiating contracts to ensure savings in key areas (e.g. facilities management, interim/agency staff, education supplies and printing) • In progress: review of significant contracts, i.e. contracts that have more complex terms and may lead to full value for money not being obtained if not closely monitored
• Compliance with controls for purchasing goods and services	Optimum value for money may not be obtained; diminished accountability	• Implemented: Finance Director reminded primary budget holders of the existing requirements around the use of corporate contracts and obtaining quotations/tenders • In progress: re-draft the Financial Direction on Purchasing of Goods and Services to improve usability and compliance
• (Use of) Purchase cards		Implemented: • Unused cards cancelled • Review of the number of purchase cards in issue and credit limits • A new suite of reporting on purchase card transactions has been rolled out • Review of card usage Progress: • Divergence from appropriate card usage being picked up as part of the Procure to Pay (P2P) project

ISSUE	RISK	ACTION(S)
Corporate Governance:		
• Compliance with Financial Directions (and implementation of basic internal financial controls)	Appropriate financial controls may not be in operation; the finances of Jersey may not be administered in accordance with best practice	Implemented: • Internal Audit arrangements with external audit provider reviewed • Protocol for developing and agreeing the scope of each audit and for the sign off of each audit report approved by the Treasurer and ratified by the Audit Committee and the Finance Advisory Board In progress: • Several new Financial Directions drafted • Directions on grants, capital expenditure and fixed assets revised • States of Jersey Governance Framework reviewed • Audit Committee Terms of Reference and membership updated in line with the Combined Code of Corporate Governance Planned: • Independent review and improvement of key controls around revenue expenditure and income • Review and enhance the States of Jersey Financial Control and Assurance Framework in consultation with key stakeholders
• Accountability (for States of Jersey Police expenditure)	Expenditure may not be adequately controlled	In progress: a Memorandum of Understanding provides the Chief Officer of States of Jersey Police (SoJP) and the Accounting Officer for Home Affairs a shared understanding of how to discharge their financial management responsibilities under the current framework. Under a proposition (for the establishment of a Police Authority) recently approved by the States, the Chief Officer of the SoJP will also be the accounting officer.
Asset disposals (under the Jersey Homebuy Scheme): the CAG has raised a number of concerns[11] around: • Obtaining States' approval of the trial of the Scheme • Arrangements for implementation of the Scheme • Arrangements for providing central oversight of the States' property transactions	Assets may not be disposed of in accordance with properly approved policies; the Scheme may not be administered effectively; asset disposals may not be effected at proper values	Concerns regarding sales under the Jersey Homebuy Scheme have been questioned by the PAC at a series of Public Hearings held in January 2011. The PAC report including findings and recommendations has not yet been finalised.

11 Asset disposals by the States of Jersey during 2009 – Report by the Comptroller and Auditor General (November 2010).

Progress against significant issues identified in the 2009 Statement on Internal Control is shown in Table 15 below.

Table 15 – Progress on 2009 significant issues

ISSUE	PROGRESS
Financial Management in the States	Execution of the plan for change and improvement for the States of Jersey finance function in 2010 resulted in the following actions being taken: • Fundamental restructuring of the States Treasury Department • Implementation of the Finance Change Team (FCT) Project, including making progress with P2P • Development of a Comprehensive Quarterly Corporate Report, which covers General Revenues, Capital and Financial KPIs in addition to net revenue expenditure performance and is presented to both CMB and the CoM • Review and development of investment strategies for all States Funds, including diversification of investments • Implementation of the Common Investment Fund (CIF); further work is required to deliver a more diversified investment strategy. Planned actions in 2011 include: • Review and enhancement of closing procedures. • Review of corporate insurance arrangements. • Introduction of medium term financial planning.
Court and Case Costs (budgeting and accountability):	An interim funding solution was implemented in 2010 and progress has been made towards a permanent funding solution for 2011 onwards. However, Court and Case Costs continue to rise and the ongoing funding pressure remains. A review of Court and Case Courts was undertaken during the year and a number of recommendations for budget management and control are being progressed.
Corporate Governance	**Health and Social Services Department** (Acute Service Management): a review by Verita in 2009 identified a number of governance issues. The recommendations in the report have been successfully adopted and are complete or significantly progressed where the recommendations require a longer time period for delivery. This has been confirmed through a follow up review by Verita undertaken in October 2010. **Education, Sport and Culture Department** (Jersey Heritage Trust): the Jersey Heritage Trust (JHT) receives significant funding from the States of Jersey. Governance within the Trust continues to be an issue, and a review by the PAC[12] concluded that the Trust is not being held to account for the grant funding it receives from Education, Sport and Culture (ESC) and that the agreement with the Trust does not offer sufficient direction or obligation. A new agreement has recently been agreed with the JHT, and ESC is in the process of developing arrangements for the reporting of financial performance within the Trust and a process of financial reporting between the Trust and ESC.
Data Security	A review by the C&AG in 2009 of States-wide arrangements and practices around data security highlighted areas for improvement across the organisation. Action plans to deliver the necessary improvements during 2010 have been executed, with recommendations either implemented or in progress. A States-wide Register of Applications is being compiled and will form the basis of an assessment of risks across the organisation's applications and data bases. A Data Security Officer will oversee ongoing improvements in this area, and while permanent recruitment has proved difficult external resource has been used to advance specific elements of the overall strategy. Internal audit reviews carried out in 2010 on Information Services Access Management and Password Management received an assurance rating of 2 – Inadequate. Recommendations made in respect of each of the aforementioned have been implemented. The 2011 Audit Plan includes an increased number of internal audit reviews around data security.

12 Jersey Heritage Trust – Financial Review PAC 3/2010 – 6th July 2010.

Closing statement

To the best of my knowledge, the internal control environment as summarised above has been effectively operated during the year, with the exception of the internal control matters identified above and in the individual departmental 2010 Statements on Internal Control.

Signed:

Bill Ogley
Chief Executive Officer
Date: 7 March 2011

6. Introduction to the Accounts

6.1. Changes in Accounting Standards: The move to GAAP

The States has a strategic aim to deliver public services that are recognised as efficiently and effectively meeting people's needs. A key objective in order to achieve this is the implementation of GAAP (Generally Accepted Accounting Principles) compliant accounts.

From 1 January 2009 the States of Jersey has been accounting in accordance with UK GAAP as interpreted for the public sector in Jersey by the Jersey Financial Reporting Manual (JFReM). Last year GAAP figures without comparatives were included in the accounts, but 2010 is the first year in which the States can report GAAP compliant accounts with comparatives.

The JFReM is based on the UK version of the same document. The UK version is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board.

Accounting Changes

The major accounting changes between GAAP accounts and the previous accounting basis are:

1. **Asset Accounting**

   On the previous basis assets were not separately identified. Any money spent as a result of a capital budget allocation was recorded as capital expenditure. Under GAAP assets are recorded separately, and only recorded as assets where the expenditure relates to asset acquisition or improvement, as required by GAAP. All fixed assets were valued as at 31 December 2008, and will be periodically revalued in line with the requirement of the JFReM.

2. **Restatement of WEB balances**

   The results of the Waterfront Enterprise Board Limited (WEB) have always been incorporated into the States of Jersey accounts, however adjustments were previously made from the GAAP accounts as prepared by WEB in order to bring the balances and transactions in line with the accounting policies of the States of Jersey. As the States has now adopted GAAP these adjustments are no longer made.

3. **Changes to the Group Boundary**

   The group boundary, which determines which entities are included in the consolidated accounts, was reviewed and revised in the light of the move to UK GAAP. As a result several new entities are now included in the consolidation: the Criminal Offences Confiscation Fund, the Drug Trafficking Confiscation Fund and the Civil Asset Recovery Fund.

4. **Capital Grants**

   Under previous accounting policies, capital grants were deducted from the cost of the asset constructed or purchased. Under the JFReM this is not permitted. A States entity making a capital grant records the grant in full as an expense to match the expenditure it relates to. A grant receiving entity records the grant in a separate capital grants reserve. This is then credited to the Operating Cost Statement over the life of the asset. The majority of capital grants so recorded are both made and received by entities within the States of Jersey group boundary and therefore these transactions and balances are eliminated on consolidation.

5. **Valuation of Strategic Investments**

   On the previous basis Strategic Investments (Jersey Telecom Group Limited, Jersey Post International Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited) were held at historic cost. Under GAAP these are recognised at "fair value", although this does not necessarily represent the value at which the investments could be sold. More details on the basis of valuation are included in Note 10.

6. **Eliminations**

   Under the previous accounting policies, transactions between States entities, and within a Department, were not eliminated in the preparation of the accounts, meaning that income, expenditure and balance sheet items were shown in aggregate. GAAP requires transactions and balances between entities within the group boundary to be eliminated in the consolidated accounts. However, Business Plan approvals and departmental pages ignore these eliminations, to better reflect the cost of providing services.

7. **Other**

   There are a number of other, smaller, adjustments which are required to align the States of Jersey with GAAP, including the way in which job-costing related transactions are recorded

In addition, the accounts include several extra disclosures that should improve the transparency of the accounts. These include details about the remuneration of senior management, leases, related party transactions, and losses and special payments, and a Treasurer's report compliant with the Acounting Standards Boards' (ASB) reporting statement: Operating and Financial reviews.

A reconciliation of the 2009 figures (as previously reported) to the 2009 GAAP compliant figures for the Operating Cost Statement and Balance Sheet can be found in Note 36.

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 Operating Cost Statement

This statement 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 group.

Consolidated Statement of Total Recognised Gains and Losses

This statement provides a summary of the States' financial gains and losses regardless of whether or not they were shown in the Operating Cost Statement. This includes the surplus for the year (from the Operating Cost Statement), as well as other unrealised gains and losses, such as those resulting from the revaluation of Fixed Assets, Investments or Pension Liabilities.

Consolidated Balance Sheet

The balance sheet provides a snapshot of the States of Jersey's financial position as at 31 December 2010. It sets out what the States owns, what the States owe 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 Group.

Cash Flow Statement

The Cash Flow Statement summarises the actual movements in cash balances that have occurred in the year.

The three statements above are prepared in accordance with the Jersey Financial Reporting Manual (which interprets GAAP 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.

Notes

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

Note 2 gives a Segmental Analysis of both the Operating Cost Statement and Balance Sheet, giving further details of how these numbers are made up.

Notes 3 to 7 give further information about the figures included in the Operating Cost Statement; Notes 8 to 22, the Balance Sheet; and Note 23, the Cash Flow Statement.

The remaining notes give additional disclosures and information about various items included in the Accounts. In particular Note 36 gives a reconciliation between the amounts included in the 2009 Financial Report and Accounts, and those stated as GAAP comparatives in these Accounts. These notes were first included in the Annex to the 2009 Accounts.

Annex

The annex to the accounts primarily gives further information about the entities included within the States of Jersey Accounts. This includes Operating Cost Statements, Statements of Total Recognised Gains and Losses, Balance Sheets and information about the performance of Departments, Trading Operations, Reserves and Special Funds. Additional information about General Revenue Income received is also included.

It provides further information about that the changes from the Original Business Plan which were agreed by the States or by Ministerial Decision.

Details of all grants paid to organisations (other than those included in Note 33) are also included in the Annex.

A Glossary is also included which provides an explanation of the terminology used in this report and accounts.

7. Auditor's Report

INDEPENDENT AUDITORS' REPORT TO THE MINISTER FOR TREASURY AND RESOURCES OF THE STATES OF JERSEY AND THE COMPTROLLER AND AUDITOR GENERAL OF THE STATES OF JERSEY

We have audited the annual financial statement on the Accounts ("the Accounts") of the States of Jersey for the year ended 31 December 2010 in accordance with the Public Finances (Jersey) Law 2005. The Accounts comprise the Consolidated Operating Cost Statement, the Consolidated Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK GAAP as interpreted for the States of Jersey by the Jersey Financial Reporting Manual.

Respective responsibilities of the Treasurer of the States, the Comptroller and Auditor General of the States and auditors

As explained more fully in the Statement of Responsibilities for the Financial Report and Accounts, the Treasurer is responsible for the preparation of the Accounts in accordance with the Public Finances (Jersey) Law 2005.

The Comptroller and Auditor General's responsibilities are to ensure that the Accounts are audited within 5 months of the end of the financial year. We have been appointed by the Comptroller and Auditor General to audit the Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Minister for Treasury and Resources of the States of Jersey and the Comptroller and Auditor General of the States of Jersey in accordance with the Public Finances (Jersey) Law 2005 and for no other purpose. We do not, in giving this opinion, 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.

Scope of the audit of the Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States; and the overall presentation of the Accounts.

Opinion on the Accounts

In our opinion, the Accounts:

- 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 2010 and of the income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with UK GAAP as interpreted for the States of Jersey by the Jersey Financial Reporting Manual; and
- have been prepared in accordance with the requirements of the Public Finances (Jersey) Law 2005.

Opinion on other matters

In our opinion, the information given in the Minister's Report, the Annual Report, the Remuneration Report and the Annex is consistent with the Accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finances (Jersey) Law 2005 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the States of Jersey; or
- The Accounts are not in agreement with the accounting records; or
- We have not received all the information and explanations required for our audit; or
- Information specified by the Public Finances (Jersey) Law 2005 has not been disclosed; or
- The Statement on Internal Control does not reflect compliance with the relevant guidance issued by the Financial Advisory Board of the States of Jersey on 14 November 2006.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Date: 26 May 2011

8. Primary Statements

8.1. Consolidated Operating Cost Statement for the year ended 31 December 2010

	Notes	2010 £' 000	2009 £' 000
Revenue			
Levied by the States of Jersey			
Taxation revenue		443,685	558,474
Island rates, duties, fees, fines and penalties		88,295	92,874
Total Revenue Levied by the States of Jersey		**531,980**	**651,348**
Earned through Operations			
Sales of goods and services		135,288	132,750
Investment income		59,071	26,639
Other revenue		19,402	19,951
Total Revenue Earned through Operations		**213,761**	**179,340**
Total Revenue	3	**745,741**	**830,688**
Operating Expenditure			
Social Benefit Payments		165,620	162,598
Staff costs	5	345,246	326,925
Other Operating expenses		184,190	178,695
Grants and Subsidies payments		40,187	39,236
Depreciation		50,235	44,799
Impairment of Fixed Assets		145,094	4,684
Finance costs	7	5,338	5,340
Total Operating Expenditure		**935,910**	**762,277**
Non-Operating expenditure			
Net foreign-exchange losses		447	556
Movement in pension liability		41,263	23,682
Gains on disposal of assets		(2,730)	(1,912)
Total Non-Operating Expenditure		**38,980**	**22,326**
Total Expenditure	4	**974,890**	**784,603**
(Deficit)/Surplus for the Year	6	**(229,149)**	**46,085**

8.2. Consolidated Statement of Total Recognised Gains and Losses for the Year ended 31 December 2010

	2010 £' 000	2009 £' 000
(Deficit)/Surplus for the Year	(229,149)	46,085
Revaluation of Fixed Assets	196,122	61,297
Unrealised Gain on Revaluation of Investments	1,134	41,997
Unrealised Gain/(Loss) on Strategic Investments	(3,500)	502
Actuarial Gain in respect of Defined Benefit Pension Schemes	1,445	(1,153)
Total Recognised (Loss)/Gain Relating to the Year	**(33,948)**	**148,728**

8.3. Consolidated Balance Sheet as at 31 December 2010

	Notes	2010 £' 000	2010 £' 000	2009 £' 000	2009 £' 000
Tangible and Intangible Fixed Assets	8	2,768,538		2,700,131	
Financial Assets					
Advances	9	15,859		18,549	
Strategic Investments	10	254,000		257,500	
Other investments	11	898,952		982,469	
Debtors: amounts falling due after more than one year	13	14,457		13,986	
Total Fixed Assets			**3,951,806**		**3,972,635**
Current Assets					
Stock and Work in Progress	12	29,767		28,253	
Debtors	13	112,567		109,823	
Cash at Bank and in Hand	14	94,033		78,662	
Total Current Assets			**236,367**		**216,738**
Current Liabilities					
Bank overdrafts	15	–		(33,242)	
Creditors	15	(117,679)		(88,230)	
Currency in Circulation	16	(92,779)		(90,664)	
Provisions for liabilities and charges	21	(4,448)		–	
Total Current Liabilities			**(214,906)**		**(212,136)**
Net Current Assets / (Liabilities)			**21,461**		**4,602**
Total Assets Less Current Liabilities			**3,973,267**		**3,977,237**
Long Term Liabilities					
Finance Lease Obligations	17	(14,062)		(16,924)	
PECRS Pre-1987 Past Service Liability	19	(265,435)		(246,643)	
Provision for JTSF Past Service Liability	19	(114,000)		(103,100)	
Defined Benefit Pension Schemes Net Liability	20	(11,152)		(1,542)	
Provisions for liabilities and charges	21	(6,263)		(13,915)	
Total Long Term Liabilities			**(410,912)**		**(382,124)**
Net Assets			**3,562,355**		**3,595,113**
Reserves	22				
Accumulated Revenue and Other Reserves		3,110,089		3,323,673	
Revaluation Reserve		230,005		50,741	
Donated Asset Reserve		39,084		24,912	
Investment Reserve		183,177		195,787	
Total Reserves			**3,562,355**		**3,595,113**

