States of Jersey

FINANCIAL REPORT AND ACCOUNTS 2011

TREASURY & RESOURCES

States of Jersey

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Treasury and Resources Department

P.F.C. Ozouf	Senator	Minister
E. Noel	Deputy	Assistant Minister
L. Rowley, MBA, CPFA	Treasurer of the States	

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1 Minister’s Report

The 2011 Financial Report and Accounts presented here clearly demonstrate the effects of the decisions taken to safeguard public finances and maintain our strong position compared to so many other jurisdictions across the world. The States’ Balance Sheet is strong; the States has fixed assets valued at more than £2 billion coupled with strategic investments in utility companies that are wholly or partly owned by the States and have a book value in excess of £326 million.

2011 was never going to be an easy year for Jersey; it was recognised that every Islander was going to be affected by the tough tax measures we have had to take and sometimes it is difficult to understand why such measures have been taken. These Accounts show that spending is being carefully managed and that the planned levels of savings from the Comprehensive Spending Review are largely being delivered. Though we acknowledge particular difficulties for Education Sport and Culture in achieving their target, Ministers are working together to achieve a satisfactory outcome.

In September, good news came when the EU Code of Conduct Group approved the zero/ten tax regime and confirmed that the rollback proposal would remove the harmful element of the States’ regime. The fact that Jersey has secured zero/ten is excellent news for the Island. It brings certainty and stability to the business community and gives Jersey significant advantage over competitors, providing the foundation for growth.

Income Tax receipts have exceeded expectations set in the 2011 Budget last Autumn by £29 million. This is primarily a result of an increase in Personal Tax yield due to a larger than expected impact of freezing allowances and a further partial withdrawal of reliefs through 20 means 20, together with lower mortgage interest relief due to exceptionally low interest rates.

Work is now underway to calculate how much of that increase will form part of the base figures and continue into future years’ receipts, and this will provide the information necessary for forecasts and future policy decisions.

The Taxes Office has improved the States tax collection rate to 99.6%, and as a result the level of write offs (relating largely to the deceased and people who have gone away and cannot be traced) is down from a budgeted £4 million write-off to an actual £1.5 million.

The 2011 year ended with an under-spend of £27 million in departments. The approval of these as carry forwards will allow departments to make the best use of these funds. Some departments are applying some of these funds to help bring about long-term efficiency gains and savings. This will help meet the

Comprehensive Spending Review's £65 million savings target. This means the States will be able to meet the pressures associated with the downturn in line with the Strategic Plan, without having to find extra funding.

The 2011 allocation to Restructuring costs and Central Reserves has not been fully utilised but is to be carried forward to support departments in 2012. This includes £2 million which will be used to fund increases in Income Support costs as a result of increasing unemployment.

So what does 2012 hold for the States of Jersey? A new Strategic Plan has been developed by the Council of Ministers focussing on the period 2013–2015. This Strategic Plan has 7 key priorities:

- Get people into work
- Manage population growth and migration
- Reform Health and Social Services
- House our community
- Promoting Family and Community Values
- Reform government and the public service
- Develop long term planning.

The new Strategic Plan endorses the Resources Principles set in the previous Strategic Plan and builds upon them. I look forward to working with the new Council of Ministers on delivering the priorities within the Strategic Plan and to developing a Medium Term Financial Plan that will directly support Departments in the delivery of those priorities.

The States cannot afford to take the pressure off delivering the improvement in financial management that was committed to being delivered. The States has been fortunate in securing Laura Rowley as its Treasurer; she has already made significant improvements across the States and I know she has plans to continue with further strengthening.

All that remains is for me to thank all the staff in the Treasury and Resources Department and across the States for their hard work this year. I also extend my thanks to Mike Robinson, Head of Customs and Immigration, and my Assistant Minister, Eddie Noel, for his help and support. Finally I would like to express my gratitude to Malcolm Campbell, the Comptroller of Taxes, who sadly passed away in May 2012. He will be greatly missed and long remembered by all, and my thoughts are with his family at this sad time.

Philip Ozouf

Senator Philip Ozouf

Date: 28 May 2012

2 The Annual Report

2.1 Treasurer's Introduction

Departments have been managing their budgets tightly during 2011, continuing with their initiatives to deliver current and future savings as part of the Comprehensive Spending Review (CSR) work. This focus continues to help departments to work more efficiently, manage the timing of their expenditure and ensure that resources are directed to the highest priority areas.

Departments are being given greater flexibility by the Minister for Treasury and Resources so as to encourage longer term thinking in the management of their overall expenditure. This approach fits in with the central initiative of finding sustainable ways of delivering CSR savings. It is also an important feature of the Medium Term Financial Planning process, and it encourages departments to manage their expenditure over a three year period.

There is increasing recognition that the States has to manage both revenue and capital expenditure for the long term. The capital investment decisions will look to the future so that the States continues to invest in the right capital and infrastructure projects. Not only does this help departments deliver services, it helps boost the economy and safeguards the Island for generations to come.

The introduction of the Common Investment Fund (CIF), which had its first full year of operation in 2011, has achieved a real improvement in the returns of States' investments. In 2011 the value of the Strategic Reserve increased by £7 million in contrast to falling global markets. The balanced Investment Strategy means that the short term volatility in risk seeking assets was offset by the other asset classes that form part of our diversified investment strategy. Both cash and bonds made steady gains over the year offsetting the short term impact of falls in the value of equity investments. It is encouraging that stock markets have rallied strongly so far in the first quarter of 2012 but there is a long way to go before we can be assured of positive results in 2012.

2011 has been a very productive year for the States Capital Programme. The new Energy from Waste plant was completed and handed over from the contractor and the Town Park was completed. Contractors working for Transport and Technical Services (TTS) started on the Town Park site at the beginning of the year and worked quickly to transform the former car park into a new, contemporary park that meets the needs of the community. It is very well used and much valued by people in the locality.

The States process of 'allocating' full budgets to capital schemes in year one means that at any point in time a significant amount of the Consolidated Fund balance can be committed as capital funding, but not yet spent. With the drive to stimulate the local economy through increased construction activity, the States has been reviewing this position to ensure it progresses such work as quickly as possible. This has been successful and can be demonstrated by the drop in unspent capital allocations at the end of the year. In addition, the States has achieved very competitive tender prices and has achieved more for less money.

The format of these Accounts has not substantially altered from last year's, but the States recognises that Accounting Standards are not static, and has followed the UK Government in adopting the Financial Instrument Standards. These changes are explained more fully in Section 6.1 of this report.

It is also important that we clarify a common area of confusion, the differences between pension accounting valuations carried out annually for the accounts (under FRS 17) and pension actuarial valuations carried out every three years.

The two exercises are designed to cater for different purposes and therefore result in very different outcomes. The FRS 17 accounting standard is a UK accounting standard issued by the Accounting Standards Board. FRS 17 (Retirement Benefits) requires entities to recognise a pension liability (or asset) on their balance sheet based on an estimated market valuation of the pension scheme.

The FRS 17 valuation is not an appropriate measure of the long-term sustainability of the Pension Fund for the following reasons:

- It uses a discount rate which does not reflect the best estimate of the expected returns from the Scheme's portfolio and long term strategic asset allocation. The FRS 17 valuation currently takes a prudent view in this regard and results in the disclosure of a larger deficit under FRS 17 than identified in the Valuation of the Actuary, all else remaining equal.
- It disregards the commitment of States of Jersey to pay the Pre 87 Debt contributions over a period originally certified to end in 2084. This results in a larger deficit under FRS 17 than identified in the Valuation of the Actuary, all else remaining equal.
- It does not consider the ability of the employer to amend contribution rates in the long term, to meet the future accruing benefits. The Valuation undertaken by the Actuary makes allowance for this potential future amendment in the assessment of the sustainability of the Scheme.

In contrast, the valuation undertaken triennially by the Actuary is the correct framework for undertaking an assessment of the sustainability of the Scheme because it reviews the financial condition of the Scheme and reports on the adequacy of the contributions to continue to support the benefits of the Scheme.

For further clarification and explanation on Pension matters please see section 2.7.4 and Note 32.

The remainder of the Annual Report in sections 2.2 to 2.11 gives an overview of the results for 2011 and how the States are structured to deliver services to the public.