Signed:

(Treasurer of the States)

Date: 24 May 2011

Signed:

Philip Ozouf

(Minister for Treasury and Resources)

Date: 24 May 2011

8.4. Consolidated Cash Flow Statement for the Year ended 31 December 2010

	Notes	2010 £' 000	2010 £' 000	2009 £' 000	2009 £' 000
Operating Activities					
Net Cash (Outflow)/Inflow from Operating Activities	23		**(36,333)**		**117,842**
Returns on Investment and Servicing of Finance					
Investment Income received		42,608		44,869	
Interest paid		(283)		(160)	
Interest element of Finance Lease payments		(1,218)		(1,388)	
Net Cash Inflow from Returns on Investments and Servicing of Finance			**41,107**		**43,321**
Capital Expenditure and Financial Investments					
Payments to acquire Tangible Fixed Assets		(75,834)		(128,476)	
Proceeds from Disposal of Property		13,734		31,828	
Purchase of Investments		(2,165,887)		(2,620,141)	
Proceeds from Disposal of Investments		2,271,998		2,516,414	
Loans Repaid		2,690		6,763	
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investments			**46,701**		**(193,612)**
Management of Liquid Resources					
Net Cash (Outflow)/Inflow from Management of Liquid Resources			**(33,839)**		**21,433**
Financing					
Capital Element of Finance Lease Rental Payments		(2,862)		(2,685)	
Net Cash Outflow from Financing			**(2,862)**		**(2,685)**
Increase/(Decrease) in Cash	23		**14,774**		**(13,701)**

9. Notes to the Accounts

9.1. Note 1: Statement of Accounting Policies

i. Introduction

i.i. 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 follow UK Generally Accepted Accounting Principles for companies (UK GAAP) to the extent that it is meaningful and appropriate to the Public Sector in Jersey. The JFReM applicable to the 2009 financial year (excluding comparators) is based on the UK Financial Reporting Manual for the UK financial year ending March 2008.

i.ii. 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.

i.iii. This is the first time that accounts have been prepared under UK GAAP (as explained in i.i). Note 36 reconciles the previously reported 2009 figures to the UK GAAP compliant figures reported in these accounts.

ii. Accounting Convention

ii.i. These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and investments. A summary of the more important accounting policies is set out below.

iii. Basis of Consolidation

iii.i. These accounts comprise the consolidation of all entities within the States of Jersey consolidation boundary (the ‘group boundary’) as set out in the JFReM. The group 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. 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 FRS2, FRS9 and FRS5 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 group boundary has an investment in an entity outside the group boundary, this holding is treated as an investment in the group accounts.

iii.ii. For clarity, the relationships with Jersey Telecom Group Limited, Jersey Post 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.

iii.iii. The Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund are outside the group boundary.

iii.iv. Entities that fall within the group 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 group boundary but which have not been consolidated are listed in Note 35.

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

iv. Tangible Fixed Assets

iv.i. 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.

iv.ii. All tangible fixed 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 tangible fixed assets should be current 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.

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

iv.iv. Assets under construction are valued at cost and are not depreciated. On completion, they are transferred from Assets Under Course of Construction into the appropriate asset category.

iv.v. Property assets are valued in accordance with FRS 15. An external valuation is performed by a RICS qualified valuer every 5 years. Interim valuations are performed after 3 years. Revaluation gains are recorded in the revaluation reserve. Downward revaluations are recorded in the revaluation reserve to the extent that they reverse previous upward revaluations. Downward revaluations below the original carrying value of the asset are recorded in the Operating Cost Statement.

iv.vi. Depreciation is provided on a straight line basis over the anticipated useful lives of the assets. The principal asset categories and their range of useful economic lives are outlined below:

ASSET CATEGORY	LIFE
Property held for disposal	Not depreciated
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

Operational Heritage Assets are included within the principal asset category to which they relate.

v. Infrastructure assets

v.i. Infrastructure 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. Non-network assets are accounted for under their respective fixed asset categories.

v.ii. Network 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 infrastructure assets are performed by professional valuers.

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

v.iv. The annual depreciation charge for infrastructure 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.

vi. Donated assets

vi.i. Donated assets are capitalised at their current valuation on receipt and are revalued/depreciated on the same basis as purchased assets. The amount capitalised is credited to the Donated Assets Reserve.

vi.ii. The Donated Assets Reserve represents the value of the original donation and any subsequent revaluation. Amounts equal to the donated asset depreciation charge, impairment costs and any in-year surplus/deficit on disposal are released from this reserve to the Operating Cost Statement.

vii. Heritage assets

vii.i. 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. Heritage assets include historical buildings and works of art.

vii.ii. 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.

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

viii. Impairment

viii.i. Fixed assets are subject to review for impairment in accordance with FRS 11, ‘Impairment of Fixed Assets and Goodwill’. Any impairment is recognised in the profit and loss account in the year in which it occurs.

ix. Disposal of Fixed Assets

ix.i. Property assets identified for disposal are included in the Balance Sheet at market value less provision for selling costs, with any write down in value to the net recoverable amount being charged to the Operating Cost Statement as an impairment. On subsequent sale the surplus or deficit is included in the Operating Cost Statement.

x. Investments

x.i. 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 on a basis determined by the entity, in agreement with the Treasurer of the States, to be appropriate in the circumstances.

x.ii. Strategic Investments are companies outside the group boundary in which the States of Jersey has a controlling interest. Specifically, the investments in Jersey Telecom Group Limited, Jersey Post Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited are recognised as Strategic Investments. In accordance with the JFReM these are accounted for at either:

a) A value based on market value determined at the date of the last valuation (where available); or else
b) A value determined on a basis which appears to be appropriate in the circumstances. As a preference, a discounted cash flow valuation methodology has been used.

xi. Accounting for investments held in the Common Investment Fund

xi.i. 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.

xi.ii. Individual participants in the CIF account for their holding as an investment in CIF units. Gains and losses are therefore only realised in the participants when units are sold.

xii. Long term debtors

xii.i. Long term debtors are carried at amortised cost less provision for any permanent diminution in value.

xiii. Stock and Work in Progress

xiii.i. Stock and Work in Progress are valued at the lower of cost and net realisable value.

xiii.ii. Stock held for distribution at no/nominal charge and stock 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.

xiii.iii. Where a reduction in the carrying value of stock held is identified, the value of the stock is written down and the cost charged to the Operating Cost Statement.

xiii.iv. Currency not issued is accounted for as stock at the lower of cost and net realisable value.

xiii.v. Stock includes development assets held by the Waterfront Enterprise Board.

xiv. Debtors

xiv.i. Debtors are recognised on an accruals basis and are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a debtor is determined to be uncollectible it is written off, firstly against any provision available and then to the income statement. Subsequent recoveries of amounts previously provided for are credited to the income statement.

xv. Cash and Overdrafts

xv.i. Cash comprises cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty. Overdrafts are shown separately in the accounts except where there exists a formal right of offset.

xvi. Creditors

xvi.i. Creditors are recognised on an accruals basis and are held at amortised cost (which equates to nominal value).

xvii. Currency in Circulation

xvii.i. Currency in circulation is accounted for at face value.

xviii. Leases

xviii.i. Assets held under finance leases or sale and lease-back arrangements are capitalised as tangible fixed assets and depreciated over the shorter of the lease term or their estimated useful economic lives. Rentals paid are apportioned between reductions in the capital obligations included in creditors, and finance costs charged to the Operating Cost Statement.

xviii.ii. For other leases (operating leases) rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

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

xviii.iv. Lease incentives are accounted for in accordance with UITF 28 "Operating Lease Incentives". The aggregated cost of incentives is treated as a reduction of rental income and allocated to the Operating Cost Statement over the lease term, or the term ending on the date from which it is expected that the prevailing market rental will be payable, whichever is the shorter. Lease incentives are allocated on a straight-line basis.

xix. Pensions

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

Accounting Treatments

xix.ii. 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.

xix.iii. Employer contributions to the schemes are charged to the Operating Cost Statement 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 States.

xix.iv. From 2011, in accordance with the scheme regulations, future annual increases will be restricted to 0.3% below the Retail Price Index to address a deficit in the scheme. Those pensioners under the 1967 PECRS regulations and the Federated Health Scheme (FHS), are guaranteed an increase in line with RPI. Responsibility for the payment of the balance of 0.3% is currently the subject of legal discussions, but will be met by the States for States Employees until these are concluded. In the interest of prudence this liability is accounted for as an unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

xix.v. The JPOPF, which relates to Jersey Post International Limited (a wholly owned strategic investment), is closed to new members. The DPS has only one member and is not open to new members. The JPOPF and the DPS are accounted for as conventional defined benefit schemes in accordance with FRS17, and scheme assets are held in separate funds.

xix.vi. 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 a conventional defined benefit scheme in accordance with Financial Reporting Standard 17 (FRS17).

xix.vii. For the JPOPF and DPS pension scheme assets are measured using market values. For the JPOPF, DPS, CSS and PIL 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.

xix.viii. Where appropriate, as detailed in the proceeding 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 total recognized gains and losses only in so far as they belong to the States. This applies only to the JPOPF, DPS, CSS and PIL.

Additional Disclosures in the Accounts

xix.ix. Whilst the PECRS and JTSF are not included as defined benefit schemes in the States Accounts, additional disclosures required under FRS17 for defined benefit schemes are included for the information of the users of the accounts, in the interest of transparency.

Other Liabilities relating to Pensions

xix.x. 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, re-expressed as a cash amount and increasing each year in line with the average pay increase of Scheme members.

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

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

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

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

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

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

10. The recent capital payment by JTL of £14.3m (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.

This liability is recognised in the accounts in Note 19, based on the present value of future cash payments made under the agreement.

xix.xi. The Teachers' Superannuation Scheme 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 board of management.

xx. Provisions and Contingent Liabilities

xx.i. A provision is recognised when a present obligation exists as a result of a past event, which will be settled by a transfer of economic benefit, the amount of which can be reliably estimated.

xx.ii. No discounts are applied to provisions unless the impact 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.

xx.iii. Contingent liabilities are disclosed:

- where a possible obligation arises from a past event the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the States of Jersey's control; or
- where a present obligation arises from past events but no provision has been recognised because the transfer of economic benefits is not probable, or the amount of the obligation cannot be reliably measured.

xx.iv. The scope of FRS 12 includes guarantees, which are recognised as contingent liabilities unless an obligation under a guarantee arises, in which case a provision is recognised. The notes to the accounts give details of any charges on the assets of the States of Jersey and the amount secured.

xxi. Income recognition

xxi.i. Income is divided into two main categories – revenue levied by the States of Jersey (non-exchange income) and revenue earned through operations. All types of income are recognised on an accruals basis.

xxi.ii. 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).

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.

xxi.iii. Taxable or other relevant events for the material income streams are as follows:

- Income Tax: when an assessment is raised by the Comptroller of Income Tax. 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 the Operating Cost Statement;
- 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.

xxii. Staff

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

xxii.ii. 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.

xxii.iii. 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.

xxiii. Grants

xxiii.i. Revenue grants received and all grants made are recognised in the Operating Cost Statement so as to match the underlying event or activity that gives rise to a liability.

xxiii.ii. Where a grant is received as a contribution towards the cost of a fixed asset the grant is credited to the capital grant reserve and released to the Operating Cost Statement as grant income over the useful economic life of the asset. On disposal of an asset financed by a grant the remaining balance on the capital grant reserve is recognised as grant income in the year of disposal.

xxiv. Accounting for Goods and Services Tax

xxiv.i. Income and expenditure is otherwise shown net of GST, with net GST charged/paid being fully recoverable.

xxv. Foreign Currencies

xxv.i. Transactions that are denominated in a foreign currency are translated into Sterling at the rate ruling at the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used.

xxv.ii. Monetary assets and liabilities are translated at the closing rate applicable at the Balance Sheet date and the exchange differences are reported in the Operating Cost Statement.

xxv.iii. Both the functional and presentation currency is Sterling.

xxvi. Use of estimates and Significant Estimation Techniques

xxvi.i. The preparation of financial statements requires the States of Jersey to make estimates and assumptions that can affect the reported amounts of assets, liabilities, revenues and expenses as well as amounts reported in the notes. Actual results could differ from these estimates.

xxvi.ii. Significant estimates that have been included in the accounts are: the valuation of strategic investments in utility companies; useful economic lives of assets used in calculating depreciation, and value of provisions against income tax debtors.

xxvii. Critical Judgements and key sources of estimation uncertainty

In the application of the State's 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.

xxvii.i. Valuation of Assets

In determining the value of property assets under FRS15 "Tangible Fixed Assets," there is a degree of uncertainty and judgement involved. The Operating Cost Statement, Statement of Total Recognised Gains and Losses and Balance Sheet items relating to the States' accounting for valuation of properties under FRS15 are based on external professional valuations. The States use external professional valuers to determine the relevant amounts. With market conditions that currently prevail there is likely to be a greater than usual degree of uncertainty.

Investments, other than those held for strategic purposes, are accounted for at fair value. If a market value cannot be readily ascertained, the investment is valued on a basis determined by the holder in agreement with 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.

xxvii.ii. Valuation of Pensions

The States provides various pension schemes for its employees (see policy xix for details) including some accounted for in accordance with FRS17 'Retirement Benefits'. The expenditure, Statement of Total Recognised Gains and Losses and Balance Sheet items relating to the States accounting for pension schemes under FRS17 are based on actuarial valuations. 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 FRS17 and are based on prior experience, market conditions and the advice of the scheme actuaries.

In addition, the valuation of the PECRS and JTSF past service liabilities are dependent on similar assumptions.

xxvii.iii. Strategic Investments

The States hold a number of strategic investments (see policy x.ii for details). In accordance with the JFReM these are accounted for at either:

- a value based on market value determined at the date of the last valuation (where available); or else
- a value determined on a basis which appears to be appropriate in the circumstances.

For Jersey Electricity plc the value has been determined by using the market value of the shares inflated by a controlling interest factor and a marketability discount applied. The factor is determined by the Treasurer taking into account industry guidelines on valuation.

As a preference discounted cashflow valuation methodology has been used for the valuation of the other Strategic investments. A discounted cash flow model has been used based on an appropriate market multiple and the projected earnings before interest, taxes, depreciation and amortisation (EBITDA). 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, multiples and WACC involve a significant degree of judgement.

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.

xxvii.iv. Useful Economic Lives of Fixed Assets

The depreciation charge for depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in Operating Cost Statement.

The useful lives and residual values of assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

xxvii.v. Income Tax Estimates

Provision for Doubtful Debts
On a six monthly basis, debtor balances in excess of a defined threshold are reviewed to identify cases where there is a significant risk of non-collection and for which a specific provision is then made. These specific debtors are then deducted from the total Debtors and a general provision of a set percentage is raised for all tax years against the remainder. The percentage provision increases with the age of the debt.

GST Accrual

The GST accrued revenue/repayments are determined by identifying returns that have not yet been received which fully or partially cover the reporting period, and estimating the accrual required based on historic return data, on an individual taxpayer basis.

Provision for Estimated Assessments

Where a taxpayer has appealed against an estimated assessment (i.e. has indicated a lower amount of tax is ultimately payable than the estimated assessment), a provision is instated against the estimated assessment such that the net amount reflects the expectation of tax payable.

xxviii. Third Party Assets

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

xxix. Losses and Special Payments

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

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

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

xxx. Related Party Transactions

xxx.i. 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.

9.2. Note 2. Segmental Analysis

2 a Operating Cost Statement

2010	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Departments £'000	Non Ministerial Departments £'000	Other Consolidated Fund £'000	Total Consolidated Fund £'000	Trading Operations £'000	Other £'000	Total before Consolidation Adjustments £'000	Consolidation Adjustments £'000	Total £'000
Revenue												
Taxation revenue	–	–	–	–	–	443,685	**443,685**	–	–	**443,685**	–	**443,685**
Island rates, duties, fees, fines and penalties	4	–	24	5,278	706	81,598	**87,610**	660	40	**88,310**	(15)	**88,295**
Sales of goods and services	15,004	3,653	16,858	66,739	789	1,834	**104,877**	50,755	4,023	**159,655**	(24,367)	**135,288**
Investment income	–	–	–	1	1	15,171	**15,173**	293	41,186	**56,652**	2,419	**59,071**
Other revenue	936	1	362	3,206	3,025	14,253	**21,783**	926	7,416	**30,125**	(10,723)	**19,402**
Segment Revenues	**15,944**	**3,654**	**17,244**	**75,224**	**4,521**	**556,541**	**673,128**	**52,634**	**52,665**	**778,427**	**(32,686)**	**745,741**
Less inter/intra-segment revenue	(326)	–	(1,133)	(15,641)	(1,889)	(8,854)	**(27,843)**	(7,135)	2,292	**(32,686)**	–	**–**
Total Revenues	**15,618**	**3,654**	**16,111**	**59,583**	**2,632**	**547,687**	**645,285**	**45,499**	**54,957**	**745,741**	**–**	**–**
Expenses												
Social Benefit Payments	1,057	156,391	8,201	–	–	–	**165,649**	–	–	**165,649**	(29)	**165,620**
Staff costs	119,502	6,857	81,129	105,282	15,742	(446)	**328,066**	16,888	776	**345,730**	(484)	**345,246**
Other Operating expenses	55,793	1,576	17,982	87,015	15,409	5,587	**183,362**	21,228	6,721	**211,311**	(27,121)	**184,190**
Grants and Subsidies payments	8,660	1,797	11,863	17,584	100	(15,951)	**24,053**	8	1,951	**26,012**	14,175	**40,187**
Capital Charge / Depreciation	1,404	–	120	165,723	115	–	**167,362**	27,931	36	**195,329**	–	**195,329**
Finance costs	34	–	23	3,675	9	1,224	**4,965**	874	56	**5,895**	(557)	**5,338**
Financial Returns	–	–	–	–	–	–	**–**	2,900	2,126	**5,026**	(5,026)	**–**
Net foreign-exchange (gains)/losses	–	–	–	–	–	306	**306**	–	(28)	**278**	169	**447**
Movement in pension liability[1]	–	–	–	–	–	39,900	**39,900**	1,363	–	**41,263**	–	**41,263**
Gains/Losses on disposal of assets	2	–	5	(88)	–	–	**(81)**	(143)	(2,513)	**(2,737)**	7	**(2,730)**
Segment Expenditure	**186,452**	**166,621**	**119,323**	**379,191**	**31,375**	**30,620**	**913,582**	**71,049**	**9,125**	**993,756**	**(18,866)**	**974,890**
Less inter/intra-segment expenditure	(1,469)	(74)	(2,171)	(14,834)	(2,153)	15,469	**(5,232)**	(9,732)	(3,902)	**(18,866)**		
Total Expenditure	**184,983**	**166,547**	**117,152**	**364,357**	**29,222**	**46,089**	**908,350**	**61,317**	**5,223**	**974,890**		
Net (Income)/Expenditure for the Year												
Before Consolidation Adjustments	**170,508**	**162,967**	**102,079**	**303,967**	**26,854**	**(525,921)**	**240,454**	**18,415**	**(43,540)**	**215,329**	**13,820**	**229,149**
Less inter/intra-segment income and expenditure	(1,143)	(74)	(1,038)	807	(264)	24,323	**22,611**	(2,597)	(6,194)	**13,820**		
After Consolidation Adjustments	**169,365**	**162,893**	**101,041**	**304,774**	**26,590**	**(501,598)**	**263,065**	**15,818**	**(49,734)**	**229,149**		

Notes:
1. The movement in pension liabilities attributable to Trading Operations is shown separately in this analysis, but is not included on individual Trading Operation Pages.
2. In the Annex to the accounts departments are required to show Income and Expenditure gross of consolidation adjustments, to better show the cost of providing services.
3. "Other Consolidated Fund" includes General Revenue Income and other items falling outside of departments.

2 b Balance Sheet

2010	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Departments £'000	Non Ministerial Departments £'000	Other Consolidated Fund £'000	Total Consolidated Fund £'000	Trading Operations £'000	Other £'000	Total before Consolidation Adjustments £'000	Consolidation Adjustments £'000	Total £'000
Tangible Fixed Assets	12,561	–	1,690	2,461,847	499	–	**2,476,597**	282,662	9,279	**2,768,538**	–	**2,768,538**
Financial Assets	500	–	–	14,468	–	486,378	**501,346**	–	734,949	**1,236,295**	(53,027)	**1,183,268**
Current Assets	7,504	6,290	3,650	6,307	863	122,074	**146,688**	8,418	53,417	**208,523**	27,844	**236,367**
Interfund Balances	–	–	–	–	–	(48,065)	**(48,065)**	40,999	7,066	**–**	–	**–**
Current Liabilities	(9,886)	(2,285)	(4,691)	(35,916)	(2,223)	(63,958)	**(118,959)**	(6,869)	(94,261)	**(220,089)**	5,183	**(214,906)**
Long Term Liabilities	(217)	–	–	(2,965)	–	(380,945)	**(384,127)**	(24,914)	(1,871)	**(410,912)**	–	**(410,912)**
NET ASSETS	**10,462**	**4,005**	**649**	**2,443,741**	**(861)**	**115,484**	**2,573,480**	**300,296**	**708,579**	**3,582,355**	**(20,000)**	**3,562,355**
Reserves	1,279,333	989,007	956,044	(830,000)	176,782	(5,144,646)	**(2,573,480)**	(300,296)	(708,579)	**(3,582,355)**	20,000	**(3,562,355)**
Intra-Fund Balances	(1,289,795)	(993,012)	(956,693)	(1,613,741)	(175,921)	5,029,162	**–**	–	–	**–**	–	**–**
NET RESERVES	**(10,462)**	**(4,005)**	**(649)**	**(2,443,741)**	**861**	**(115,484)**	**(2,573,480)**	**(300,296)**	**(708,579)**	**(3,582,355)**	**20,000**	**(3,562,355)**

9.3. Note 3: Revenue

	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Levied by the States of Jersey				
Taxation Revenue				
Salary and Wage Earners	271,712		250,357	
Self Employed and Investment Holders	43,541		43,300	
Companies	83,284		217,675	
GST	45,148		47,142	
		443,685		**558,474**
Island rates, duties, fees, fines and penalties				
Impôts Duty - Spirits	4,038		4,172	
Impôts Duty - Wines	6,158		6,340	
Impôts Duty - Beer and Cider	5,998		6,194	
Impôts Duty - Tobacco	12,638		13,856	
Impôts Duty - Fuel	20,250		20,685	
Impôts Duty - Other	138		125	
Impôts Duty - Environmental	192		-	
Stamp Duty and Land Transfer Tax	20,139		23,576	
Island Rates	10,635		10,306	
Other Fees and Fines	8,109		7,620	
		88,295		**92,874**
Earned through Operations				
Sales of goods and services		**135,288**		**132,750**
Investment Income[13]				
Investment Income	36,012		40,135	
Realised gains / losses on investments	21,412		(16,046)	
Loan, Bank & Notional Interest	1,647		2,550	
		59,071		**26,639**
Other Revenue				
Financial Returns	3,657		3,740	
Other Income[14]	15,745		16,211	
		19,402		19,951
Total Revenue		**745,741**		**830,688**

13 These amounts include income from the CIF attributable to the SOJ Group as detailed in Note 28

14 Other income includes: European Union Savings Tax Directive Income, Confiscations and grants.

9.4. Note 4: Expenditure

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Operating Expenditure					
Social Benefit Payments					
Social Security Benefits		98,953		97,603	
States Contributions to Social Security Fund and Health Insurance Fund		66,667		64,995	
			165,620		**162,598**
Staff costs	5				
States Members' Remuneration		2,418		2,435	
States Staff Salaries and Wages		275,883		266,414	
States Staff Pension Costs		35,424		34,087	
States Staff Social Security		15,234		14,626	
Non-States Staff Costs		9,636		9,405	
Other Staff Costs		7,858		1,361	
Charges of Staff to Capital Projects		(1,207)		(1,403)	
			345,246		**326,925**
Other Operating expenses			**184,190**		**178,695**
Grants and Subsidies payments			**40,187**		**39,236**
Depreciation			**50,235**		**44,799**
Impairment of Fixed Assets			**145,094**		**4,684**
Finance costs	7		**5,338**		**5,340**
Non-operating expenditure					
Net foreign-exchange losses		447		556	
Movement in pension liability		41,263		23,682	
Gains on disposal of assets		(2,730)		(1,912)	
			38,980		**22,326**
Total Expenditure			**974,890**		**784,603**

9.5. Note 5: Employees and States Members

(a) Department Employees

Department	Total £	Salaries and Wages £	Pension £	Social Security £	FTE
Chief Minister's Department	12,956,655	10,971,127	1,442,523	543,005	209
Economic Development	4,354,156	3,732,089	431,946	190,121	81
Education, Sport and Culture	80,266,855	66,814,079	9,614,224	3,838,552	1,521
Health and Social Services	113,781,556	96,733,478	11,619,558	5,428,520	2,297
Home Affairs	37,690,540	31,995,955	3,980,840	1,713,745	654
Housing	2,238,073	1,882,980	249,903	105,190	39
Planning and Environment	6,799,263	5,743,174	762,950	293,139	111
Social Security	6,150,787	5,091,675	756,058	303,054	138
Transport and Technical Services[15]	22,407,624	19,068,987	2,217,677	1,120,960	521
Treasury and Resources	11,733,843	9,940,429	1,270,869	522,545	225
States Assembly (excluding States Members)	1,599,498	1,348,641	177,086	73,771	30
Non Ministerial States Funded Bodies	11,122,886	9,366,386	1,325,645	430,855	178
Jersey Airport	10,943,425	9,324,753	1,142,553	476,119	193
Jersey Harbours	3,719,605	3,193,865	350,860	174,880	68
Other[16]	775,550	675,556	80,869	19,125	
Total	**326,540,316**	**275,883,174**	**35,423,561**	**15,233,581**	**6,265**
Staff costs charged to capital	(1,207,004)				
Non-States staff costs[17]	9,636,248				
Other staff costs[18]	7,858,268				
States Members' remuneration	2,418,192				
Total Staff costs	**345,246,020**				

Figures exclude costs associated with the PECRS pre-87 liability.
Details of changes in FTE from the previous year are given in individual department pages in the Annex.

(b) Senior Employees

Remuneration[19]	2010 Non - Traders	Traders	2009 Non -Traders	Traders
£70,000 – £89,999	320	32	306	19
£90,000 – £109,999	98	22	96	17
£110,000 – £129,999	51	3	51	5
£130,000 – £149,999	30	1	23	1
£150,000 – £169,999	23	–	23	–
£170,000 – £189,999	13	–	9	–
£190,000 – £209,999	–	–	2	–
£210,000 – £229,999	–	–	–	–
£230,000 – £249,999	2	–	2	–
£250,000 – £269,999	2	–	2	–
£270,000 – £289,999	–	–	–	–
£290,000 – £309,999	1	–	–	–
	540	**58**	**514**	**42**

15 Jersey Car Parking and Jersey Fleet Management FTE figures are included in the Transport and Technical Services figures.

16 Other includes the costs of Waterfront Enterprise Board Limited (WEB) employees. Further details can be found in the separately published WEB accounts.

17 Non-States staff costs includes the costs of individuals who are not, but who are acting as, States Employees.

18 Other staff costs includes redundancy, voluntary redundancy, allowances and severance payments.

19 Remuneration includes Salary and Wages and Pension Contributions paid by the States.

9.6. Note 6: Non-Cash Items and other Significant Items included in the (Deficit)/Surplus

Non Cash Items

The surplus for the year is stated after charging / (crediting) the following Non-Cash items:

	2010 £'000	2009 £'000
Depreciation[20]	50,235	44,799
Impairments[21]	145,094	4,684
Amortisation of Housing Bonds	68	68
Unwinding of Discount on Deferred Consideration	(73)	(170)
Increase/(Decrease) in Provisions	(3,204)	7,676

Other Significant Items included in the (Deficit)/Surplus

Also included in the (deficit)/surplus are the following significant items

	2010 £'000	2009 £'000
(Profit)/Loss on Disposal of Fixed Assets	(2,730)	(1,912)
Gain/(Loss) on Realisation of Investments	(21,412)	16,046
Finance Lease Charges	1,218	1,388
Audit Fees[22]	421	524

Lease Rentals

Included in Sales of Goods and services are the following lease rentals:

	2010 £'000	2009 £'000
Rentals under Operating Leases	39,788	37,943

No rentals under Finance Leases were received in either 2010 or 2009.
Information regarding interest payable is included in Note 7.

9.7. Note 7: Finance Costs

Finance Costs included in the Operating Cost Statement are as follows:

	2010 £'000	2009 £'000
Bank and Other Charges	215	93
Amortisation of Housing Bonds	68	68
Finance Lease Interest	1218	1388
PECRS Pre-1987 Debt Expense	3,837	3,791
Total	**5,338**	**5,340**

20 Depreciation includes £1,015k of depreciation relating to assets funded by Finance Leases (2009: £958k). £128k was released from the Donated Asset Reserve to the P&L to offset depreciation on Donated Assets during 2010 (2009: £116k).

21 £360k was released from the Donated Asset Reserve to the P&L to offset impairments on Donated Assets during 2010 (2009: £0k)

22 In addition, the States' External Auditors were paid £116k for non -audit work.

9.8. Note 8: Tangible Fixed Assets

	Land and Buildings £000	Property Held for Disposal £000	Social Housing (inc Land) £000	Infrastructure (inc Land) £000	Other Structures £000	Transport Equipment £000	Plant & Machinery, Furniture & Fittings £000	Information Technology £000	Antiques and Works of Art £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation											
At 1 January 2010	841,326	9,006	499,899	958,386	240,005	13,350	54,830	9,032	673	120,729	2,747,236
Additions	1,341	266	3,787	–	–	15	183	399	–	73,087	79,078
Disposals	(4,542)	(5,617)	–	–	–	(616)	(1,130)	–	–	–	(11,905)
Transfers	21,032	6,028	5,423	52,564	(41,106)	1,410	7,250	2,677	–	(55,278)	–
Revaluations	96,752	8,986	36,402	29,539	–	–	–	–	–	–	171,679
Impairments	(2,325)	–	–	–	–	–	–	–	–	–	(2,325)
At 31 December 2010	**953,584**	**18,669**	**545,511**	**1,040,489**	**198,899**	**14,159**	**61,133**	**12,108**	**673**	**138,538**	**2,983,763**
Depreciation											
At 1 January 2009	(15,933)	(30)	(8,474)	(536)	(6,377)	(4,349)	(9,667)	(1,734)	(4)	–	(47,104)
Depreciation charge	(15,045)	(5)	(8,601)	(8,182)	(6,520)	(1,555)	(8,435)	(2,016)	(4)	–	(50,363)
Disposals	109	35	(400)	–	–	538	646	–	–	–	928
Transfers	38	–	–	–	(38)	–	–	–	–	–	–
Revaluations	8,672	10	11,943	6,143	–	–	–	–	–	–	26,768
Impairments	(122,827)	(556)	(21,730)	(379)	–	–	–	–	–	–	(145,492)
Impairment Reversal	38										38
At 31 December 2010	**(144,948)**	**(546)**	**(27,262)**	**(2,954)**	**(12,935)**	**(5,366)**	**(17,456)**	**(3,750)**	**(8)**	**–**	**(215,225)**
Net Book Value:											
31 December 2010	**808,636**	**18,123**	**518,249**	**1,037,535**	**185,964**	**8,793**	**43,677**	**8,358**	**665**	**138,538**	**2,768,538**
Net Book Value:											
1 January 2010	825,393	8,976	491,425	957,850	233,628	9,001	45,163	7,298	669	120,729	2,700,132
Asset Financing											
Owned	742,271	8,223	517,331	1,037,535	181,276	8,625	43,499	8,358	55	138,538	2,685,711
Donated	28,228	9,900	–	–	–	168	178	–	610	–	39,084
Leased	38,137	–	918	–	4,688	–	–	–	–	–	43,743
Net Bok Value:											
31 December 2010	**808,636**	**18,123**	**518,249**	**1,037,535**	**185,964**	**8,793**	**43,677**	**8,358**	**665**	**138,538**	**2,768,538**

There were no material changes in Useful Economic Lives during 2010

Where valuation is made on a "Value in Use" basis, there is no significant difference between Open Market Value and Value in Use.

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.

The last Property Valuation was performed by Drivers Jonas LLP (now Drivers Jonas Deloitte) as at 31/12/08, who also carried out the interim valuation as at 31/12/10.

A full valuation of the Social Housing portfolio was also carried out as at 31/12/10 by King Sturge 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.

Non-property assets are valued in accordance with FRS15. This may include valuations by employees of the States of Jersey.

Details of material impairments of assets, except those due to changes in market value, are given in Note 31.