2.2 Financial Performance 2011

2.2.1 At a Glance – Financial Results

Table 1

£m			£m	
Actual 2010	Year Ended 31 December 2011	Budget / Business Plan 2011	Final Approved Budget/ Updated Forecast 2011	Actual 2011
546	States Net General Revenue Income	565	568	587
	Departmental Net Revenue Expenditure – BP Basis			
(564)	– Business Plan	(616)	(616)	(577)
(6)	– Carry forwards		(16)	(16)
(29)	– Additional Amounts		(8)	(6)
(599)	Departmental Net Revenue Expenditure – BP Basis	(616)	(640)	(599)
(53)	**Operating Deficit for the Year**	**(51)**	**(72)**	**(12)**
(17)	Trading Operations Net Revenue Expenditure	(3)	(4)	1
(70)	**Deficit adjusted for Trading Operations**	**(54)**	**(76)**	**(11)**
	GAAP Adjustments			
(37)	– Depreciation	(37)	(37)	(34)
(130)	– Impairments			(8)
–	– Asset Disposals			2
(167)	GAAP Adjustments	(37)	(37)	(40)
22	Other Income/(Expenditure) and Adjustments			17
(215)	**Gross Accounting deficit for the Year**	**(91)**	**(113)**	**(34)**
(14)	Consolidation Adjustments			(1)
(229)	**Net Accounting deficit for the Year**			**(35)**

A more detailed analysis of performance is given in section 2.5, which also explains what makes up each item.

2.2.2 Summary of Performance

The States of Jersey finds itself in a favourable position at the end of 2011 compared with the projected position in the Annual Business Plan, which projected an operating deficit of £51 million compared to actual deficit of £12 million.

States Net General Revenue Income was £22 million better than originally budgeted, at £587 million

- More revenues than expected from Salary and Wage Earners (£16 million) due to an increase in declared income, a larger than expected impact of the freezing of exemption limits and lower interest relief due to low interest rates.
- Tax from investment holders and self employed persons also exceeded budget by £3 million, and Company Tax by £10 million (most of which was identified in the 2012 Budget).

- Impôts were £2.6 million lower than budgeted, due to lower tobacco and fuel duties, but Stamp Duty was £1.8 million more than budgeted.

Net Revenue Expenditure was £17 million less than the approved amount, at £599 million

- This amount is the result of a number of underspends across most departments

The States Reserves

- The Strategic Reserve saw an increase in value of £7.6 million, and now holds over £594 million. This performance was above the benchmark agreed by the Treasury Advisory Panel.
- A further transfer of £46 million was made from the Stabilisation Fund to the Consolidated Fund to support the Island through the downturn in economic activity.

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	RESERVES FUNDS	SPECIAL FUNDS	WHOLLY OWNED COMPANY
Ministerial Departments Non-Ministerial Departments General Revenue Income	Harbours Airport Fleet Management Car Parking	Strategic Reserve Stabilisation Fund	Loans Funds Currency Funds Tourism Development Fund CI Lottery Fund Housing Development Fund Confiscation Funds	States of Jersey Development Company Ltd [Formerly Waterfront Enterprise Board Ltd]

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. Further details of this process can be found in the States Annual Budget.

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. Departmental expenditure limits may change during the year, subject to the approval of the Minister for Treasury and Resources or the States Assembly. Expenditure limits may be changed for one of the following reasons:

- Unspent expenditure limit voted by the States in 2010 approved for carry forward to 2011;
- Amounts may be transferred between approved capital projects and revenue budgets; or
- Additional amounts may be approved during the year.

All such changes are reported to the States.

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 IS, 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.
Department of the 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.
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, and the registration of births, deaths and marriages.
Housing	Responsible for the provision of social housing and estates management.
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.

Department	Function
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 States 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 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 the Governance section under 'The States of Jersey Business and Financial Planning Cycle'.

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

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 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 reserves 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 Houses Loans Fund	Lends money to residentially qualified first-time buyer individuals for the acquisition of housing.
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 an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	Established by the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975, the fund promotes and conducts public lotteries, the draws for which may be held in Jersey or Guernsey.
Housing Development Fund	Established under P74/1999 and P84/1999, 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	
Civil Asset Recovery Fund	These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.

Wholly Owned Company

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

2.3.4 Public Sector Bodies outside of the Accounting Boundary

Major Public Sector Bodies that are outside of the Accounting Boundary (and so not included in these Accounts) include:

Parishes

The Parishes perform various Government functions, including Refuse Collection, Provision of Parks and Gardens and issue of Licenses. Details of the functions of individual parishes can be found on the Parishes 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

Fund	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. More information about the valuation of these companies is given in Note 11.
Jersey New Waterworks Company	
Jersey Telecom Group Limited	
Jersey Post International Limited	

Independent Bodies

Fund	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) 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. Investments in the CIF and associated transactions are included in these Accounts to the extent that they relate to entities within the Accounting Boundary. More details on the operation of the CIF are given in Note 30.

2.4 The States of Jersey Business and Financial Planning Cycle

The States approved changes to the Public Finances (Jersey) Law 2005 in July 2011 to introduce longer term financial planning and the approval of a three-year Medium Term Financial Plan from 2013.

Current Process

The current annual financial planning cycle began with the States Strategic Plan 2009–2014 which set out the States' vision for the next five years including the broad financial framework. Each year an Annual Business Plan then allocated funds to individual departments and capital projects so as to deliver Jersey's Strategic Aims. The 2012 Business Plan, debated in September 2011, is the last in the current format and approved revenue and capital expenditure for 2012 and indicative expenditure totals for a further two years.

The States then considered the 2012 Budget report which proposed the taxation changes and other revenue raising measures for 2012.

Departments then prepared their individual Business Plans for 2012 which set out their objectives for the year, and how these help deliver the strategic priorities agreed in the Strategic Plan. The States two main controls on expenditure are through Net Revenue Expenditure limits, and Capital Project budgets voted by the States to departments.

New Medium Term Financial Planning Process

The new process proposes a Medium Term Financial Plan that will extend the States budgeting period from one to three years. This will fit with the existing political cycle, where the Council of Ministers is elected for a three-year term.

The key changes are:

- States spending limits will be set for the length of a Council of Ministers' term of office;
- Minimum department spending limits will be set for the same time period; and
- There will be central allocations created for growth and contingency spend.

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

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

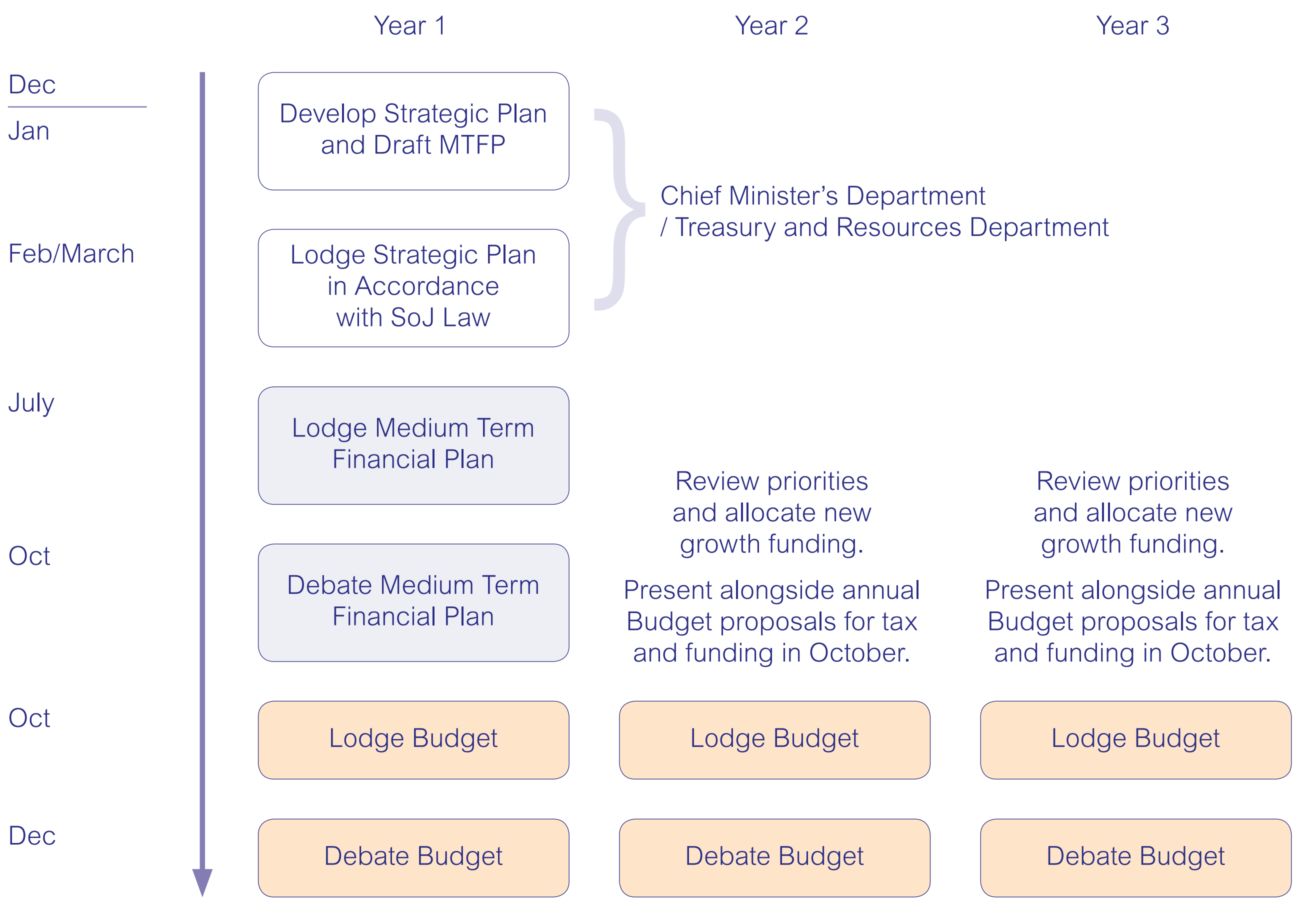
An allocation for growth will allow the States to be responsive to changing needs without exceeding the agreed limits, and allocations for contingency funding will provide confidence that unforeseen events can be dealt with without additional unplanned calls on the public purse.