Assets held for leasing

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

Included in the totals above are assets held for use in operating leases:

	2010 £'000	2009 £'000
Cost	707,994	637,734
Accumulated Depreciation	(56,324)	(10,995)
Net book Value	**651,670**	**626,739**

9.9. Note 9: Advances

	2010 £'000	2009 £'000
Analysed by Fund:		
Consolidated Fund	4,627	5,566
Dwelling Houses Loan Fund	5,463	6,305
99 Year Leaseholders Account	171	174
Assisted House Purchase Scheme	3,982	4,645
Agricultural Loans and Guarantees Fund	1,616	1,859
	15,859	**18,549**
Maturity Analysis:		
Payable between one and two years	2,457	2,411
Payable between two and five years	4,559	4,992
Payable in five years or more	8,843	11,146
	15,859	**18,549**

Advances receivable within one year are disclosed as part of Note 13 (Debtors).

Changes to Advances

	2010 £'000
Opening Balance	18,549
Additional Advances made	103
Reclassification to Current Assets	(2,049)
Repayments[23]	(736)
Write Offs	(8)
Closing Balance	**15,859**

No provisions for diminution of value have been required during the year.

Investments in Leases

The States of Jersey does not act as Lessor in any Finance Lease arrangements.

23 This figure excludes repayments against the current portion of Advances. Total repayments relating to advances during 2010 were £3,313k.

9.10. Note 10: Strategic Investments

	2010 £'000	2009 £'000
Jersey Electricity plc	71,700	71,600
Jersey New Waterworks Company Limited	24,700	26,400
Jersey Telecom Group Limited	126,700	120,500
Jersey Post International Limited	30,900	39,000
	254,000	**257,500**

Strategic Investment Holdings

The States of Jersey holds all the ordinary shares in the Jersey Electricity plc which represents approximately 62% of the Company's total share capital as at 31 December 2010 (86.4% of the total voting rights).

The Jersey Electricity plc also has "A" shares in issue which are listed. Based on the year end price of these shares the States' holding had a market value of £67,450,000 (2009: £67,450,000) at the year end. However, due to the size of the shareholding, it may not be possible to realise this amount in the market.

The States of Jersey hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5%–10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2010.

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 Jersey Telecom 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 Jersey Telecom Group Limited and Jersey Post International Limited as part of the Consolidated Fund.

SOJIL holds all the Ordinary shares and all the 9% cumulative preference shares in the Jersey Telecom Group Limited.

SOJIL holds all the Ordinary shares in Jersey Post International Limited.

The States of Jersey holds 100% of the issued share capital for the Waterfront Enterprise Board. However, this is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Basis of Valuation

Strategic Investments are valued in line with the JFReM and Accounting Policies specified in Note 1.

Specifically, the following methodologies have been used:

Jersey Electricity plc	*Market Value of Shares, inflated by a controlling interest factor.*
Jersey New Waterworks Company Limited	*Discounted Cash Flow*
Jersey Telecom 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.

9.11. Note 11: Other Investments

2010	Common Investment Fund Market Value £'000	Strategic Reserve Market Value £'000	Stabilisation Fund Market Value £'000	Consolidated Fund Market Value £'000	Currency & Coinage Market Value £'000	Total Market Value £'000
Equities	213,970	–	–	–	–	213,970
Government bonds	235,465	–	–	–	–	235,465
Corporate Bonds	107,777	–	–	–	–	107,777
Certificates of Deposit	227,857	–	–	88,930	15,703	332,490
Other	–	–	–	9,250	–	9,250
	785,069	**–**	**–**	**98,180**	**15,703**	**898,952**

2009	Common Investment Fund Market Value £'000	Strategic Reserve Market Value £'000	Stabilisation Fund Market Value £'000	Consolidated Fund Market Value £'000	Currency & Coinage Market Value £'000	Total Market Value £'000
Equities	–	192,315	–	–	–	192,315
Government bonds	–	204,290	–	–	2,269	206,559
Corporate Bonds	–	42,133	–	–	–	42,133
Certificates of Deposit	–	127,080	112,593	230,417	47,584	517,674
Other	–	–	–	23,788	–	23,788
	–	**565,818**	**112,593**	**254,205**	**49,853**	**982,469**

Maturity Analysis	Common Investment Fund 2010 £'000	Strategic Reserve 2010 £'000	Stabilisation Fund 2010 £'000	Consolidated Fund 2010 £'000	Currency & Coinage 2010 £'000	Total 2010 £'000
Less than one year	272,050	–	–	98,180	15,703	385,933
Between one and two years	85,207	–	–	–	–	85,207
Between two and five years	158,549	–	–	–	–	158,549
More than five years	55,293	–	–	–	–	55,293
Equities	213,970	–	–	–	–	213,970
	785,069	**–**	**–**	**98,180**	**15,703**	**898,952**

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

During 2010 the States of Jersey Common Investment Fund was created. The individual funds now invest through the CIF, and hold less investments directly.

9.12. Note 12: Stock and Work in Progress

	2010 £'000	2009 £'000
Analysed by Fund:		
Consolidated Fund	4,304	4,758
Jersey Currency Notes	1,874	1,006
Jersey Coinage	255	282
Jersey Fleet Management	55	47
Jersey Airport	256	252
Waterfront Enterprise Board Limited	23,023	21,908
	29,767	**28,253**
Analysed by Type:		
Raw Materials, Consumables, Work in Progress and Finished Goods	6,790	6,391
Development Property stock	22,977	21,862
	29,767	**28,253**

9.13. Note 13: Debtors

	2010 £'000	2009 £'000
Debtors falling due within one year		
Income Tax Debtors	59,198	57,071
GST Debtors	13,941	14,960
Provision for taxation debtors	(9,599)	(7,962)
Total tax debtors	**63,540**	**64,069**
Trade debtors	28,750	16,975
Deposits and advances	2,049	2,580
Prepayments and accrued income	17,490	24,887
Other debtors	2,175	2,198
Provision for non-taxation debtors	(1,437)	(886)
Total non-taxation debtors	**49,027**	**45,754**
Total debtors falling due within one year	**112,567**	**109,823**

More information about amounts relating to leasing arrangements included in Trade Debtors is given in Note 8.

Debtors falling due after more than one year		
Homebuyer Housing Property Bonds	8,531	8,351
P7 Housing Property Bonds	5,926	5,635
Total debtors falling due after more than one year	**14,457**	**13,986**

Debtor amounts falling due after more than one year reflect the value of certain bonds held by the States of Jersey. These bonds arise from the sale of properties to States tenants' as part of the Social Housing Property Plan 2007-2016 (SHPP) and sales to first time buyers qualifying under the Homebuy scheme. 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 £586k were issued.

Upon the next sale and/or transfer of the property, a proportion of the market value is paid to the States being a minimum of the bond value or otherwise a percentage of the value of the property as stated in the bond agreement. During 2010, £47k of bonds were redeemed.

Some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces and therefore the value of these bonds are amortised over a period of time in accordance with standard accounting practices, and the value of the bonds as stated in the financial statements is the amortised bond value. Total amortisation recorded in the year was £68k.

There is no history of default rates within the scheme. Where a mortgage exists the mortgagor will have first call upon that property. The market value of the bonds is not materially different from the amortised cost figure as disclosed in the financial statements.

9.14. Note 14: Cash and Other Liquid Resources

	2010 £'000	2009 £'000
Bank deposit accounts	90,718	56,879
Bank current accounts	2,575	21,078
Cash in hand and in transit	740	705
	94,033	**78,662**

Bank overdrafts have been disclosed in note 15 Creditors falling due within one year

9.15. Note 15: Creditors falling due within one year

	2010 £'000	2009 £'000
Trade creditors	36,834	29,686
Other creditors	4,038	3,968
Income Tax creditors and receipts in advance	55,917	38,086
Accruals and deferred income	9,442	7,270
Current element of finance leases	2,862	2,685
Receipts in advance	8,586	6,535
	117,679	**88,230**
Overdrafts	**—**	**33,242**
Total creditors	**117,679**	**121,472**

9.16. Note 16: Currency

	2010 £'000	2009 £'000
Jersey Notes issued	96,062	97,324
Less: Jersey Notes held	(10,835)	(13,974)
	85,227	**83,350**
Jersey Coinage issued	8,986	8,923
Less: Jersey Coinage held	(1,434)	(1,609)
	7,552	**7,314**
Total Currency in Circulation	**92,779**	**90,664**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue bank notes and coins. These are accounted for, at cost, as stock until they are formally issued by the Treasury and Resources Department. They are then accounted for as issued currency. At the end of their useful life they are removed from circulation and destroyed, at which time they are removed from the issued currency account. Issued currency is either held at the Treasury or in circulation. The creditor in the accounts reflects the value of currency in circulation.

9.17. Note 17: Finance Lease Liabilities

The States of Jersey have entered into finance lease and sale and lease back arrangements to finance the development of certain capital projects. At 31 December 2010, the States had commitments to make the following payments under these arrangements.

	2010 £'000	2009 £'000
Payable within one year	3,936	3,903
Payable after more than one year	17,567	20,979
	21,503	**24,882**
Less: future Finance charges	(4,579)	(5,273)
	16,924	**19,609**
Amounts falling due within one year[24]	2,862	2,685
Amounts falling due between one and two years	3,076	2,862
Amounts falling due between two and five years	6,297	7,127
Amounts falling due after more than five years	4,689	6,935
	16,924	**19,609**

9.18. Note 18: Operating Lease Expenses and Commitments

During the year, the States recorded the following operating lease rentals as an expense:

	2010 £'000	2009 £'000
Plant and machinery	523	141
Other	987	972
Total	**1,510**	**1,113**

The States also has the following commitments with regarding to Operating Leases, analysed by expiry of the arrangement.

	2010 £'000	2009 £'000
Land and Buildings		
Expiring within two years	210	280
Expiring between three and five years	140	176
Expiring after more than five years	438	321
	788	**777**
Other Operating Leases		
Expiring within two years	204	143
Expiring between three and five years	15	–
Expiring after more than five years	–	–
	219	**143**
Total	**1,007**	**920**

24 These amounts are included within Current Liabilities

9.19. Note 19: Other Significant Liabilities

PECRS pre-1987 debt

This Liability is calculated as the total expected future payments, discounted at an appropriate rate to account for the time value of money.

	Current £'000	Long Term £'000	Total £'000
Opening Liability	3,968	246,643	250,611
Finance Charge	3,837		3,837
Payment in Year	(3,837)		(3,837)
Movement in Liability amount	70	18,792	18,862
Reclassification of Liability			–
Closing Liability	**4,038**	**265,435**	**269,473**

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

	%
Average future increase in Staff Expenditure	5.00
Discount Rate	5.20

JTSF Past Service Liability

The Teachers' Superannuation Scheme was restructured in April 2007 and as a result a provision for past service liability, similar to the PECRS pre-87 past service liability, was recognised. This has not yet been formally agreed with the Scheme's board of management, but a proposition will be taken to the States in 2011 to amend the relevant orders to recognise the States liability.

During 2010 the provision was increased by £10.9m to £114m to reflect an up-to-date position of the liability.

9.20. Note 20: Creditors – Defined Benefit Pension Schemes Net Liability

	2010 £'000	2009 £'000
Jersey Post Office Pension Fund Asset	(9,058)	(9,133)
Jersey Post Office Pension Fund Liability	9,058	10,343
Discretionary Benefit Scheme Asset	(360)	(303)
Discretionary Benefit Scheme Liability	695	635
Jersey Civil Service Scheme (pre-67) Liability[25]	6,153	–
1972 Act Pensions Increase Liability[26]	4,664	–
Total Defined Benefit Pension Schemes Net (Asset)/Liability	**11,152**	**1,542**

More detailed pension disclosures are given in Note 30.

25 No Liability was recorded in 2009 for the CSS.

26 The PIL is a new liability resulting from a decision made in 2010.

9.21. Note 21: Provisions

	2010 £'000	2009 £'000
Balance 1 January	13,915	6,239
Increase in Provisions	5,718	8,627
Use in Year	(264)	(951)
Provisions transferred	–	–
Other movements	(8,658)	–
Balance 31 December	**10,711**	**13,915**

Provisions as at 31 December made up of:

	2010 £'000	2009 £'000
Self insurance claims	1,205	1,252
Other provisions – Short term	4,448	–
Other provisions – Long term	5,058	12,663
	10,711	**13,915**

Material Other Provisions include:

- £4.4m – Various provisions for voluntary redundancy payments, approved as part of the VR Scheme agreed by the States under P64/2010, but not paid by the end of the year. These are expected to be paid within one year and so are classified as short term liabilities.
- £2.0m – A pre exisiting provision relating to the decommissioning of the existing Energy from Waste plant (in accordance with FRS 12). This decommissioning was agreed by the States as part of P73/2008, but has not yet taken place.
- £1.9m – Relating to seizures of assets that may become payable to other judisdictions depending on the outcome of Court decisions. The assets are included in the States accounts in full.
- £0.9m – Relating to the stabilisation of the Rockface at Greve de Lecq.

9.22. Note 22: Reserves

	Accumulated and Other Reserves £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Investment reserve £'000	Total £'000
Balance 1 January 2010	**3,323,673**	**50,741**	**24,912**	**195,787**	**3,595,113**
(Deficit) for the year	(229,149)	–	–	–	**(229,149)**
Revaluation of Fixed Assets	–	181,795	14,327	–	**196,122**
Donated Asset Reserve Additions	–	–	347	–	**347**
Amortisation of Donated Asset Reserve	–	–	(461)	–	**(461)**
Release of Revaluation/Donated Asset Reserve on Disposal	2,572	(2,531)	(41)	–	**–**
Unrealised Gain on Investments in the year	–	–	–	1,134	**1,134**
Unrealised Gain/(Loss) on Strategic Investments	–	–	–	(3,500)	**(3,500)**
Actuarial Gain in respect of Defined Benefit Pension Schemes	1,445	–	–	–	**1,445**
Reclassification of Investment Reserve[27]	10,244	–	–	(10,244)	**–**
Other Movements[28]	1,304	–	–	–	**1,304**
Balance 31 December 2010	**3,110,089**	**230,005**	**39,084**	**183,177**	**3,562,355**

Breakdown of Accumulated and Other Reserves as at 31 December 2010 by Fund

	£'000
Consolidated Fund	2,165,538
Trading Funds	252,163
Strategic Reserve	568,659
Stabilisation Fund	46,541
Other Funds and Consolidation Adjustments	77,188
Total	**3,110,089**

Transfers

During 2010 £68m was transferred from the Stabilisation Fund to the Consolidated Fund. No other transfers occurred during 2010.

27 This movement is due to changes in the percentage holdings in CIF pools during the year, which can lead to the proportion of unrealised reserves attributable to participants outside of the States of Jersey Group. No sale of investments occurs as a result of these changes, and so no gain/loss is recognised in the OCS.

28 These adjustments relate to assets not captured as part of the orignal valuation exercise.

9.23. Note 23: Notes to the Cash Flow Statement

a. Reconciliation of Net Cash Flow to Movement in Net Funds

	2010 £'000	2009 £'000
Increase/(Decrease) in cash in the year	14,774	(13,701)
Movement in liquid resources	33,839	(21,433)
Decrease in lease financing	2,862	2,685
Change in net funds	**51,475**	**(32,449)**
Net Funds at 1 January	28,496	60,945
Net Funds at 31 December	**79,971**	**28,496**

b. Reconciliation of (Deficit)/Surplus for the Year to net cash flow from Operating Activities

	2010 £'000	2009 £'000
(Deficit)/Surplus for the Year	(229,149)	46,085
Depreciation and Impairments of Fixed Assets	195,329	49,483
Interest payable	283	160
Gain on disposal of fixed assets	(2,730)	(1,912)
Investment income	(37,659)	(42,685)
Interest element of Finance Leases	1,218	1,388
(Loss)/Gain on Realisation of Investments	(21,412)	16,046
(Increase)/Decrease in Stock	(1,514)	(1,319)
(Increase)/Decrease in Debtors	(7,739)	29,324
Increase in Long term Debtors	(471)	(9,494)
Increase/(Decrease) in Creditors	27,853	(1,565)
Increase in Pensions Liabilities	40,747	25,539
(Decrease)/Increase in Provisions	(3,204)	7,677
Increase/(Decrease) in Currency in Circulation	2,115	(885)
	(36,333)	**117,842**

c. Analysis of Net Funds

	At 1 January 2010 £'000	Cash Flows £'000	At 31 December 2010 £'000
Cash in Hand and at Bank	(11,459)	14,774	3,315
Bank Deposit Accounts	56,879	33,839	90,718
Total Cash	**45,420**	**48,613**	**94,033**
Debt: Finance Leases	(16,924)	2,862	(14,062)
Net Funds	**28,496**	**51,475**	**79,971**

9.24. Note 24: Guarantees

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2009: £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 (2009:£14.9 million).