Annual Budgets will propose tax and funding measures as well as the detailed allocations to heads of expenditure from the amounts set aside for Growth and Capital expenditure. All the annual Budget expenditure allocations will be variations within overall limits.

The amendment was widely consulted on with States members and officers and the views of those who have contributed have been responded to and addressed. It was approved by the States on 19th July 2011 in P97/2011.

The States have been discussing longer term financial planning for some years. It makes sense to go ahead now, as moving to a medium term financial planning framework will help to encourage more efficient budget management. It will also enable departments to plan their Comprehensive Spending Review savings, and any associated restructuring, over a period of years.

Figure 1: Summary of Medium Term Financial Planning Process



In Year Monitoring

During the year, spending limits can only be varied for limited reasons:

- Carry forward of unspent revenue expenditure budgets voted in the previous year, 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.
- Amounts allocated from the central contingency.

There is a clear linkage between the high-level priorities set in the Strategic Plan and the detailed departmental plans that will continue to be published alongside the annual Budget. Within the year in question, regular reporting occurs on performance against financial targets, both revenue and capital, and Departmental Plans, including quarterly reporting to the Council of Ministers. These processes are part of a comprehensive year round financial planning and monitoring process.

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 in broken down into the following:

	Item	Approval
Table 2	General Revenues	Budget – Summary Table B
Table 3	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 / Expenditure	Not Approved by the States
Table 8	Consolidation Adjustments	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 2: General Revenues – Outcome compared to Budget Summary Table B

	2011 Budget £'000	Updated Forecast Oct 2011 £'000	Actual Amount £'000	Difference from Budget £'000
Net Income Tax	380,000	390,000	409,317	29,317
Goods and Services Tax	66,812	65,626	66,297	(515)
Impôts Duty	53,732	53,439	51,165	(2,567)
Stamp Duty	20,775	20,873	22,567	1,792
Island Rate	10,912	10,912	10,915	3
Other Income	33,072	26,926	26,658	(6,414)
Net General Revenue Income	**565,303**	**567,776**	**586,919**	**21,616**

Net Income Tax was £29.3 million or 8% higher than the 2011 budget, and £19.3 million higher than the most recent forecast included in the 2012 Budget Statement, which increased the estimate for Company Taxes. The main reason for this variance was due to increased tax yield relating to individuals, arising from a larger than expected impact of the 20 means 20 regime, and lower mortgage interest relief due to low interest rates.

Impôts income was £2.6 million lower than budgeted, mostly due to duty collected on fuel and tobacco being lower than anticipated. Stamp Duty was £1.8 million higher than forecast due to better than expected receipts in the second half of the year and an over-achievement against probate budget of £0.6 million

Table 3: Net Revenue Expenditure – Outcome compared to Business Plan Summary Table A

	2011 Business Plan £'000	Final Approved Budget £'000	Actual Amount £'000	Difference from Final Approved Budget £'000
Ministerial Departments				
Chief Minister [1]	5,094	26,407	25,332	(1,075)
– Grant to the Overseas Aid Commission	8,458	8,463	8,459	(4)
Economic Development	16,079	19,302	18,253	(1,049)
Education, Sport and Culture	100,157	106,787	103,434	(3,353)
Department of the Environment	6,749	6,921	6,640	(281)
Health and Social Services	167,639	171,455	170,137	(1,318)
Home Affairs	48,333	49,224	47,688	(1,536)
Housing	(20,928)	(20,074)	(21,475)	(1,401)
Social Security	175,068	169,743	164,433	(5,310)
– Adjustment (Budget 2012)	–	5,173	–	(5,173)
Transport and Technical Services	28,432	27,835	25,985	(1,850)
Treasury and Resources [1]	40,040	27,456	26,115	(1,341)
– Contingencies	14,862	13,624	–	(13,624)
Non Ministerial States Funded Bodies				
– Bailiff's Chambers	1,443	1,574	1,489	(85)
– Law Officers' Department	7,589	8,536	5,793	(2,743)
– Judicial Greffe	6,150	6,475	6,475	–
– Viscount's Department	1,502	1,787	1,278	(509)
– Official Analyst	602	577	544	(33)
– Office of the Lieutenant Governor	726	789	739	(50)
– Office of the Dean of Jersey	25	25	24	(1)
– Data Protection Commission	222	247	246	(1)
– Probation Department	1,610	1,699	1,539	(160)
– Comptroller and Auditor General	747	949	693	(256)
States Assembly and its services	5,203	5,090	4,787	(303)
Net Revenue Expenditure – Business Plan Basis	**615,802**	**640,064**	**598,608**	**(41,456)**

The 2011 Annual Business Plan authorised net revenue expenditure of £615,801,668. Table 4 reconciles approvals in the Business Plan to the Final Approved Budget, which includes amounts carried forward from previous years' approvals (as set out in MD-TR-2011-0040 and MD-TR-2011-0042), additional approvals by the States, and Revenue to Capital transfers.

1 During 2011 the Resources Department transferred from the Treasury and Resources Department to the Chief Minister's Department, as explained in the relevant Department Pages in the Annex to the Accounts

Table 4: Reconciliation of Final Approved Budget to the Business Plan

	Approval £'000
Business Plan Approval	**615,802**
2010 approvals carried forward to 2011	16,174
Additional amounts voted by the States of Jersey	9,281
Revenue to Capital Transfers	(1,193)
Final Approved Budget	**640,064**

Each department gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Annex to the Accounts. Some of the larger underspends include:

- £13.6 million – unused contingency amounts.
- £10.5 million – lower costs of Social Security benefits (£5.2 million of which was identified in the 2012 Budget Statement).
- £2.6 million – due to recovered costs in the Law Officers' Department.
- £1.8 million – due to delays in major projects within Transport and Technical Services
- £1.5 million – due to the system of delegated financial management within Education, Sport and Culture.
- £1.0 million – Unspent contingency amounts in Higher Education within Education, Sport and Culture.

Table 5: Adjustments made to departments to achieve GAAP compliance

	2011 Business Plan £'000	GAAP Compliant Budget £'000	Actual Amount £'000	Difference from GAAP Budget £'000
Depreciation	37,073	37,073	34,067	(3,006)
Impairments			8,245	8,245
Asset (Gain)/Loss			(1,674)	(1,674)
Other GAAP adjustments			(20)	(20)
Total GAAP Adjustments	**37,073**	**37,073**	**40,618**	**3,545**
Net Revenue Expenditure – Business Plan Basis	615,802	640,064	598,608	(41,456)
Net Revenue Expenditure – GAAP Basis	**652,875**	**677,137**	**639,226**	**(37,911)**

The 2011 Business Plan did not include depreciation approvals as part of individual departments' approved expenditure limits. Instead a single figure was approved within the Treasury and Resources Department. However, the Annex to the Business Plan did give details of the amount attributable to each department.

Impairments are recognised where required by the Jersey Financial Reporting Manual (JFReM), and further details are given in Note 9 – Tangible Fixed Assets.

Gains 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 to gain or loss on disposal.

Table 6: Net Revenue Expenditure – Outcome compared to Business Plan Summary Table B

	2011 Business Plan £'000	Final Approved Budget £'000	Actual Amount £'000	Difference from Final Approved Budget £'000
Trading Operations				
Jersey Airport	2,502	4,198	(94)	(4,292)
Jersey Harbours	452	562	(959)	(1,521)
Jersey Car Parking	(214)	(214)	539	753
Jersey Fleet Management	(226)	(226)	(367)	(141)
Net Revenue (Income)/Expenditure	**2,514**	**4,320**	**(881)**	**(5,201)**

The interim valuation of assets in 2010 has affected the depreciation charge in two of the Trading Operations, with the impairments recognised in Jersey Airport reducing depreciation by £0.8 million, and the upwards revaluation in Jersey Car Parking increasing depreciation by £0.9 million.