In addition the States of Jersey has provided a guarantee to Barclays Bank Plc up to a maximum of £4.1 million (2009: £4.4 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House. The Housing and Treasury and Resources Departments have agreed to provide financial support to various Housing Trusts in respect of bank loans. The Treasury and Resources Department issues 'letters of comfort' to the banks in respect of such loans. These letters of comfort do not constitute guarantees. As at the year end letters of comfort, in respect of loans totalling £151.3 million (2009: £151.3 million), were in issue. One aspect of these letters of comfort is the provision of an interest rate cap to Housing Trusts in respect of their borrowing. Fluctuations in interest rates will impact on the level of interest rate subsidy provided to Housing Trusts; any subsidy is provided through the Housing Development Fund. Low interest rates throughout 2010 meant that no subsidy was payable in respect of the letters of comfort.

The Small Firms Loan Guarantee Scheme (SFLGS) commenced in January 2007. The Scheme approves lending by the Economic Development Department (by way of loan guarantees on loans of up to £2 million), consisting of four separate £500,000 agreements with four banks. The underwriting of bank loans taken out by local businesses aims to encourage entrepreneurial activity in the Island. The main principle of the SFLGS is to provide security to lenders in the cases where would-be entrepreneurs or growing businesses do not have the necessary security to obtain a business loan. As at the year end the value of the total loans guaranteed amounted to £514,652 (2009: £637,000), of which the States has exposure to 75% in accordance with the terms of the Scheme.

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 £1.28 million (2009: £857,109).

9.25. Note 25: 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 & 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:

	2010 Total £'000	2009 Total £'000
Viscount's	71,803	65,925
Health and Social Services	802	523

In addition to the liquid assets listed above the Viscount's Department holds real property and contents with an approximate total value of £7.5m (2009: £8.7m).

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 theses categories can be found in Note 27.

9.26. Note 26: Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £106.5 million (2009: £111.6 million) from the consolidated fund which had not yet been incurred.

A further £40.1m was authorised from the Trading Funds, but not incurred.

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

	£'000
HA: TETRA	694
Housing: Le Squez Phase 2	8,214
Housing: Salisbury Crescent	2,521
Housing: 80 St Mark's Road	202
TTS: Energy from Waste Project	15,459
T&R: ITAX Software Development	1,200
T&R (JPH): Grainville Phase 4	2,587
T&R (JPH): Prison Phase 4	228
T&R (JPH): JCG Drama Extension	361
T&R (JPH): G&A Hospitals Fire Safety Work	573
Airport: HBS & OOG X-Ray	822
Airport: Telebag System	2,154
Airport: Primary Radar Les Platons	209
Airport: Arrivals Demolition Top 2 flrs	112
Harbours: St Aubins North Pier & Fort Breakwater stabilisation works	732
Harbours: Elizabeth Harbour East Quay Scour Protection	364

9.27. Note 27: Risk Profile and Financial Instruments

a) Objectives, policies and strategies

It is considered useful to provide certain information relating to particular financial instruments which are material in the context of the accounts as a whole.

During the year the Common Investment Fund (CIF) was instigated as a arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes.

The Minister for Treasury and Resources published his Investment Strategy on 22 June 2010 setting out the strategy for each fund; including Strategic Aims and investment limits to mitigate risk. The Minister has also published a policy on corporate governance and ethical investment.

The identification, understanding and management of risk are, by necessity, a major part of the management activities.

b) Common Investment Fund

Market Risk

The price of units in the Investment Pools 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, generating gains and losses on pool values. As the Investment Strategy for Investment Pools are developed for generally long-term growth and it is possible that investment objectives may not be fully met in a short-term horizon.

Investment Manager Risk

An advantage in pooling funds for investment purposes is the economy of scale, compared to each participant investing individually.

Investment Manager Risk has been addressed by having a limit on the amount invested with any Investment Manager in a Pool therefore limiting the risk of using a single Investment Manager. Where the maximum limit on a Pool is reached, the Pool can be expected to be closed to new investments, but increases in market value above the maximum amount may still occur due to market movements and would not necessitate the closure of the pool. Similarly a minimum amount is set for each Pool below which the Pool may not be viable as a separate entity.

The following table sets out the desirable ranges each Investment Manager should be responsible for, for each different Pool type within the CIF:

POOL ASSET CLASSES	MINIMUM AMOUNT	MAXIMUM AMOUNT
Equities	£75m	£250m
Bonds	£100m	£500m
Cash	£nil	£100bn

In principle the maximum amounts per Investment Manager Pool are set dependent on Investment Manager Risk in each asset class segment, UK Equity and Overseas Equity Pools being determined in this environment as higher risk.

The States Investment Advisor has proposed that minimum amounts be set per pool based on the smallest monies managers would be willing to manage and the minimum amount required in order to achieve economies of scale to maximize Investment Pools returns. During the year the assets managed by each Investment Manager have stayed within the ranges stipulated.

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.

Operational Risk

The Custodian and Investment Managers provide monthly reports confirming compliance with the agreed Investment Manager mandates and controls. The Investment Management Department investigates any breaches to determine the cause and any actions required. As at 31st December 2010 there were no breaches outstanding.

Credit and Counterparty Risk in respect of equity investments

To mitigate against the risk that an investment defaults and to limit the exposure to a particular investment performing poorly the following restrictions are in place.

1. Only investments that are, at the time of acquisition, quoted on Regulated, Recognised or Designated Investment Exchanges as determined by the UK Financial Services Authority, or new issues with a quotation after issue or traded on Approved Stock Exchange and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time are allowed. Grey market or over the counter transactions are not permitted.
2. Each Investment Manager may hold up to 5.0% of the Fund in warrants, nil and partly paid securities, provided that it is reasonably foreseeable that the warrants could be exercised or the calls paid without breaching the investment restrictions in this Agreement.
3. No Investment Manager is permitted to acquire share holdings greater than 3% of the issued share capital in any one company.

Credit and Counterparty Risk in respect of bonds and gilts

Investments in bonds and gilts are dependent on the solvency of financial institutions which have issued instruments. To mitigate this risk a number of issuers are used to manage and diversify the risk. The following restrictions are placed on the Investment Manager to ensure there is no reliance on one issuer.

1. The maximum percentage of the total market value of the fixed income portfolio that may be directly invested in any single issue at the date of the purchase is as follows:

BOND CREDIT RATINGS	MAXIMUM %
AAA	5
AA	3
A	2
BBB	1 ½

2. The maximum proportion of each pool which can be directly invested in securities of an "A" credit rating and below is 70%.
3. The maximum proportion of the fixed income portfolio which can be directly invested in securities of credit rating BBB (or if applicable below) is 35%.

Compliance with these limits has occurred throughout the year.

Credit and Counterparty Risk in respect of cash

The States Cash Manager is restricted in the asset classes that he/she may invest in and the proportion of funds that may be invested in each asset class. The main control is the restriction on the industry rating which limits which institutions deposits can be held with.

DEPOSIT TERM	MINIMUM INDUSTRY RATING
Short term (up to 3 months)	Standards & Poor's A1 and Moody's P1
Long term (over 3 months)	Standards & Poor's AA- and Moody's Aa3

Assets are required to be sold when an Institution holding a deposit is downgraded to A3 or lower. Compliance with these limits has occurred throughout the year.

Currency/Foreign Exchange Risk (Overseas & Global Pools)

The Overseas and 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 units in the Pools to go up or down. To manage this risk the Investment Managers are permitted 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, measured at the time that the hedge is entered into.

c) Cash

The same cash manager controls the CIF cash pools and the deposit accounts of the States of Jersey. The risks faced inside the CIF are similar to those faced by the cash assets held outside the CIF.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the States of Jersey to varying amounts of income from investments held in interest paying accounts. Placement decisions are be made based on expectation of future interest returns and the requirements to hold cash. During 2010 interest rates have remained relatively low when compared to prior years.

d) Interest rate disclosures

	Fixed rate £'000	Variable rate £'000	No interest payable/ receivable £'000	Total £'000
Financial Assets				
Sterling £				
Advances[29]	13,364	3,757	787	17,908
Investments	9,250	–	77,623	86,873
Bonds	343,241	–	–	343,241
Certificates of Deposit	331,418	–	–	331,418
Cash	62,105	27,190	(4,597)	84,698
US Dollars $				
Investments	–	–	93,479	93,479
Cash	2,116	–	293	2,409
Euros €				
Investments	1,073	–	11,286	12,359
Cash	6,678	–	109	6,787
Other				
Investments	–	–	31,582	31,582
Cash	1	–	138	139
	769,246	**30,947**	**210,700**	**1,010,893**
Financial Liabilities				
Finance Leases	16,924	–	–	16,924
Bank Overdrafts	–	–	–	–
	16,924	**–**	**–**	**16,924**

e) Maturity analyses

Maturity analyses are included for Advances and Other investments in notes 9 and 11 respectively and for Finance lease obligations in note 17. Other financial liabilities are bank overdrafts and are repayable on demand. No further maturity analysis is required.

Fixed rate financial assets	Weighted average rate	Weighted average period (months)
Advances	4.48%	140
Bonds	3.63%	71
Certificates of Deposit	1.26%	4

Note: all rates are based on absolute rates

f) Fair value disclosures

Other investments are carried at market value which is deemed to be equivalent to the fair value of the assets.

Advances and Bonds are carried at amortised cost.

The estimated difference between the carrying values and fair value is not material.

29 Note this includes advances with a maturity of less than one year classified as Debtors (Note 13) amounting to £2,049k

9.28. Note 28: SOJ Common Investment Fund

a) Explanation of the CIF

The States of Jersey – Common Investment Fund ("the CIF") was established by proposition P35/2010, 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. This was approved by the States of Jersey on 12th May 2010.

The purpose of the CIF is to create an administrative arrangement which is open only to States Funds including Separately Constituted Funds, Special Funds and Trust and Bequest Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations as published in their strategies. The Minister for Treasury and Resources presented his latest investment strategy on 22 June 2010. 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 started operating on 1st July 2010 and as at 31 December 2010 contained 10 pools that held a range of asset classes (including equity, bonds, gilts and cash).

The following are participants in the CIF that are not part of the States of Jersey Group:

- Health Insurance Fund
- Social Security Reserve Fund
- Le Don De Faye Trust
- Rivington Travelling Scholarship Fund
- Greville Bathe Fund
- A A Rayner Fund

b) Operating Cost Statement for the year ended 31 December 2010

2010	Total CIF £'000	Attributable to Entities Outside the SOJ Group £'000	Included in the SOJ Accounts £'000
Revenue			
Investment Income	13,425	2,242	11,183
Realised Gains on Investments	22,820	11,244	11,576
Total Revenue	**36,245**	**13,486**	**22,759**
Expenditure			
Supplies and Services	1,295	374	921
Other Operating Expenditure	59	14	45
Foreign Exchange Loss	427	258	169
Total Expenditure	**1,781**	**646**	**1,135**
Net Revenue Income	**34,464**	**12,840**	**21,624**

c) Statement of Total Recognised Gains and Losses for the Year ended 31 December 2010

2010	Total CIF £'000	Attributable to Entities Outside the SOJ Group £'000	Included in the SOJ Accounts £'000
Net Revenue Income	34,464	12,840	21,624
Unrealised Gain on Revaluation of Investments	29,681	11,800	17,881
Total Recognised Gain Relating to the Year	**64,145**	**24,640**	**39,505**

d) Balance Sheet as at 31 December 2010

2010	Total CIF £'000	Attributable to Entities Outside the SOJ Group £'000	Included in the SOJ Accounts £'000
Financial Assets			
Other investments	1,150,541	365,473	785,068
Total Fixed Assets	**1,150,541**	**365,473**	**785,068**
Current Assets			
Debtors	7,793	1,358	6,435
Cash at Bank and in Hand	37,855	10,125	27,730
Total Current Assets	**45,648**	**11,483**	**34,165**
Current Liabilities			
Creditors	(2,597)	(1,459)	(1,138)
Total Current Liabilities	**(2,597)**	**(1,459)**	**(1,138)**
Net Current Assets	**43,051**	**10,024**	**33,027**
Net Assets	**1,193,592**	**375,497**	**818,095**
Reserves & Contributions			
Accumulated Revenue Reserves[30]	23,870	2,595	21,275
Investment Reserve[31]	40,275	22,045	18,230
Net contributions	1,129,447	350,857	778,590
Total Reserves	**1,193,592**	**375,497**	**818,095**

30 Included with Investments transferred into the CIF during the period was £10,593k of unrealised gains. These unrealised gains have been included within the Investment reserve and offset in the Accumulated Reserve.

e) Income and Expenditure by Pool

	Investment Income £'000	Realised Gains/ (Losses) £'000	Operating Expenditure £'000	Net Income £'000
UK Equities Pool[31]	972	82	(119)	**935**
Overseas Equities Pool[31]	533	1,199	(135)	**1,597**
Short Term Govt Bonds Pool	4,215	86	(221)	**4,080**
Long Term Govt Bonds Pool	237	410	(34)	**613**
Short Term Corporate Bonds Pool	1,480	1,037	(65)	**2,452**
Long Term Corporate Bonds Pool	1,726	1,537	(59)	**3,204**
Indexed Linked Bonds Pool	21	384	(5)	**400**
Short Term Cash & Cash Equivalents Pool	580	223	(82)	**721**
Long Term Cash & Cash Equivalents Pool	1,491	22	(41)	**1,472**
UK Equities II Pool	1,121	3,269	(153)	**4,237**
Global Equities I Pool	434	7,311	(12)	**7,733**
Global Equities II Pool	615	7,260	(855)	**7,020**
CIF Total	**13,425**	**22,820**	**(1,781)**	**34,464**
Less:amount attributable to Participants outside the Group boundary	2,242	11,244	(646)	**12,840**
Total – SOJ Group	**11,183**	**11,576**	**(1,135)**	**21,624**

31 As of 1 October 2010, the UK Equities and Overseas Equities Pools were superceded by the UK Equities II, Global Equities I and Global Equities II Pools. All Investment assets held in the superceded Pools were transferred to the new Pools as at that date.

f) Changes in Market Value of Investments by Pool

	Market Value 01/07/10 £'000	Transfers Phase 1 £'000	Transfers Phase 2 £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31/12/10 £'000
UK Equities Pool*	–	90,855	(102,366)	3,489	(2,866)	10,888	–
Overseas Equities Pool*	–	92,583	(99,506)	25,732	(24,171)	5,362	–
Short Term Govt Bonds Pool	–	217,003	–	275,731	(260,100)	(3,054)	229,580
Long Term Govt Bonds Pool	–	13,279	–	9,511	(22,209)	(581)	–
Short Term Corporate Bonds Pool	–	57,354	–	54,848	(48,987)	(1,784)	61,431
Long Term Corporate Bonds Pool	–	41,973	–	64,015	(41,099)	(2,739)	62,150
Indexed Linked Bonds Pool	–	1,033	–	2,671	(284)	(209)	3,211
Short Term Cash & Cash Equivalents Pool	–	263,567	–	261,772	(385,980)	(31)	139,328
Long Term Cash & Cash Equivalents Pool	–	78,011	–	71,811	(29,405)	227	120,644
UK Equities II Pool*	–	–	128,689	85,744	(60,039)	6,763	161,157
Global Equities I Pool*	–	–	159,820	151,401	(129,450)	7,824	189,595
Global Equities II Pool*	–	–	159,449	138,519	(121,525)	7,002	183,445
CIF Total	**–**	**855,658**	**246,086**	**1,145,244**	**(1,126,115)**	**29,668**	**1,150,541**
Less:amount attributable to Participants outside the Group boundary	–	77,370	266,507	305,511	(295,715)	11,800	365,473
Total - SOJ Group	**–**	**778,288**	**(20,421)**	**839,733**	**(830,400)**	**17,868**	**785,068**

g) Income and Expenditure Attributable to Participant funds

Participants do not hold individual investments, rather a share of a pool of investments. The table below shows the income and expenditure in the CIF apportioned by the relevant holdings of participant funds.

	Income £'000	Expenditure £'000	Realised Gains/Losses £'000	Net Income £'000	Unrealised Gains/Losses £'000	Total Gains/Losses £'000
Strategic Reserve	9,126	(1,005)	10,716	18,837	17,297	36,134
Stablisation Fund	438	(20)	31	449	8	457
Jersey Currency Notes Fund	676	(57)	723	1,342	459	1,801
Jersey Coinage Fund	53	(3)	4	54	11	65
Consolidated Fund	890	(50)	102	942	106	1,048
Total – SOJ Group	**11,183**	**(1,135)**	**11,576**	**21,624**	**17,881**	**39,505**
Amounts attributable to Participants outside the Group boundary	2,242	(646)	11,244	12,840	11,800	24,640
Total CIF	**13,425**	**(1,781)**	**22,820**	**34,464**	**29,681**	**64,145**

h) Analysis of Net Asset Value by Participant and Pool

	Strategic Reserve £'000	Stablisation Fund £'000	Jersey Currency Notes Fund £'000	Jersey Coinage Fund £'000	Consolidated Fund £'000	Total – SOJ Group £'000	Outside Group £'000	Total CIF £'000
UK Equities Pool	169	–	6	–	–	**175**	1	**176**
Overseas Equities Pool	203	–	8	–	–	**211**	–	**211**
Short Term Govt Bonds Pool	218,615	–	15,387	–	–	**234,002**	–	**234,002**
Long Term Govt Bonds Pool	13,493	–	–	–	–	**13,493**	–	**13,493**
Short Term Corporate Bonds Pool	59,532	–	21	–	–	**59,553**	6,324	**65,877**
Long Term Corporate Bonds Pool	43,961	–	21	–	–	**43,982**	22,949	**66,931**
Indexed Linked Bonds Pool	–	–	1,089	–	–	**1,089**	2,144	**3,233**
Short Term Cash & Cash Equivalents Pool	39,610	23,011	10,115	3,386	59,274	**135,396**	4,978	**140,374**
Long Term Cash & Cash Equivalents Pool	–	23,948	33,063	3,349	50,808	**111,168**	11,116	**122,284**
UK Equities II Pool	62,057	–	2,263	–	–	**64,320**	103,521	**167,841**
Global Equities I Pool	75,334	–	2,750	–	–	**78,084**	112,700	**190,784**
Global Equities II Pool	73,924	–	2,698	–	–	**76,622**	111,764	**188,386**
	586,898	**46,959**	**67,421**	**6,735**	**110,082**	**818,095**	**375,497**	**1,193,592**

9.29. Note 29: Contingent Assets and Liabilities

There are no Contingent Assets as at 31 December 2010.

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 may arise with regards to the Historic Child Abuse Enquiry. However, neither the number and likelihood of success of claims, or the amount of any settlements, can be reliably estimated and so no provision is included in the Accounts.

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
- Water Pollution
- Contract Terms

9.30. Note 30: Pension Scheme Disclosures

Pension Schemes

a) Public Employees Contributory Retirement Scheme (PECRS)

The Scheme is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract.

The Scheme is managed by a Committee of Management and five sub committees which together are responsible for managing the scheme.

The market value of the Scheme's assets as at 31 December 2010 was £1,266 m.

The last published Actuarial Valuation of the Scheme as at 31 December 2007, dated 02 July 2009 indicated that the Scheme had an actuarial deficit of £63.2 m.

The Actuary has concluded that this deficiency will need to be dealt with in accordance with the terms of the Scheme's Regulations.

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme 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 is disclosed below but not recognised in the States' accounts.

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 1, section xix. This liability amounted to £269.5m at 31 December 2010.

The past service liability will be repaid over 82 years (from 2002), after which the employers' contribution rate will revert to 15.16% of members' salaries.

The payment made in 2010 was £3.8m (2009: £3.8m).

b) Jersey Teachers' Superannuation Fund (JTSF)

Membership of this defined benefit scheme is compulsory for all teachers in full time employment and optional for those in part time employment. Benefits are based on final pensionable pay. The Fund is managed by a Board of Management which has established sub committees to investigate and report on complex and technical issues.

The market value of the Fund's Assets as at 31 December 2010 was £319m.

The results of an actuarial valuation as at 31 December 2006 concluded that there was a surplus of £50 m. However, after allowing for future pension increases, including those already granted to that date, to be financed from the Fund and, further, for reducing the qualifying period for the benefits to two years and the introduction of widowers' benefits and death in service lump sum provisions equal to two times salary, a deficiency of £60 million was revealed.

Following discussions with regard to the future structure and funding of the Fund, an enabling law was passed during 2006 so that the Education, Sport and Culture department could introduce a new scheme with benefits aligned to those available to new members of the PECRS. The new scheme came into effect from 1 April 2007, after which entry to the previous scheme was no longer possible for new members.

Widowers' benefits were introduced into the Fund during 2005 and the other benefit changes listed above will be available to members of the two schemes from 1 April 2007. In addition, pension increases in respect of Fund membership were, from 1 April 2007, paid from the Fund instead of the Education, Sport and Culture department's revenue budget. The employer's contribution rate rose to 16.4% and the actuary has confirmed that this will repay the deficit over the period of 80 years. Members' contributions to the new scheme will be 5% of salary, with existing members continuing to pay 6% of salary to the Fund.

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme generally mirrors the Public Employees' Contributory Retirement Scheme. A provision for 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.

c) Jersey Post Office Pension Fund (JPOPF)

Jersey Post operates the Jersey Post Office Pension Fund (JPOPF) which is an occupational defined benefit scheme providing benefits based on final pensionable pay. The JPOPF is closed to new members. As this is a closed scheme, under the projected unit method, the current service cost will increase as the members of the Fund approach retirement.

On 1st July 2006 the Postal Services (Transfer) (Jersey) Regulations 2006 transferred postal services from the States of Jersey to Jersey Post International Limited. Although contributions to the Fund are made by Jersey Post International Limited, risks associated with the Fund remain the responsibility of the States of Jersey and the Fund is therefore included within these accounts.

d) Discretionary Pension Scheme (DPS)

In addition to the schemes explained above the States of Jersey has an arrangement which provides for post-retirement benefits for one individual. The total assets in this scheme as at 31 December 2010 were valued at £360,000. The approximate liability is £695,000. As this is a traditional defined benefit scheme it is accounted for as such in these Accounts. The scheme is funded on an ongoing basis from an existing revenue budget.

e) Jersey Civil Service Scheme (pre-67) (CSS)

The Jersey Civil Service Scheme is 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 scheme.

f) Jersey 1972 Act Pension Increase Liability (PIL)

From 2011, in accordance with the scheme regulations, future annual increases will be restricted to 0.3% below the Retail Price Index to address a deficit in the scheme. Those pensioners under the 1967 PECRS regulations and the Federated Health Scheme (FHS) are guaranteed an increase in line with RPI. Responsibility for the payment of the balance of 0.3% is currently the subject of legal discussions, but will be met by the States for States' Employees until these are concluded. In the interest of prudence this liability is accounted for as a unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

g) Additional Information required by FRS17 – Retirement Benefits

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.

Actuarial Valuations of the PECRS and JTSF were carried out at 31 December 2007 and 31 December 2006 respectively. These valuations have been updated by Actuaries to 31 December 2009 in accordance with FRS17, based on the current obligations.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the respective Actuaries of PECRS and JTSF in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

The results of up to date Actuarial Valuations, rather than the results of the FRS17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the respective Funds.

The JPOPF is a traditional defined benefit scheme and is accounted for as such in these Accounts.

The most recent full Actuarial Valuation of the JPOPF was carried out as at 31 December 2002 and has been updated by an Actuary to 31 December 2008 in accordance with FRS17. Full allowance has been made for the cost of pension increases.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the JPOPF Actuaries in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

PECRS

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme 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 is disclosed below but not recognised in the States accounts. The figures include the Admitted Bodies of the PECRS other than Jersey Telecom Group Limited and Jersey Post International Limited.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2010 % p.a.	31 December 2009 % p.a.	31 December 2008 % p.a.
Inflation	3.9	4.0	3.1
Rate of general long-term increase in salaries	5.2	5.2	4.4
Rate of increase to pensions in payment (weighted average over all elements)	3.6	4.0	3.1
Discount rate for scheme liabilities	5.3	5.7	6.0

Main demographic assumptions for PECRS

Post retirement mortality assumptions

	31 December 2010	31 December 2009
Males		
Future lifetime from aged 63 (currently aged 63)	24 years	24 years
Future lifetime from aged 63 (currently aged 43)	26 years	26 years
Females		
Future lifetime from aged 63 (currently aged 63)	26 years	26 years
Future lifetime from aged 63 (currently aged 43)	28 years	28 years

	31 December 2010	31 December 2009
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

Expected return on assets

	Long-term rate of return expected at 31 December 2010 (% p.a.)*	Value at 31 December 2010 (£'000)	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)
Equities	8.0	1,014,492	8.3	688,287	7.6	548,082
Property	7.5	–	8.8	10,497	6.6	17,561
Fixed Interest Gilts	4.2	13	4.5	–	3.8	–
Index-Linked Gilts	4.0	–	4.3	–	3.6	–
Corporate bonds	5.0	215,377	5.5	316,260	5.5	268,034
Other	1.4	35,702	0.7	95,919	2.5	90,577
Combined	**7.3**[1]	**1,265,584**	**6.9**[1]	**1,110,963**	**6.5**[1]	**924,254**

Note: Values shown are at bid value.

* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

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 return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening defined benefit obligation	**1,680,165**	**1,306,089**
Current service cost	50,435	33,174
Interest cost	96,186	78,301
Contributions by scheme participants	12,155	11,981
Actuarial losses on scheme liabilities*	53,486	297,099
Net benefits paid out	(47,992)	(46,733)
Past service cost	(69,623)	254
Settlements	17,017	–
Closing defined benefit obligation	**1,791,829**	**1,680,165**

* Includes changes to the actuarial assumptions.

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

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening fair value of scheme assets	**1,110,963**	**924,254**
Expected return on scheme assets	74,506	54,238
Actuarial gains on scheme assets	63,342	133,596
Contributions by the employer	35,593	33,627
Contributions by scheme participants	12,155	11,981
Net benefits paid out	(47,992)	(46,733)
Settlements	17,017	–
Closing fair value of scheme assets	**1,265,584**	**1,110,963**

Actual return on scheme assets

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Expected return on scheme assets	74,506	54,238
Actuarial gain on scheme assets	63,342	133,596
Actual return on scheme assets	**137,848**	**187,834**

History of asset values, DBO and surplus/deficit in scheme

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Fair value of scheme assets	1,265,584	1,110,963	924,254	1,105,336	1,040,843
Defined benefit obligation	(1,791,829)	(1,680,165)	(1,306,089)	(1,252,981)	(1,223,932)
Surplus/(deficit) in scheme	**(526,245)**	**(569,202)**	**(381,835)**	**(147,645)**	**(183,089)**

History of experience gains and losses

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Experience gains/(losses) on scheme assets	63,342	133,596	(260,192)	(14,050)	–
Experience gains/(losses) on scheme liabilities[1]	47,676	27,835	(23,258)	2,833	–

1 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.

JTSF

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme generally mirrors the Public Employees' Contribution Retirement Scheme.

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme 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 is disclosed below but not recognised in the States accounts. The figures include Non Provided Schools that qualify as Accepted Schools under the law.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2010 % p.a.	31 December 2009 % p.a.	31 December 2008 % p.a.
Inflation	3.9	4.0	3.1
Rate of general long-term increase in salaries	5.2	5.2	4.4
Rate of increase to pensions in payment (weighted average over all elements)	3.9	4.0	3.1
Discount rate for scheme liabilities	5.3	5.7	6.0

Main demographic assumptions for JTSF

Post retirement mortality assumptions	31 December 2010	31 December 2009
Males		
Future lifetime from aged 60 (currently aged 60)	28 years	28 years
Future lifetime from aged 60 (currently aged 40)	30 years	30 years
Females		
Future lifetime from aged 60 (currently aged 60)	31 years	30 years
Future lifetime from aged 60 (currently aged 40)	33 years	30 years

	31 December 2010	31 December 2009
Commutation	Members who joined the scheme after 31 March 2007 assumed to exchange 16.67% of their pension entitlements. Nil for other members	Members who joined the scheme after 31 March 2007 assumed to exchange 16.67% of their pension entitlements. Nil for other members

Expected return on assets

	Long-term rate of return expected at 31 December 2010 (% p.a.)*	Value at 31 December 2010 (£'000)	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)
Equities	8.0	268,827	8.3	226,210	7.6	180,510
Property	7.5	15,854	8.8	5,247	6.6	5,683
Fixed interest Gilts	4.2	—	4.5	—	3.8	16,560
Index-Linked Gilts	4.0	18,089	4.3	19,553	3.6	17,438
Corporate bonds	5.0	—	5.5	20,151	5.5	—
Other	1.4	16,592	0.7	2,840	2.5	455
Combined	**7.4**[1]	**319,362**	**7.7**[1]	**274,001**	**7.1**[1]	**220,646**

Note: Values shown are at bid value.

* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

1 The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

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.

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening defined benefit obligation	**512,961**	**403,047**
Current service cost	12,430	8,875
Interest cost	29,272	24,168
Contributions by scheme participants	2,999	2,952
Actuarial losses on scheme liabilities*	17,689	86,242
Net benefits paid out	(14,245)	(12,323)
Past service cost	—	—
Net service increase in liabilities from disposals/acquisitions	—	—
Closing defined benefit obligation	**561,106**	**512,961**

* Includes changes to the actuarial assumptions.

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

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening fair value of scheme assets	**274,001**	**220,646**
Expected return on scheme assets	20,492	14,710
Actuarial gains on scheme assets	27,765	39,852
Contributions by the employer	8,350	8,169
Contributions by scheme participants	2,999	2,952
Net benefits paid out	(14,245)	(12,328)
Closing fair value of scheme assets	**319,362**	**274,001**

Actual return on scheme assets

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Expected return on scheme assets	20,492	14,710
Actuarial gain on scheme assets	27,765	39,847
Actual return on scheme assets	**48,257**	**54,557**

History of asset values, DBO and surplus/deficit in scheme

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Fair value of scheme assets	319,362	274,001	220,646	276,219	251,884
Defined benefit obligation	(561,106)	(512,961)	(403,047)	(396,480)	(380,209)
Surplus/(deficit) in scheme	**(241,744)**	**(238,960)**	**(182,401)**	**(120,261)**	**(128,325)**

Note: Asset value for 2005 is shown at mid value.

History of experience gains and losses

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Experience gains/(losses) on scheme assets	27,765	39,852	(72,156)	5,120	5,169
Experience gains/(losses) on scheme liabilities[1]	14,643	(302)	(10,034)	(607)	913

[1] 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.

JPOPF

The scheme is a funded scheme of the defined benefit type, providing retirement benefits based on final salary.

The latest actuarial valuation of the JPOPF took place on 31 December 2002. The last remaining active member left service during 2009, therefore regular employer contributions to the JPOPF in 2010 were nil.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the operating cost statement), through the Statement of Recognised Gains and Losses (STRGL)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2010 % p.a.	31 December 2009 % p.a.	31 December 2008 % p.a.
Inflation	3.9	4.0	3.1
Rate of general long-term increase in salaries	n/a	5.2	4.4
Rate of increase to pensions in payment (weighed average over all elements)	3.9	4.0	3.1
Discount rate for scheme liabilities	5.3	5.7	6.0

Main demographic assumptions for JPOPF

Post retirement mortality assumptions	31 December 2010	31 December 2009
Males		
Future lifetime from aged 60 (currently aged 60)	27 years	26 years
Future lifetime from aged 60 (currently aged 40)	29 years	28 years
Females		
Future lifetime from aged 60 (currently aged 60)	29 years	28 years
Future lifetime from aged 60 (currently aged 40)	31 years	31 years

	31 December 2010	31 December 2009
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

Expected return on assets

	Long-term rate of return expected at 31 December 2010 (% p.a.)*	Value at 31 December 2010 (£'000)	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)
Equities	8.0	–	8.3	–	7.6	–
Property	7.5	–	8.8	–	6.6	–
Fixed interest Gilts	4.2	625	4.5	653	3.8	673
Index-Linked Gilts	4.0	7,323	4.3	8,041	3.6	8,335
Corporate bonds	5.0	–	5.5	–	5.5	–
Other	1.4	1,196	0.7	439	2.5	928
Combined	**3.7**	**9,144**	**4.1**[1]	**9,133**	**3.5**[1]	**9,936**

Note: Values shown are at bid value.

* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

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.

Reconciliation of funded status to balance sheet

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)	Value at 31 December 2008 (£'000)
Fair value of scheme asset	9,144	9,133	9,936
Present value of funded defined benefit obligations	(9,058)	(10,343)	(9,141)
	86	**(1,210)**	**795**
Unrecognised asset due to limit in para 41	(86)	–	(765)
Asset/(liability) recognised on the balance sheet	**–**	**(1,210)**	**30**

Analysis of profit and loss charge

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)
Current service cost	–	–
Past service cost	–	–
Interest cost	568	527
Expected return on scheme assets	(358)	(336)
Curtailment cost	–	–
Settlement cost	–	–
Unrecognised asset due to limit in para 41	–	765
Expense recognised in profit and loss	**210**	**956**

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening defined benefit obligation	**10,343**	**9,141**
Current service cost	–	5
Interest cost	568	527
Contributions by scheme participants	–	0
Actuarial (gains)/losses on scheme liabilities*	(1,095)	1,388
Net benefits paid out	(758)	(718)
Past service cost	–	–
Net service increase in liabilities from disposals/acquisitions	–	–
Closing defined benefit obligation	**9,058**	**10,343**

* Includes changes to the actuarial assumptions.