In addition, Jersey Airport received more income than budget (£1.0 million), and delays to major projects meant that expenditure was £2.7 million lower than budgeted.

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

Table 7: Other Income / (Expenditure) – Outside of the Budgeting Boundary

	Actual Amount £'000
States of Jersey Development Company Ltd Net Revenue Income	816
Reserves and Separately Constituted Funds Net Revenue Income	14,825
Movement in pension liability	(4,384)
Other Income	5,448
Other Income	**16,705**

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, the States of Jersey Development Company 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 (£7.5 million), net income in the Criminal Offences Confiscation Fund (£6.1 million) and smaller amounts in other funds.

There are also some items of expenditure that are outside of the scope of the budgeting boundary. One example is actuarial movements in pension liabilities, which is a non-cash accounting adjustment.

Table 8: Consolidation adjustments

	Actual Amount £'000
Consolidation Adjustments	**883**

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 amounts released from Capital Grants received from other States Funds in previous years.

Table 9: Summary of Expenditure

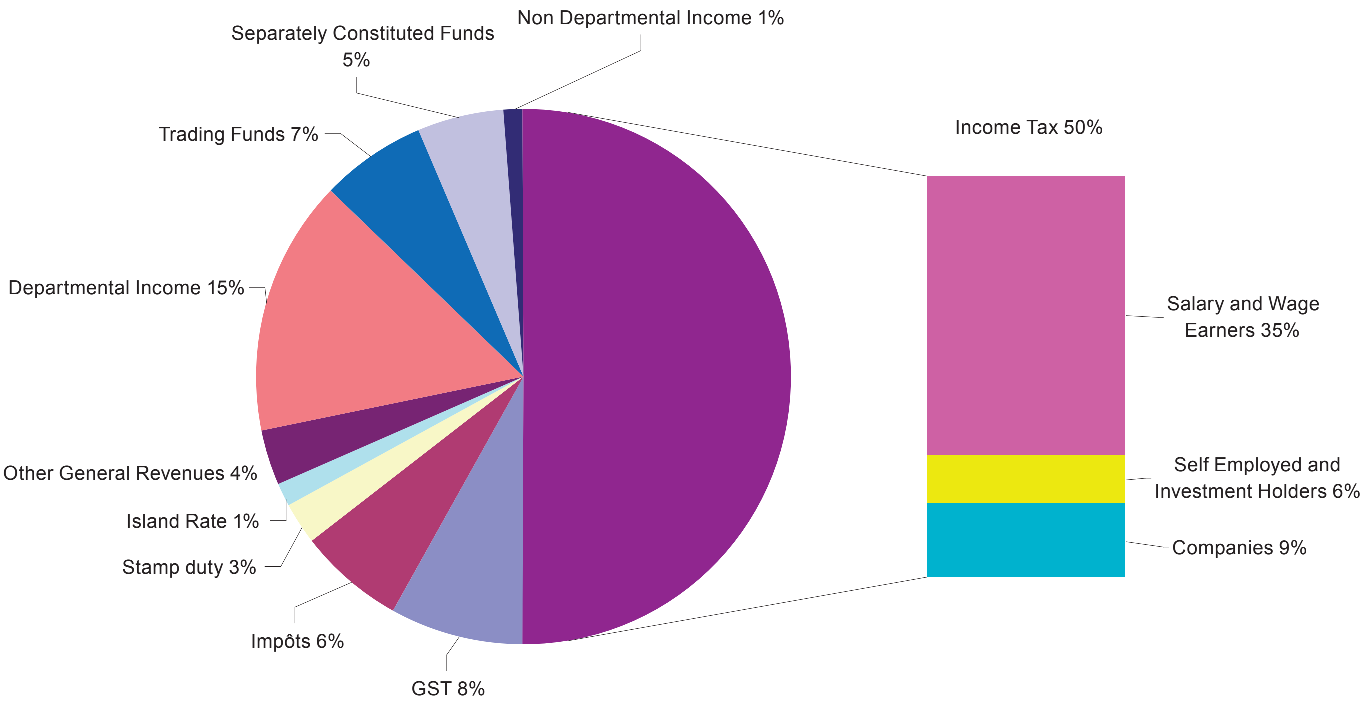
	Table	Actual Amount £'000
Net General Revenue Income	2	(586,919)
Net Revenue Expenditure – Ministerial and Non-ministerial Departments	3,5	639,226
Net Revenue Expenditure – Trading Operations	6	(881)
Other Income	7	(16,705)
Consolidation Adjustments	8	883
Deficit for the Year in the States Accounts		**35,604**

2.6 Detailed Financial Analysis

2.6.1 Income

In 2011, total gross income (before consolidation adjustments – please see note 2) for the States of Jersey was £820 million, compared to £778 million for 2010. Figure 1 shows the split of income for 2011.

Figure 1: Breakdown of Gross States Income



General Revenue Income makes up 72% of Income in 2011, totalling £589 million (2010 – 71%, £552 million).

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 £2.4 million in 2011 (2010 – £6.1m). Table 10 shows a summary of General Revenue Income net of these expenses:

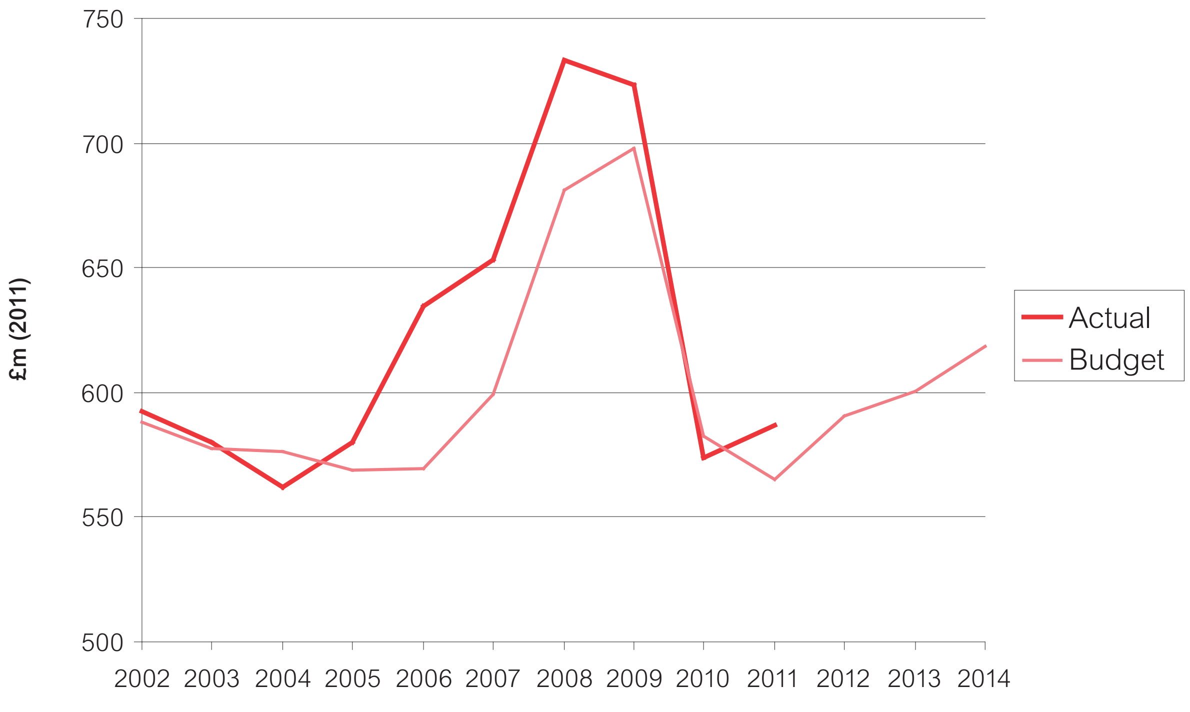
Table 10: General Revenue Income

2011 Budget £'000		2010 Actual £'000	2011 Actual £'000	Increase / (Decrease) %
380,000	Net Income tax	394,353	409,317	4%
66,812	Goods and Services Tax (GST)	44,200	66,297	50%
53,732	Impôts	49,412	51,165	4%
20,775	Stamp Duty	20,139	22,567	12%
10,912	Island Rate	10,510	10,915	4%
33,072	Other General Revenue income	27,672	26,658	(4%)
565,303	**Net General Revenue Income**	**546,286**	**586,919**	**7%**

The main change from 2010 was the increase in Net Income Tax of £15 million and the increase in GST of £22 million. Net Income Tax saw an increase in income from Salary and Wage Earners, and Self Employed and Investment Holders largely as a result of increases in declared income and yield due to the freezing of exemption limits and further partial withdrawal of reliefs through 20 means 20. This was offset by a reduction in tax from companies primarily due to the impact of the economic downturn on profits and the continued transition to the 0/10 tax regime. GST increased mainly due to the part year effect of the rate increase from 3% to 5% and also to the uplift in International Service Entity Fees. Stamp Duty also increased by £2.4 million from 2010 primarily as a result of the part year effect of increasing rates for higher value properties over £1 million as agreed in the Budget 2011.