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

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening fair value of scheme assets	**9,133**	**9,936**
Expected return on scheme assets	358	336
Actuarial gains/(losses) on scheme assets	411	(426)
Contributions by the employer	–	5
Contributions by scheme participants	–	–
Net benefits paid out	(758)	(718)
Closing fair value of scheme assets	**9,144**	**9,133**

Actual return on scheme assets

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Expected return on scheme assets	358	336
Actuarial gain/(loss) on scheme assets	411	(426)
Actual return on scheme assets	**769**	**(90)**

Analysis of amounts recognised in STRGL

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Total actuarial gains/(losses)	1,506	(1,814)
Change in irrecoverable surplus, effect of limit in para 41	(86)	765
Total gain/(losses) in STRGL	**1,420**	**(1,049)**

History of asset values, DBO and surplus/deficit in scheme

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Fair value of scheme assets	9,144	9,133	9,936	9,637	9,710
Defined benefit obligation	(9,058)	(10,343)	(9,141)	(9,921)	(10,366)
Surplus/(deficit) in scheme	**86**	**(1,210)**	**795**	**(284)**	**(656)**

History of experience gains and losses

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)
Experience gains/(losses) on scheme assets	411	(426)	594	227	(85)
Experience gains/(losses) on scheme liabilities[1]	1,338	22	(1)	(63)	76

[1] 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.

DPS

The scheme is a funded scheme of the defined benefit type, providing retirement benefits based on final salary.

There has been a full valuation carried out of the liabilities of the one DPS member as at 31 December 2009. Assuming contributions continue to be paid at the same amount as 2009, regular employer contributions to the DPS in 2010 are expected to be £5K.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the profit and loss account), through the Statement of Recognised Gains and Losses (STRGL).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2010 % p.a.	31 December 2009 % p.a.
Inflation	3.9	4.0
Rate of general long-term increase in salaries	5.2	5.2
Rate of increase to pensions in payment (weighed average over all elements)	3.9	4.0
Discount rate for scheme liabilities	5.3	5.7

Main demographic assumptions for DPS

Post retirement mortality assumptions	31 December 2010	31 December 2009
Males		
Future lifetime from age 65 (currently aged 65)	22 years	22 years
Females		
Future lifetime from age 65 (currently aged 65)	24 years	24 years

	31 December 2010	31 December 2009
Commutation	Nil	Nil

Expected return on assets

	Long-term rate of return expected at 31 December 2010 (% p.a.)*	Value at 31 December 2010 (£'000)	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)
Equities	8.0	149	8.3	126	7.6	123
Property	7.5	69	8.8	58	6.6	56
Fixed interest Gilts	4.2	42	4.5	35	3.8	35
Index-Linked Gilts	4.0	–	4.3	–	3.6	–
Corporate bonds	5.0	80	5.5	67	5.5	65
Other	1.4	20	0.7	17	2.5	17
Combined	**6.4**[1]	**360**	**6.9**[1]	**303**	**6.2**[1]	**296**

Note: Values shown are at bid value.

* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

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.

Reconciliation of funded status to balance sheet

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)	Value at 31 December 2008 (£'000)
Fair value of scheme asset	360	303	296
Present value of funded defined benefit obligations	(695)	(635)	(508)
Asset/(liability) recognised on the balance sheet	**(335)**	**(332)**	**(212)**

Analysis of profit and loss charge

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)
Current service cost	12	4
Past service cost	–	–
Interest cost	37	31
Expected return on scheme assets	(21)	(19)
Curtailment cost	–	–
Settlement cost	–	–
Prior Year Adjustment	–	212
Expense recognised in profit and loss	**28**	**228**

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening defined benefit obligation	**635**	**508**
Current service cost	12	9
Interest cost	37	31
Contributions by scheme participants	5	5
Actuarial losses on scheme liabilities*	6	82
Net benefits paid out	–	–
Past service cost	–	–
Net service increase in liabilities from disposals/acquisitions	–	–
Closing defined benefit obligation	**695**	**635**

* Includes changes to the actuarial assumptions.

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

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Opening fair value of scheme assets	**303**	**296**
Expected return on scheme assets	21	19
Actuarial gains/(losses) on scheme assets	31	(22)
Contributions by the employer	–	5
Contributions by scheme participants	5	5
Net benefits paid out	–	–
Closing fair value of scheme assets	**360**	**303**

Actual return on scheme assets

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Expected return on scheme assets	21	19
Actuarial gain/(loss) on scheme assets	31	(22)
Actual return on scheme assets	**52**	**(3)**

Analysis of amounts recognised in STRGL

	Year ending 31 December 2010 (£'000)	Year ending 31 December 2009 (£'000)
Total actuarial gains/(losses)	25	(104)
Total gain/(losses) in STRGL	**25**	**(104)**

History of asset values, DBO and surplus/deficit in scheme

	31 December 2010 (£'000)	31 December 2009 (£'000)	31 December 2008 (£'000)
Fair value of scheme assets	360	303	296
Defined benefit obligation	(695)	(635)	(508)
Surplus/(deficit) in scheme	**(335)**	**(332)**	**(212)**

History of experience gains and losses

	31 December 2010 (£'000)	31 December 2009 (£'000)
Experience gains/(losses) on scheme assets	31	(22)
Experience gains on scheme liabilities[1]	20	22

[1] 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.

Jersey Civil Service Scheme (pre-67) (CSS)

This is the first year that the CSS has been accounted for under FRS 17.

The CSS is an unfunded, defined benefit scheme, providing retirement benefits based on final salary.

We have carried out a full valuation of the liabilities of the CSS members as at 31 December 2009 and 31 December 2010. There are no remaining active members but pensions are paid by States of Jersey as they fall due. Regular employer contributions to the CSS in 2011 are expected to be £448K.

Main financial assumptions

	31 December 2010 % p.a.	31 December 2009 % p.a.
Inflation	3.9	4.0
Rate of general long-term increase in salaries	n/a	n/a
Rate of increase to pensions in payment	3.9	4.0
Discount rate for scheme liabilities	5.3	5.7

Main demographic assumptions for CSS

Post retirement mortality assumptions	31 December 2010	31 December 2009
Males		
Future lifetime from age 65 (currently aged 65)	22 years	22 years
Females		
Future lifetime from age 65 (currently aged 65)	24 years	24 years

	31 December 2010	31 December 2009
Commutation	Nil	Nil

Reconciliation of funded status to balance sheet

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)
Present value of defined benefit obligations	6,153	6,177
Asset / (liability) recognised on the balance sheet	**(6,153)**	**(6,177)**

Analysis of profit and loss change

	Year ending 31 December 2010 (£'000)
Recognition of Liability	6,177
Current service cost	–
Past service cost	–
Interest cost	340
Curtailment cost	–
Settlement cost	–
Expense recognised in profit and loss	**6,517**

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)
Opening defined benefit obligation recognised in 2010	6,177
Current service cost	–
Interest cost	340
Contributions by scheme participants	–
Actuarial losses on scheme liabilities*	82
Net benefits paid out	(446)
Past service cost	–
Net increase in liabilities from disposals / acquisitions	–
Curtailments	–
Settlements	–
Closing defined benefit obligation	**6,153**

* Includes changes to the actuarial assumptions.

Analysis of amounts recognised in STRGL

	Year ending 31 December 2010 (£'000)
Total actuarial (losses)	(82)
Total gain / (loss) in STRGL	**(82)**

History of DBO and surplus/deficit in scheme

	31 December 2010 (£'000)
Defined benefit obligation	6,153
Surplus / (deficit) in scheme	**(6,153)**

History of experience gains and losses

	Year ending 31 December 2010 (£'000)
Experience gains on scheme liabilities*	89

* 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.

Jersey 1972 Act Pension Increase Liability (PIL)

This is the first year that the 1972 Act Pension Increase Liability (PIL) has been accounted for under FRS 17 in the interest of prudence, as explained in part *f* of this note.

The PIL is accounted for as an unfunded, defined benefit scheme providing a top up to the pension provided by the PECRS so that pensions increase in line with inflation. Pensions in respect of the PIL are paid by States of Jersey as they fall due. Regular employer contributions to the PIL in 2011 are expected to be £22K.

We have carried out a roll forward from the last full valuation of the liabilities of the PIL members as at 31 December 2007.

Main financial assumptions

	31 December 2010 % p.a.
Inflation	3.9
Rate of general long-term increase in salaries	5.2
Rate of increase to pensions in payment	3.9
Rate of increase to pensions in payment payable by PECRS	3.6
Discount rate for scheme liabilities	5.3

Main demographic assumptions for PIL

Post retirement mortality assumptions	31 December 2010
Males	
Future lifetime from age 63 (currently aged 63)	24 years
Future lifetime from age 63 (currently aged 43)	26 years
Females	
Future lifetime from age 63 (currently aged 63)	26 years
Future lifetime from age 63 (currently aged 43)	28 years

	31 December 2010
Commutation	n/a

Reconciliation of funded status to balance sheet

	Value at 31 December 2010 (£'000)	Value at 31 December 2009 (£'000)
Present value of defined benefit obligations	4,664	–
Asset / (liability) recognised on the balance sheet	**(4,664)**	**–**

Analysis of profit and loss charge

	Year ending 31 December 2010 (£'000)
Current service cost	–
Past service cost	4,664
Interest cost	–
Curtailment cost	–
Settlement cost	–
Expense recognised in profit and loss	**4,664**

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2010 (£'000)
Opening defined benefit obligation	–
Current service cost	–
Interest cost	–
Contributions by scheme participants	–
Actuarial (gains) / losses on scheme liabilities*	–
Net benefits paid out	–
Past service cost	4,664
Net increase in liabilities from disposals / acquisitions	–
Curtailments	–
Settlements	–
Closing defined benefit obligation	**4,664**

*Includes changes to the actuarial assumptions.

Analysis of amounts recognised in STRGL

	Year ending 31 December 2010 (£'000)
Total actuarial gains / (losses)	0
Total gain / (loss) in STRGL	**0**

History of DBO and surplus/deficit in scheme

	31 December 2010 (£'000)
Defined benefit obligation	4,664
Surplus / (deficit) in scheme	**(4,664)**

History of experience gains and losses

	Year ending 31 December 2010 (£'000)
Experience gains / (losses) on scheme liabilities*	–

* 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.

Movement in pension liability recorded in the OCS

	2010 £'000	2009 £'000
Movement in PECRS pre-87 liability	18,862	24,465
Movement in provision for JTSF past service liability	10,900	–
Movement on DPS	28	228
Movement of JPOPF scheme	210	(1,011)
Movement on CSS[1]	6,599	–
Movement on PIL	4,664	–
	41,263	**23,682**

[1] The Jersey Civil Service Scheme (pre-67) (CSS) has not previously been recognised . The profit and loss charge has been combined with amount recognised in the STRGL for 2010.

9.31. Note 31: Losses and Special Payments

	2010 £'000	2009 £'000
Losses		
Losses of cash:		
Overpayment of Social Benefits	128	–
Other losses of cash	1	2
Total loss of cash	**129**	**2**
Bad debts and claims abandoned		
Tax Debtors written off	3,395	3,671
Car parking fines written off	59	209
Other claims abandoned	629	230
Total bad debts and claims abandoned	**4,083**	**4,110**
Damage or loss of stocks		
Write of expired Flu Vaccine stock	126	302
Other Stock write offs	109	131
Total damage or loss of stocks	**235**	**433**
Impairments of Fixed Assets		
Impairments due to consumption of service potential	–	80
Reversal of Impairments previously recognised	(38)	(985)
Total impairment of Fixed Assets	**(38)**	**(905)**
Other Losses		
Total Other Losses	92	60
Total Other Losses	**92**	**60**
Special Payments		
Compensation payments:		
Total compensation payments	(32)	20
Total compensation payments	**(32)**	**20**
Ex gratia payments:		
Total ex gratia payments	462	1,339
Total ex gratia payments	**462**	**1,339**
Severance payments		
Total Severance Payments	7,521	719
Total Special severance payments	**7,521**	**719**
Regulatory Payments		
Total regulatory payments	–	36
Total Regulatory Payments	**–**	**36**
Total losses and special payments	**12,452**	**5,814**

9.32. Note 32: Gifts

No Gifts were made in the year.

9.33. Note 33: Grants

Full details of Grants are given in Appendix 1 of the Annex to the Accounts. The note below summarises grants over £100k made by the States of Jersey in 2010.

GRANTEE	2010 AMOUNT	2009 AMOUNT	ISSUING DEPT	REASON FOR GRANT
Overseas Aid Grants	8,039,387	7,600,232	OAC	Grant aid for disasters, emergencies and community work projects
Family Nursing & Home Care (Jersey) Incorporated	5,946,553	5,964,257	H&SS	Deliver home care, district nursing, child and family nursing services
Jersey Heritage Trust	2,642,023	3,106,326	ESC	Support the operations of the Jersey Heritage Trust
De La Salle College	1,936,262	1,859,951	ESC	Support the operation of De La Salle College
Beaulieu School	1,916,649	1,828,833	ESC	Support the operation of Beaulieu School
Jersey Finance Limited	1,800,000	2,089,975	EDD	Market and promote the Finance Industry and provide technical assistance to Government
The Jersey Opera House	1,140,009	1,024,447	ESC	Support the operations of the Jersey Opera House
The Jersey Employment Trust	1,044,790	1,025,732	Social Security and H&SS	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled
Jersey Hospice Care	746,936	–	T&R – JPH	Part-fund the expansion and improvement of inpatient facilities at Jersey Home Care
Shelter Trust	677,970	661,436	H&SS	Deliver outreach, hostels, drunk and incapable unit, and resettlement services
Convent FCJ School	472,493	463,267	ESC	Support the operation of Convent FCJ School
Serco (Jersey) Ltd	469,822	455,866	ESC	Subsidy in respect of the operation of the Waterfront Pool
Jersey Arts Centre Association	442,510	739,408	ESC	Support the operations of the Jersey Arts Centre
Jersey Finance Limited	428,350	–	EDD	Fiscal stimulus funding to provide additional marketing and promotion of the Finance Industry

GRANTEE	2010 AMOUNT	2009 AMOUNT	ISSUING DEPT	REASON FOR GRANT
Durrell Wildlife Conversation Trust	423,766	–	EDD and TDF	Fiscal stimulus funding to assist with the development of a new visitor centre, including £50k from the TDF to fund the feasibility study
Association of Jersey Charities	423,699	305,792	CILF	Grant aid to various registered Jersey Charities
Jersey Competition Regulatory Authority	400,000	280,000	EDD	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law
St Michael's School	388,962	402,896	ESC	Support the operation of St Michael's School
The Jersey Employment Trust	332,406	91,000	Soc Sec	Vocational Day Services: to provide employment opportunities for those with learning difficulties or on the autistic spectrum.
Jersey Advisory and Conciliation Service	314,700	307,000	Social Security	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
The Jersey Royal Company	293,569	302,799	EDD	Area Payments support to underpin a base level of farming activity in the countryside
Brook in Jersey	281,432	275,350	H&SS	Deliver contraceptive clinics, counselling, condom distribution, STI services for under 21's
Jersey Financial Services Commission	248,965	–	EDD	Assist with the costs of the Anti Money Laundering Unit.
Jersey Conference Bureau Limited	245,000	235,958	EDD	Support the operation of the Jersey Conference Bureau
Royal Jersey Agricultural & Horticultural Society	233,343	227,652	EDD	Services to support the dairy industry (e.g. bull proving and artificial insemination)
Citizen's Advice Bureau	217,690	212,383	H&SS	To provide information and advice to members of the public
Family Nursing & Home Care (Jersey) Incorporated	213,939	–	H&SS	Subsidised Products Scheme
Jersey Women's Refuge	199,380	194,513	H&SS	Provide temporary safe accommodation for women and children, helpline, guidance, support and counselling services
Jersey Mencap Society	197,100	141,078	H&SS	Provide residential support for children with learning disabilities
St George's School	192,320	189,447	ESC	Support the operation of St George's School

GRANTEE	2010 AMOUNT	2009 AMOUNT	ISSUING DEPT	REASON FOR GRANT
Alcohol Advice Centre	189,960	185,327	H&SS	Provide accommodation and support, residential and rehab and client support
Jersey Childcare Trust	170,700	170,700	ESC	Support the operations of the Jersey Childcare Trust
Jersey Dairy	170,092	168,791	EDD	Provide milk to primary schools
NEMO	164,840	160,819	H&SS	Support the provision of hostel for homeless adults
Jersey Product Promotion Ltd	160,000	134,642	EDD	Support for promoting Jersey products e.g. Genuine Jersey
Jersey Arts Trust	156,548	148,647	ESC	Support the operations of the Jersey Arts Trust
Battle of Flowers Association	145,000	195,000	EDD	Battle of Flowers 2010 - Event grant
Le Don Balleine Trust	139,762	133,617	ESC	Support the operation of Le Don Balleine
Jersey Business Venture	130,000	130,000	EDD	Assistance with operational costs
Jersey Consumer Council	120,000	130,000	EDD	Funding of all functions and activities
Jersey Focus on Mental Health	117,920	115,044	H&SS	Provide residential home, respite bed, wardened units and flats and advocacy service
Bureau de Jersey Limited	105,000	75,000	EDD and CMD	Grant for the operation of Bureau de Jersey in Caen
Total significant grants awarded in 2010	**34,079,847**			

Key:

OAC – Overseas Aid Committee
JPH – Jersey Property Holdings
TDF – Tourism Development Fund
CILF – Channel Island Lottery Fund

9.34. Note 34: 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 as such are excluded in line with accounting standards.