Figure 2 shows how General Revenue Income has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2011 prices using 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 2: General Revenue Income at 2011 Prices



The graph shows a large drop in General Revenue Income between 2009 and 2010, which was anticipated in the budget. Actual income in 2011 was higher than budgeted. This is primarily due to Net Income Tax being £29 million higher than expected.

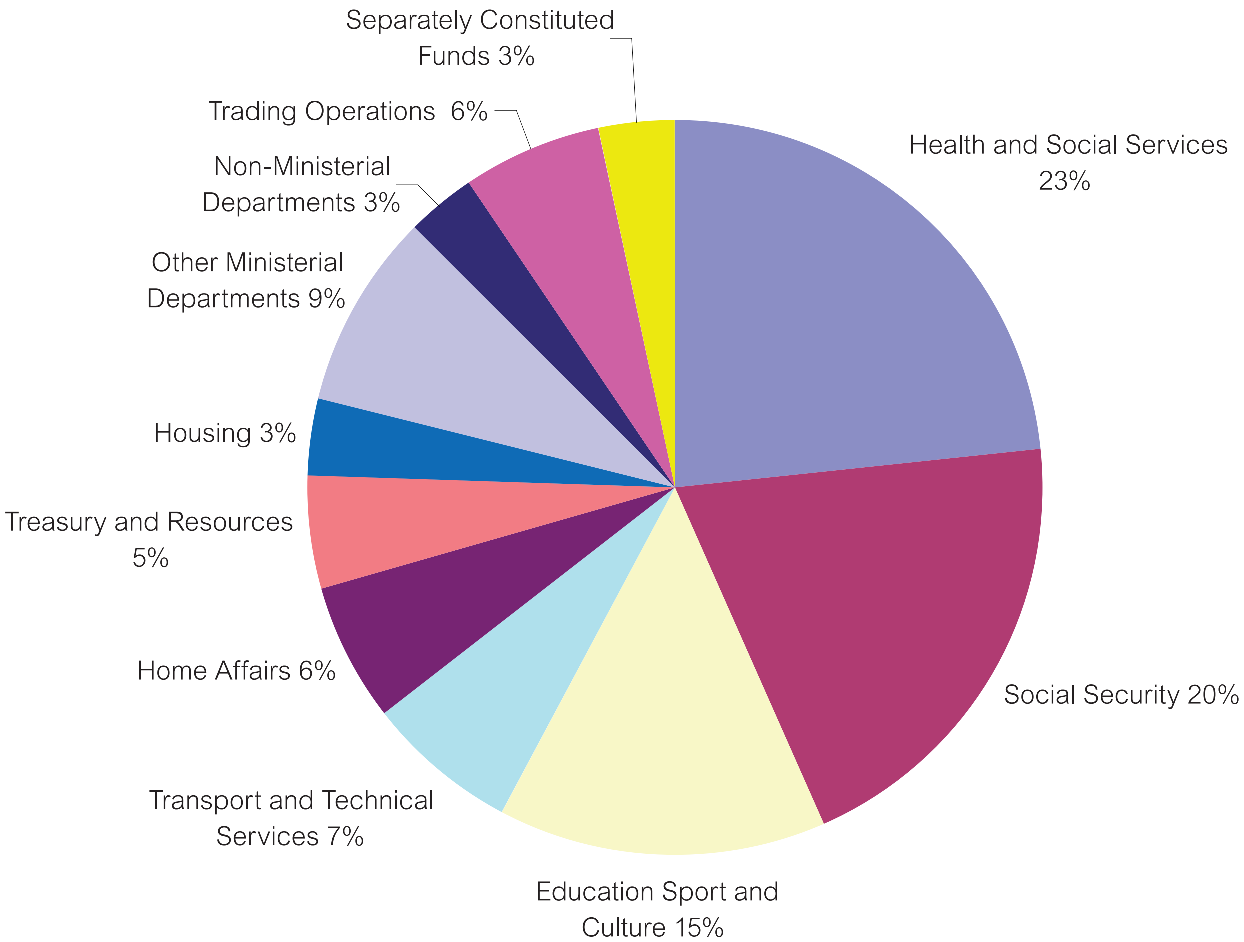
Further details on the individual streams of General Revenue Income are included in the Annex to the Accounts.

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 2011, total gross expenditure (before consolidation adjustments – please see Note 2) for the States of Jersey was £855 million, compared to £994 million for 2010. Figure 3 shows how expenditure excluding impairments (which are not comparable between years, as explained later) was made up.

Figure 3: Breakdown of Expenditure (excluding impairments)



Expenditure by Ministerial and Non-Ministerial departments makes up 91% of total expenditure in 2011 (2010: 89%).

The Business Plan approves Net Revenue Expenditure (NRE) limits for departments, which take into account departmental income. Departmental income totalled £126 million in 2011 (2010: £117 million), giving Net Revenue Expenditure of £639 million, (2010: £766 million) as shown in Table 11.

Table 11: Net Revenue Expenditure (NRE)

2011 Final Approved Budget £'000		2010 Actual £'000	2011 Actual £'000	Increase / (Decrease) %
	Ministerial Departments			
26,407	Chief Minister	25,786	25,332	(2%)
8,463	– Grant to the Overseas Aid Commission	8,127	8,459	4%
19,302	Economic Development	17,799	18,253	3%
106,787	Education, Sport and Culture	101,954	103,434	1%
6,921	Department of the Environment	7,261	6,640	(9%)
171,455	Health and Social Services	169,101	170,137	1%
49,224	Home Affairs	48,633	47,688	(2%)
(20,074)	Housing	(18,742)	(21,475)	15%
169,743	Social Security	162,967	164,433	1%
5,173	– Adjustment (Budget 2012)	–	–	
27,835	Transport and Technical Services	26,698	25,985	(3%)
27,456	Treasury and Resources	22,804	26,115	15%
13,624	– Contingencies	–	–	
	Non Ministerial States Funded Bodies			
1,574	– Bailiff's Chambers	1,582	1,489	(6%)
8,536	– Law Officers' Department	7,761	5,793	(25%)
6,475	– Judicial Greffe	7,532	6,475	(14%)
1,787	– Viscount's Department	1,080	1,278	18%
577	– Official Analyst	530	544	3%
789	– Office of the Lieutenant Governor	823	739	(10%)
25	– Office of the Dean of Jersey	24	24	–
247	– Data Protection Commission	214	246	15%
1,699	– Probation Department	1,550	1,539	(1%)
949	– Comptroller and Auditor General	649	693	7%
5,090	**States Assembly and its services**	4,996	4,787	(4%)
640,064	**Net Revenue Expenditure – Business Plan Basis**	599,129	598,608	(0%)
	Amounts not approved for Departments			
37,073	Depreciation	37,211	34,067	(8%)
–	Impairments	130,151	8,245	(94%)
–	Asset Gain/Loss	(81)	(1,674)	1967%
–	Other GAAP adjustments	(35)	(20)	(43%)
677,137	**Net Revenue Expenditure – GAAP Basis**	766,375	639,226	(17%)

Net Revenue Expenditure on a Business Plan basis changed very little from 2010, and taking inflation at 2% (the figure used in the 2011 Business Plan) into account this equates to a £12 million decrease in real terms. Using RPI(X) this increases to £30 million, and departments have had to absorb any additional costs as a result of increased inflation.

The 2011 Business Plan identified CSR Savings of £11 million, and also additional funding from the Health Insurance Fund of £6 million.

2010 also included some one-off costs relating to delivering CSR, in particular £6 million approved for voluntary redundancies, which were not repeated in 2011. Revenue expenditure relating to the Fiscal Stimulus Expenditure was also £3.6 million lower than in 2010.

Court and Case Costs were £4 million lower than in 2010, partly due to increased cost recovery compared to 2010.

Offsetting these reductions are essential growth identified in the Business Plan (totalling £13 million) and increased approvals brought forward due to delays (£7 million).