All transactions are at arm's length and undertaken in the ordinary course of business unless otherwise stated.

2010

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	290	3,123	–	5	
Jersey Post	659	83	60	4	
Jersey Telecom	507	170	2	12	
Jersey Water	142	313	1	–	
Directly Controlled Entities – Minor Entities					
Bureau de Jersey Ltd		106			P Ozouf, Treasury and Resources Minister is an Appointee. Expenditure is a grant of £106k
Jersey Dental Scheme		130			Expenditure is in support of the scheme.
Jersey Legal Information Board		100			A Maclean, Economic Development Minister is a Director. Expenditure is a grant of £100k
Directly Controlled Entities – Other					
Health Insurance Fund		623			
Social Security Fund		69,764	4,349		
Victoria College School Fund	4	48			Expenditure includes grants of £40k
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Ltd		39		–	Subsidiary of JEC

ORGANISATION	INCOME £000	EXPENDITURE £000	BALANCES DUE TO THE STATES £000	BALANCES DUE BY THE STATES £000	NOTES
Newtel Cable Limited	37	303	7	–	Associate of JEC
Foreshore Ltd		11			Joint Venture JEC. Expenditure includes a grant of £5k
Retirement Schemes					
PECRS	579		90		Income related to services provided by the Treasury Department
JTSF	183		2,013		Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey		53			P Ozouf, Treasury and Resources Minister is Vice Chair
Beaulieu Convent School Ltd	46	1,924	3		T Le Sueur, Chief Minister is a Director. Expenditure includes a grant of £1,917k
Cronus Consultancy Ltd		19		5	E Noel, Treasury and Resources and Health and Social Services Assistant Minister is a Director.
Headway (Jersey) Ltd		31			A Green, Education, Sport and Culture Assistant Minister is a Director. Expenditure includes grants of £28K
Jersey Table Tennis Association	3	17	102		P Routier, Chief Minister's Assistant Minister is Vice President. Expenditure is a grant of £17k
Jersey Conference Bureau	11	236			A Maclean, Economic Development Minister is Chairman. Expenditure includes grant of £245k
Jersey Employment Trust		1,377			I Gorst, J Reed and E Noel are Members of the board. Expenditure includes a grant of £1,377k
Jersey Mencap	1	197			P Routier, Chief Minister's Assistant Minister is the President. Expenditure a includes grant of £197k
Les Amis Incorporated	3	1,110	1	176	P Routier, Chief Minister's Assistant Minister is Chairman.
Parish of St Brelade	32	19	83		M Jackson, Transport & Technical Services Minister is the Connétable. Amounts due include a loan of £82k.
Parish of St John	3	13	1		G Butcher, Housing Assistant Minister, is the Connétable
Parish of St Clement	10	65			L Norman, Economic Development Assistant Minister, is the Connétable
Les Vaux Housing Trust	177		3,359		J L Fondre, Assistant Minister to the Chief Minister, is the Honorary Secretary. The balance relates to loans from the States, and income to interest charged on these loans.

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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	313	1,283	80	183	
Jersey Post	662	78	69	24	
Jersey Telecom	448	213	22	13	
Jersey Water	183	70	2		
Directly Controlled Entities – Minor Entities					
Bureau de Jersey Ltd		106			P Ozouf, Treasury and Resources Minister is a Appointee. Expenditure is a grant of 106k
Jersey Dental Scheme		117	1		Expenditure is in support of the scheme
Jersey Legal Information Board		201		50	A Maclean, Economic Development Minister is a Director. Expenditure is a grant of £200k
Directly Controlled Entities – Other					
Haute Vallee School Fund		15			
Hautlieu School Fund		20			
Health Insurance Fund		565			
Social Security Fund		67,670		628	
Victoria College School Fund		55			Expenditure Includes grant of £38k
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Ltd		74			Subsidiary of JEC
Newtel Cable Limited	37	257			Associate of JEC
Retirement Schemes					
JTSF	174			230	Income related to services provided by the Treasury Department
PECRS	425			216	Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey		41			P Ozouf, Treasury and Resources Minister is Vice Chair

ORGANISATION	INCOME £000	EXPENDITURE £000	BALANCES DUE TO THE STATES £000	BALANCES DUE BY THE STATES £000	NOTES
Beaulieu Convent School Ltd	19	1,829	16		T Le Sueur, Chief Minister is a Director. Expenditure is a grant of £1,829k
La Ferme Ltd	1	26			J Perchard, Former Health and Social Services Minister is a Director and Shareholder. Expenditure is a grant of £26k
Jersey Conference Bureau	11	85			A Maclean, Economic Development Minister is Chairman. Expenditure includes grant of £46k
Jersey Employment Trust		1,116			I Gorst, J Reed and E Noel are Members of the board. Expenditure is a grant of £1,116k
Jersey Mencap		141			P Routier, Chief Minister's Assistant Minister is the President. Expenditure a includes grant of £141k
Jersey Table Tennis Association	4		102		P Routier, Chief Minister's Assistant Minister is Vice President.
The Jersey Royal Company	10	4			J Perchard, Former Health and Social Services Minister is a Shareholder.
Parish of St Brelade	52	18	116		M Jackson, Transport & Technical Services Minister is the Connétable. Amounts due include a loan of £116k.
Parish of St John	11	1	1		G Butcher, Housing Assistant Minister, is the Connétable
Parish of St Lawrence	10	1	–		D Mezbourian, Former Health and Social Services Assistant Minister, is the Connétable
Parish of St Clement	26	66			L Norman, Economic Development Assistant Minister, is the Connétable
Les Vaux Housing Trust	193	4,655			J L Fondre, Assistant Minister to the Chief Minister, is the Honorary Secretary. The balance relates to loans from the States, and income to interest charged on these loans.

9.35. Note 35: Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

- Chief Minister's Department
- Economic Development Department
- Education, Sport & Culture Department
- Health & Social Services Department
- Home Affairs Department
- Housing Department
- Planning and Environment Department
- Social Security Department
- Transport and Technical Services Department
- Treasury and Resources Department

Non-Ministerial Bodies

- Overseas Aid Commission
- Bailiff's Chambers
- Law Officers' Department
- Judicial Greffe
- Viscount's Department
- Official Analyst
- Office of the Lieutenant Governor
- Office of the Dean of Jersey
- Data Protection Commission
- Probation
- Comptroller and Auditor General

The States Assembly and its Services
[Including Assemblée Parlementaire de la Francophonie - Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch)]

Subsidiary Holding Company
States of Jersey Investments Limited

States Trading Operations

- Jersey Airport
- Jersey Harbours
- Jersey Car Parks
- Jersey Fleet Management

Separately Constituted Funds/Reserves (including Special Funds established under Article 3 of the Public Finances Law)

- Strategic Reserve
- Stabilisation Fund
- Currency Fund (comprising Jersey Currency Notes and Jersey Coinage)
- Dwelling Houses Loan Fund
- Assisted House Purchase Scheme
- 99 Year Lease
- Agricultural Loans Fund
- Tourism Development Fund
- Channel Islands Lottery (Jersey) Fund
- Housing Development Fund
- Criminal Offences Confiscation Fund
- Drug Trafficking Confiscation Fund
- Civil Asset Recovery Fund
- Fishfarmer Loan Scheme (Dormant)
- ICT Fund (Dormant)

Subsidiary Companies
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 ii.iv). These entities are referred to as "Minor Entitites" 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 fixed assets at year end; and
- Level of net assets at year end

are all below a designated threshold.

The threshold is calculated as 1% of the lowest of:

- Gross annual expenditure during the year; and
- Net book value of fixed assets at year end; and

Level of net current assets at year end (excluding currency in circulation) for the States of Jersey in the previous financial year.

For 2010, the threshold was therefore £950k (based on Net Current Assets for 2009).

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 2010, the following are considered to be Minor Entities:

- Bureau de Jersey
- Ecology Fund
- Jersey Dental Scheme
- Jersey Legal Information Board
- Pilot Boat Reserve Fund

9.36. Note 36a: Reconcillation of Operating Cost Statement published in 2009 Accounts to GAAP Operating Cost Statement for 2009

	Existing basis £'000	Old Asset Treatment £'000	New Asset Treatment £'000	Restatement of WEB balances £'000	Change to group boundary £'000	Capital Grants £'000	Valuation of Strategic Investments £'000	Other adjustments £'000	Gross £'000	Eliminations £'000	GAAP position £'000
Revenue											
Levied by the States of Jersey											
Taxation revenue	(558,474)	–	–	–	–	–	–	–	(558,474)	–	(558,474)
Island rates, duties, fees, fines and penalties	(92,844)	–	–	–	(40)	–	–	–	(92,884)	10	(92,874)
Total Revenue Levied by the States of Jersey	**(651,318)**	**–**	**–**	**–**	**(40)**	**–**	**–**	**–**	**(651,358)**	**10**	**(651,348)**
Earned through Operations											
Sales of goods and services	(153,212)	–	–	83	–	–	–	(1,952)	(155,081)	22,331	(132,750)
Investment income	(27,882)	–	–	0	(29)	–	–	–	(27,911)	1,272	(26,639)
Other revenue	(32,130)	–	–	(86)	–	4,178	–	(1,072)	(29,110)	9,159	(19,951)
Total Revenue Earned through Operations	**(213,224)**	**–**	**–**	**(3)**	**(29)**	**4,178**	**–**	**(3,024)**	**(212,102)**	**32,762**	**(179,340)**
Total Revenue	**(864,542)**	**–**	**–**	**(3)**	**(69)**	**4,178**	**–**	**(3,024)**	**(863,460)**	**32,772**	**(830,688)**
Operating Expenditure											
Social Benefit Payments	162,600	–	–	–	–	–	–	–	162,600	(2)	162,598
Staff costs	327,149	–	–	0	–	–	–	(58)	327,091	(166)	326,925
Other Operating expenses	193,609	65	–	0	8,046	–	–	3,082	204,802	(26,107)	178,695
Grants and Subsidies payments	39,425	–	–	–	4,298	2,812	–	–	46,535	(7,299)	39,236
Capital Charge/Depreciation	45,689	(38,996)	49,809	(2,019)	–	(5,000)	–	–	49,483	–	49,483
Finance costs	6,673	–	–	–	–	–	–	–	6,673	(1,333)	5,340
Total Operating Expenditure	**775,145**	**(38,931)**	**49,809**	**(2,019)**	**12,344**	**(2,188)**	**–**	**3,024**	**797,184**	**(34,907)**	**762,277**
Non-Operating Expenditure											
Net foreign-exchange (gains)/losses	556	–	–	–	–	–	–	–	556	–	556
Movement in pension liability	23,682	–	–	–	–	–	–	–	23,682	–	23,682
(Gains)/Losses on disposal of assets	(10,362)	(1,371)	9,818	3	–	–	–	–	(1,912)	–	(1,912)
Total Non-Operating Expenditure	**13,876**	**(1,371)**	**9,818**	**3**	**–**	**–**	**–**	**–**	**22,326**	**–**	**22,326**
Total Expenditure	**789,021**	**(40,302)**	**59,627**	**(2,016)**	**12,344**	**(2,188)**	**–**	**3,024**	**819,510**	**(34,907)**	**784,603**
Revenue less Expenditure	**(75,521)**	**(40,302)**	**59,627**	**(2,019)**	**12,275**	**1,990**	**–**	**–**	**(43,950)**	**(2,135)**	**(46,085)**

Note 36b: Reconcillation of Balance Sheet published in 2009 Accounts to GAAP Balance Sheet for 2009

	Existing basis £'000	Old Asset Treatment £'000	New Asset Treatment £'000	Restatement of WEB balances £'000	Change to group boundary £'000	Capital Grants £'000	Valuation of Strategic Investments £'000	Other adjustments £'000	Gross £'000	Eliminations £'000	GAAP position £'000
Tangible and Intangible Fixed Assets	905,073	(713,746)	2,512,884	(4,239)	–	159	–	–	2,700,131	–	2,700,131
Financial Assets											
Advances	18,549	–	–	–	–	–	–	–	18,549	–	18,549
Strategic Investments	88,563	–	–	20,000	–	–	168,937	–	277,500	(20,000)	257,500
Other investments	982,469	–	–	–	–	–	–	–	982,469	–	982,469
Debtors: amounts falling due after more than one year	13,986	–	–	–	–	20,701	–	–	34,687	(20,701)	13,986
Total Fixed Assets	**2,008,640**	**(713,746)**	**2,512,884**	**15,761**	**–**	**20,860**	**168,937**	**–**	**4,013,336**	**(40,701)**	**3,972,635**
Current Assets											
Stock and Work in Progress	8,056	–	–	20,197	–	–	–	–	28,253	–	28,253
Debtors	114,818	–	–	–	(2,379)	4,000	–	–	116,439	(6,616)	109,823
Cash at Bank and in Hand	62,573	–	–	–	16,089	–	–	–	78,662	–	78,662
Total Current Assets	**185,447**	**–**	**–**	**20,197**	**13,710**	**4,000**	**–**	**–**	**223,354**	**(6,616)**	**216,738**
Current Liabilities											
Bank overdrafts	(33,242)	–	–	–	–	–	–	–	(33,242)	–	(33,242)
Creditors	(89,217)	–	–	–	(1,706)	(4,000)	–	–	(94,923)	6,693	(88,230)
Currency in Circulation	(90,664)	–	–	–	–	–	–	–	(90,664)	–	(90,664)
Total Current Liabilities	**(213,123)**	**–**	**–**	**–**	**(1,706)**	**(4,000)**	**–**	**–**	**(218,829)**	**6,693**	**(212,136)**
Net Current Assets / (Liabilities)	**(27,676)**	**–**	**–**	**20,197**	**12,004**	**–**	**–**	**–**	**4,525**	**77**	**4,602**
Total Assets Less Current Liabilities	**1,980,964**	**(713,746)**	**2,512,884**	**35,958**	**12,004**	**20,860**	**168,937**	**–**	**4,017,861**	**(40,624)**	**3,977,237**
Long Term Liabilities											
Finance Lease Obligations	(16,924)	–	–	–	–	–	–	–	(16,924)	–	(16,924)
PECRS Pre-1987 Past Service Liability	(246,643)	–	–	–	–	–	–	–	(246,643)	–	(246,643)
Provision for JTSF Past Service Liability	(103,100)	–	–	–	–	–	–	–	(103,100)	–	(103,100)
Defined Benefit Pension Schemes Net Liability	(1,542)	–	–	–	–	–	–	–	(1,542)	–	(1,542)
Provisions for liabilities and charges	(4,090)	–	–	–	(9,825)	–	–	–	(13,915)	–	(13,915)
Other Long Term Liablities	(8,351)	–	8,351	–	–	(20,701)	–	–	(20,701)	20,701	–
Total Long Term Liabilities	**(380,650)**	**–**	**8,351**	**–**	**(9,825)**	**(20,701)**	**–**	**–**	**(402,825)**	**20,701**	**(382,124)**
Net Assets	**1,600,314**	**(713,746)**	**2,521,235**	**35,958**	**2,179**	**159**	**168,937**	**–**	**3,615,036**	**(19,923)**	**3,595,113**
Reserves: Accumulated Revenue and Reserve Balances	**1,600,314**	**(713,746)**	**2,521,235**	**35,958**	**2,179**	**159**	**168,937**	**–**	**3,615,036**	**(19,923)**	**3,595,113**

9.37. Note 37: 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 2010 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution by the Greffier.

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