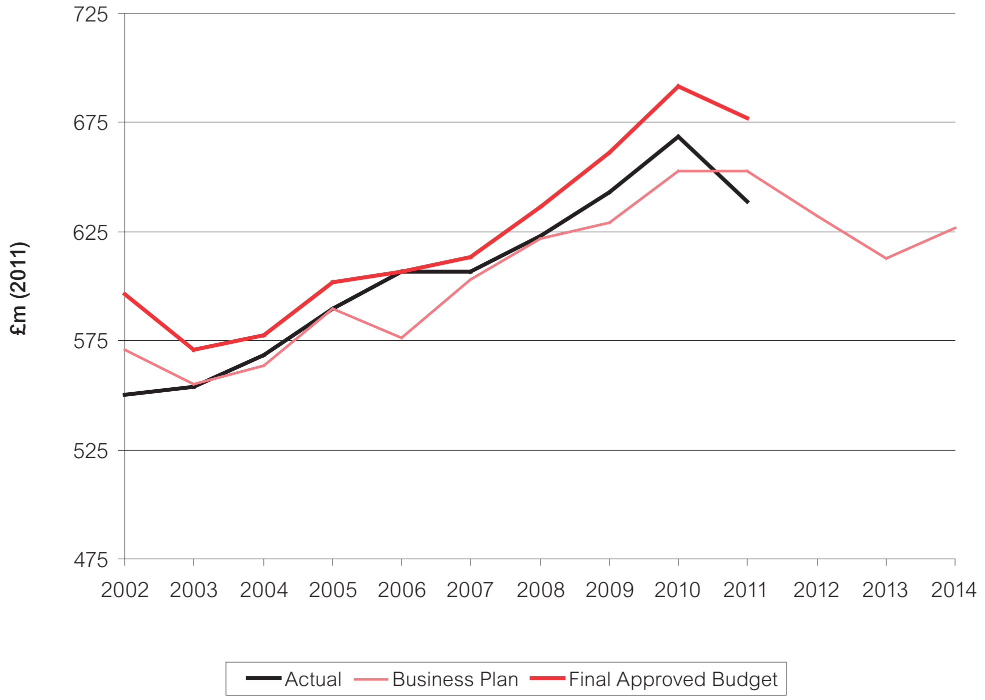
During 2010 an interim revaluation of property assets was carried out, in accordance with the revaluation cycle, which resulted in a total charge to the States of £145 million (£130 million within the Consolidated Fund). This was not repeated in 2011, and so there was no directly comparable amount, although other impairments of £8 million were recognised. Depreciation also decreased, predominately due to the write down of one-off infrastructure projects in the Transport and Technical Services Department in 2010.

Each department gives further information on variances from 2010 as part of their pages in the Annex to the Accounts.

Figure 4 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 2011 prices using RPI(X) to take into account the effects of inflation. GAAP compliant figures have been included since 2009, but are not available from previous years, meaning that figures are not perfectly comparable (as explained below).

The impairment of fixed assets due to the interim valuation in 2010 have been removed, and budget figures adjusted for previously reported accounting restatements to allow comparability.

Figure 4: Net Revenue Expenditure at 2011 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. Similarly, prior to the move to GAAP some expenditure which would not now qualify as capital under accounting standards was approved (and recorded) as capital expenditure. It is difficult to assess the magnitude of these amounts, and so these have not been reflected in the graph.

The graph shows a marked decrease in 2011 in Net Revenue Expenditure, which reflects the fact that it was stable and so was a reduction in real terms.

2.6.3 Capital Programme

Consolidated Fund

The 2011 Business Plan included a capital expenditure allocation from the Consolidated Fund of £38.1 million, with £25 million funded from expected proceeds from property and social housing disposals. During the year £1.2 million was transferred from Revenue to Capital, £1.7 million was allocated from the Fiscal Stimulus Programme and £4.2 million from other votes, giving an effective capital approval of up to £45.2 million. There were also £106.5 million of unspent approvals from previous years.

During 2011 actual capital expenditure from the Consolidated Fund amounted to a total of £63.8 million (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 £1 million being shown separately.

	2011 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Computer Development Vote	54	377	1,452	1,075
T&R JDE system	263	263	1,248	985
Other projects	48	921	2,180	1,259
Chief Minister's Department Total	**365**	**1,561**	**4,880**	**3,319**
Education, Sport and Culture				
Other projects	174	315	954	639
Education, Sport and Culture Total	**174**	**315**	**954**	**639**
Department of the Environment				
Other projects	230	230	969	739
Department of the Environment Total	**230**	**230**	**969**	**739**
Health and Social Services				
Equipment, Maintenance and Minor Capital	1,052	1,372	2,176	804
ICR Project	994	4,530	4,559	29
Other projects	8	20	1,066	1,046
Health and Social Services Total	**2,054**	**5,922**	**7,801**	**1,879**
Home Affairs				
Tetra Radio Replacement	1,433	1,820	3,124	1,304

	2011 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Minor Capital	871	873	1,560	687
Other projects	110	518	1,358	840
Home Affairs Total	**2,414**	**3,211**	**6,042**	**2,831**
Housing				
Housing Rolling Vote	12,722	21,618	36,327	14,709
Other projects	87	89	347	258
Housing Total	**12,809**	**21,707**	**36,674**	**14,967**
Transport and Technical Services				
In-Vessel Composting	602	1,112	2,062	950
EFW Plant La Collette	12,871	115,261	116,124	863
Fire Fighting System	1,780	3,392	4,371	979
Town Park	9,393	10,614	12,072	1,458
Sludge Thickener Project	1,757	3,249	9,001	5,752
Infrastructure	4,428	5,412	8,947	3,535
Other projects	1,053	2,457	4,376	1,919
Transport and Technical Services Total	**31,884**	**141,497**	**156,953**	**15,456**
Treasury and Resources				
Police Relocation (Phase 1)	316	392	17,221	16,829
Highlands (A Block)	869	892	1,283	391
Public Markets Maintenance	42	47	1,189	1,142
Mont-à-l'Abbé Phase II	550	3,733	4,290	557
A&E/Radiology Extension (Phase 2)	159	1,948	2,232	284
T&R HD Farm Building and Incinerator	944	1,155	1,517	362
T&R Grainville Phase 4a	2,266	3,734	4,728	994
Prison Improvement Phase 4	3,017	4,437	9,664	5,227
Oncology Extension & Refurbish	130	172	3,082	2,910
Rosewood House Refurbishment	1,311	1,732	1,936	204
Repurchase of Land at Mont Mado	1,337	1,337	1,337	–
Other projects	2,854	3,362	5,956	2,594
Treasury and Resources Total	**13,795**	**22,941**	**54,435**	**31,494**
Non Ministerial States Funded				
Other projects	38	38	265	227
Non Ministerial States Funded Total	**38**	**38**	**265**	**227**
Total	**63,763**	**197,422**	**268,973**	**71,551**

The most significant projects incurring expenditure in 2011 were:

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. Salisbury Crescent was completed and let in June 2011, whilst Le Squez Phase 2 is expected to be complete early in 2012. In addition, the refurbishment of Clos Gosset commenced in mid 2011 and is a phased project which will continue during for the majority of 2012.

Energy from Waste Plant: During 2011 the construction of the plant was completed. Take over testing was completed and Transport and Technical Services began operation of the plant in quarter 3 of 2011. The plant was subjected to stringent performance tests in early 2012 to ensure that it is operating at the optimum level.

Town Park: The park was completed on schedule and officially opened in October 2011. Transport and Technical Services, in conjunction with the Parish of St Helier, will be undertaking work in 2012 to improve the surrounding streetscape.

Prison Improvement Phase 4: This phase of the prison improvement is the creation of new visitor and staff facilities, required as a consequence of cumulative increases in the prison population over recent years. The project is underway and on target to complete in May 2012.

Trading Operations

During 2011 actual capital expenditure from Trading Funds amounted to a total of £9.6 million. The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1 million being shown separately.

	2011 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Engineering/ARFFS Building	–	127	4,211	4,084
DVOR/Doppler DME	–	–	1,070	1,070
Arrivals/Pier/Forecourt	27	173	4,409	4,236
Primary Radar Les Platons	2,357	2,358	3,464	1,106
Regulatory Compliance 2010	–	–	2,540	2,540
Secondary Radar Les Platons	884	884	1,500	616
Telebag System	1,600	2,651	2,660	9
Other projects	980	1,418	5,403	3,985
Jersey Airport Total	**5,848**	**7,611**	**25,257**	**17,646**
Jersey Harbours				
St Helier Marina	–	–	1,810	1,810
St Aubin Fort Remedial Works	639	1,601	1,601	–
Port Crane	64	64	1,900	1,836
Elizabeth Harbour EB/WB Walkways	309	309	2,975	2,666
Other projects	1,850	2,355	7,327	4,972
Jersey Harbours Total	**2,862**	**4,329**	**15,613**	**11,284**
Jersey Car Parking				
Ann Court Car Park	(2)	34	9,000	8,966
Automated Charging System	–	–	1,000	1,000
Concrete Repairs	–	1,422	2,644	1,222
Jersey Car Parking Total	**(2)**	**1,456**	**12,644**	**11,188**
Jersey Fleet Management				
Vehicle and Plant Replacement	934	1,124	1,734	610
Jersey Fleet Management Total	**934**	**1,124**	**1,734**	**610**
Total	**9,642**	**14,520**	**55,248**	**40,728**

The most significant projects incurring expenditure in 2011 were:

Primary Radar Les Platons / Secondary Radar Les Platons: The Primary and Secondary Radars servicing Jersey Airport from Les Platons have been replaced. The project was undertaken in order to comply with Single European Skies directives and was completed in early January 2012.

Telebag System: Expenditure was for the replacement of the old Telebag system, and X-Ray machines with a new Hold Baggage System and new X-Rays. The project was completed in 2011 in time for the summer season.

Vehicle and Plant Replacement: Capital additions for Jersey Fleet Management in 2011 included the purchase of vehicles, plant and equipment to be leased to other States Departments. From 2012, all States vehicle purchases, servicing and repairs should be made through Jersey Fleet Management and to facilitate this additional funding of £5 million will be injected into the Jersey Fleet Management Trading Fund from the Consolidated Fund over the next four years.

2.6.4 Fiscal Stimulus Programme

On 19 May 2009, the States approved P55/2009 to permit the withdrawal of up to £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 business 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 could 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 were grouped into the following areas:

Skills and Training

Five major project schemes aimed at enhancing skills and getting people back to paid employment. One of these schemes is complete and the remaining four will be completed in 2012.

Support for Individuals

This involved a grant to the Citizen's Advice Bureau to enable them to supply additional debt advisory services. This project is now complete.

Support for Business

A range of initiatives designed to help businesses in relation to financial management, business development and growth opportunities. All projects are complete apart from one which will be completed in 2012.

Civil Infrastructure

A programme of two highways, three drainage and an urban renewal project, all of which are now complete.

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 majority of which are now complete. The three projects outstanding are in their final fee retention period and will be completed in 2012.

In June 2011 a report (R.67/2011) Fiscal Stimulus: Financial Report and Review was presented to the States. The purpose of the report was to communicate the background of how and why the Fiscal Stimulus Programme was agreed by the States of Jersey and the project evaluation process, and to report on the key achievements of the Programme including the funds allocated by category.

The table below shows spend for 2011, total spend to 31 December 2011 and the total budget allocated to each category from inception to 31 December 2011:

Programme area	Spend 2011 £'000	Spend to Date £'000	Budget Allocated £'000
Skills and training	2,410	4,697	4,901
Support for individuals	16	43	43
Support for business	1,070	3,412	3,502
Civil infrastructure works	197	5,926	5,926
Construction and Maintenance works	13,242	22,818	23,239
Project Management	18	272	272
Total Allocated	**16,953**	**37,168**	**37,883**

2.7 Summary of Current Position

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

Consolidated Fund

As at the end of 2011, the unallocated Consolidated Fund Balance was £47 million. The 2011 Budget forecast an unallocated balance in the Consolidated Fund of £11 million. This was revised in the 2012 budget to £24 million, mostly due to a higher balance at the end of 2010, offset by a lower transfer from the Stabilisation Fund.

The actual balance was £23 million higher than expected primarily as a result of improved taxation revenues. The full £46 million transfer from the Stabilisation Fund was also enacted (as explained below).

Trading Operations

The Trading Fund balance increased for each of the Trading Operations during 2011. 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 £46 million. The transfer of £46 million was approved in the 2011 Budget but an improvement in the financial position enabled a reduced transfer to be forecast in the 2012 Budget. However, the full transfer was in fact made to allow the funding of future capital works to further support the economy, and this action has subsequently been endorsed by the Fiscal Policy Panel. The transfer to the Consolidated Fund has enabled public services to be maintained whilst States revenues were predicted to reduce during the downturn and to meet any additional expenditure requirements relating to benefits. This is in accordance with the agreed use of the Fund.

2.7.1 Assessment of Liquidity

The States of Jersey's fiscal policy is to operate budget surpluses during periods of economic growth with an objective of transferring surpluses to the Stabilisation Fund in order to help fund any deficits that arise in periods of economic decline. 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.

The Stabilisation Fund has proved a vital source of funding during the economic downturn. In contrast to many jurisdictions Jersey has managed the fall in tax revenues and requirement for Fiscal Stimulus by drawing down approved funds from the Stabilisation Fund.

This has allowed key public services to be maintained, provided support for the unemployed and stimulus to replace private investment in the economy where possible. The Stabilisation Fund, originally of over £150 million, has been drawn down over the period 2009 to 2011 to the Consolidated Fund leaving a balance at the end of 2011 of just over £1 million.

Over the same period the unallocated Consolidated Fund balance has also reduced as tax revenues have fallen. The objective has been to maintain a positive balance at the target level of £20 million. This is a challenging objective, and the 2011 Budget forecasted a potential deficit on the Consolidated Fund in 2012.

However, the progress in delivering expenditure savings and the introduction of necessary tax measures meant that the 2012 Budget forecasted a surplus of £7 million in 2012 on the Consolidated Fund.

2.7.2 Key Movements in Assets and Liabilities

During the year the value of Fixed Assets held by the States increased by £154 million. This was partly due to the growth of the asset base but primarily due to revaluations of infrastructure assets of £139 million. This is explained further in Note 9.

Overall the value of Strategic Investments increased by £72 million. This was mostly due to the value of Jersey Telecom Group Limited increasing by £84 million as a result of the growth expected due mainly to the new investment in Gigabit Jersey. Further details on the valuations are given in Note 11.

The States held less cash (£28.9 million) at the end of 2011 than at the end of 2010, due to variations in the cash requirements of the organisation between the two years. This cash also met the operational needs of the organisation in 2011, and combined with the relatively static investment markets this has meant that the value of non-Strategic investments has remained stable.

A large provision (£22.6 million) was recognised in the Criminal Offences Confiscation Fund during 2011 in relation to an asset sharing agreement regarding a confiscation. This liability will be covered in full from the assets confiscated under the confiscation order.

Pensions liabilities relating to past service liabilities have increased by £3.6 million, as set out in Note 21. The Public Employees Contributory Retirement Scheme Past Service Liability reduced by £17.5 million, and this is primarily due to changes in the actuarial assumptions that are used in the calculation of the amount (in particular the rate of discounting used to account for the time-value of money). The provision for the Jersey Teachers' Superannuation Fund pre-2007 liability was increased by £21.1 million during the year to reflect the most up-to-date estimate of the liability.

2.7.3 Financing, Treasury Management 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 Management Policies

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

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

Estate Management Strategy

The States aims to provide safe and 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. The relocation of the Police Headquarters and Station facilities represents phase one of the programme.

Review of operational property

The States is also committed to reviewing the appropriateness of its operational properties. A review of the operational portfolios of the Education estate was completed in 2011 and a similar review has commenced in respect of the Health estate. These reviews are likely to lead to a rationalisation of these portfolios through better utilisation of buildings with opportunities to dispose of buildings with alternative use value.

Disposals of surplus assets

The States has a policy of disposing of assets which are surplus to requirements, reducing the States' property portfolio to a size which is more affordable and efficient, and releasing capital proceeds to allow investment in the remaining assets. Larger sites will be transferred to the newly created States of Jersey Development Company for development, subject to the necessary approvals, with Jersey Property Holdings disposing of surplus small sites and parcels of land.

Maintaining a legally compliant Estate

A fundamental requirement of the Estate Management function is to implement the policy of maintaining a legally compliant estate for staff, users of facilities and the general public. During 2011 90% certified compliance was achieved as an average throughout the year. Each test or inspection is certified as complete by competent contractors and is not confirmed as compliant until certification has been received by Jersey Property Holdings.

2.7.4 Valuation of Pension Schemes

The States operates a number of pension schemes, including the Public Employees Contributory Scheme (PECRS) and Jersey Teachers' Superannuation Fund (JTSF). These schemes are not included in the Balance Sheet, as explain in Accounting Policy P.

However, we include information as required under FRS17 for the benefit of the users of the Accounts. This section sets out why the pension schemes have two separate valuations and the effect that the schemes have on the long-term sustainability of pension funds.

What are the two valuations?

1. FRS17 Valuation

The FRS17 Accounting Standard includes a prescribed method of valuing pension scheme assets and liabilities. One of the differences between the valuations is that FRS17 does not consider the ability of employer contributions to meet future benefit requirements.

2. Actuarial Valuation

Pension schemes are also required to have an independent Actuarial Valuation conducted every three years. The actuary is required to adhere to professional standards in adopting a valuation method and actuarial assumptions that can assess the sustainability of a fund and whether employer and employee contributions can support the long-term benefits of a pension scheme adequately.

Why do the valuations differ?

Prior to 1987, pension increases in retirement have been provided by employers rather than the PECRS. However, as part of a restructure of the scheme, it was agreed that the scheme would take on the liability to pay pension increases, with employers repaying the 'pre-1987 debt' over a period of 82 years. This liability is recognised on the Balance Sheet, as detailed in Note 21.

Under the prescribed method for calculating an FRS17 Valuation, the commitment of the employers to repay this debt is disregarded. However, under an Actuarial Valuation, the ability of the employer and employee contributions to continue to support the benefits is taken into consideration, including the employer's commitment to repay the pre-1987 debt.

The Actuarial Valuation also takes into account the total value of benefits expected to be earned in the future, and the corresponding contributions that will be made both by the States and employees. The FRS 17 considers only those benefits currently earned, and also disregards future contributions expected to be paid.

The FRS17 valuation also uses highly conservative investment assumptions based on the current rate of return of high-quality corporate bonds; yet this does not reflect the returns expected from the actual asset classes in which pension schemes invest. The Actuarial Valuation uses a long-term estimate of the expected investment returns available from the scheme's actual investments, and therefore provides a more appropriate assessment of the long-term sustainability of the fund.

To illustrate these differences, the table below provides a reconciliation between the most recent Actuarial Valuation of the PECRS in 2010, and the corresponding FRS 17 Valuation:

	Assets	Liabilities	Surplus/ (Deficit)
	£m	£m	£m
Actuarial Valuation 31/12/10	**1,859**	**1,818**	**41**
Removal of Pre-87 Debt	(204)	–	(204)
Impact of Future benefits/contributions	(387)	(416)	29
Difference in Discount Rate	–	364	(364)
Other Differences	(2)	26	(28)
FRS 17 Valuation 31/12/10	**1,266**	**1,792**	**(526)**

What valuation method gives the most appropriate assessment of the long-term sustainability of pension schemes?

The Actuarial Valuation provides the most appropriate assessment of the long-term sustainability of a pension scheme. It reviews the financial conditions of the scheme and reports on the ability of employer and employee contributions to adequately support the scheme's benefits.

However, in assessing the long-term sustainability of public sector pension schemes it is important to look beyond the headline Actuarial Valuation to establish whether there are structural issues in pension provision that may need addressing.

Increasing longevity and changes to the way people live and work mean that there is a need to review public sector pension provision in Jersey. There is also a need to regard the outcome of the Hutton Report in order to facilitate the movement of staff to and from the UK.

A Technical Working Group, comprising representatives from the PECRS Committee of Management and Treasury, has been established to develop proposals for further consideration on changes to public sector pension schemes. The group will aim to ensure that these schemes are affordable and sustainable for the long term and assess the potential impact of possible changes to benefits and contribution rates.

2.8 Outline of Key Objectives, Strategies, Challenges and Opportunities

Jersey is facing a range of issues, including difficult economic conditions and an ageing and growing population. The States Strategic Plan considers these issues, and sets out in detail the States Objectives and Strategies, and is available on the States Website:

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

The Strategic Plan 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:

- Get people into work
- Manage Population growth and migration
- Reform Health and Social Services
- House our community
- Promote Family and Community Values
- Reform government and the public service
- Develop long term planning.

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

The financial implications of these matters will be covered more fully in the States of Jersey Medium Term Financial Plan and Budget.

2.9 Governance Structures

2.9.1 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 (PAC) and scrutiny panels to hold the Executive to account;
e. to determine policy on propositions presented by Ministers, scrutiny panels and other bodies or individual members, and executive matters such as compulsory purchases;
f. to debate and decide issues of public importance;
g. to consider petitions for the redress of grievances; 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 that 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

- 10 Senators (Reduced from 12 in 2011)
- 12 Connétables
- 29 Deputies

Non-Elected Members

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

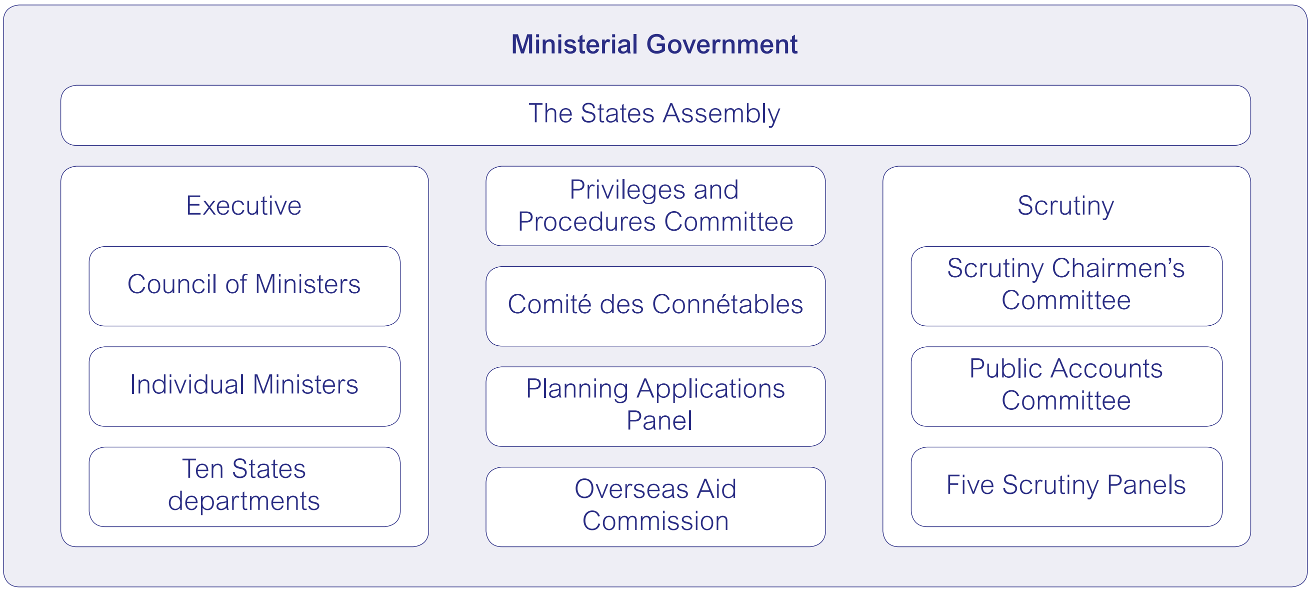
Officers

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



2.9.2 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 department), and for the overall policy aim of departments, rests with the Council of Ministers. The ten Ministers leading the ten States departments during 2011 were:

Department	Minister	Appointment Date [1]
Chief Minister's	Senator Terry Le Sueur Senator Ian Gorst	12/12/2008 14/11/2011
Economic Development	Senator Alan Maclean	12/12/2008
Education, Sport and Culture	Deputy James Reed Deputy Patrick Ryan	12/12/2008 14/11/2011
Department of the Environment	Senator Freddie Cohen Deputy Robert Duhamel	12/12/2008 12/07/2011
Home Affairs	Senator Ian Le Marquand	12/12/2008
Health and Social Services	Deputy Anne Pryke	28/04/2009

1 Where more than one individual is included, the Minister's appointment ceased on the appointment of the new Minister

Department	Minister	Appointment Date[1]
Housing	Senator Terry Le Main Deputy Sean Power Deputy Andrew Green	12/12/2008 08/06/2010 15/02/2011
Social Security	Deputy Ian Gorst Senator Francis Le Gresley	12/12/2008 14/11/2011
Transport and Technical Services	Connétable Mike Jackson Deputy Kevin Lewis	12/12/2008 14/11/2011
Treasury and Resources	Senator Philip Ozouf	12/12/2008

There are up to 12 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.

2.9.3 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 sides 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. Membership includes non-States members
- **Five Scrutiny Panels**
  - *'Corporate Services'* panel looks at corporate services, corporate policies, external relations and property holdings.
  - *'Environment'* looks at Planning and Environment and Transport and Technical Services, including waste, public transport and infrastructure.
  - *'Economic Affairs'* looks at economic affairs and development.
  - *'Education and Home Affairs'* looks at Education, Sport and Culture including the Youth Service, and Home Affairs which includes Ambulance, 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.

2.9.4 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 2011:

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[2]
Ministerial Departments			
Chief Minister's Department (to include Legislation Advisory Board, but exclude International Affairs)	Chief Executive Acting Chief Executive	William Ogley[3] John Richardson	01/01/2006 18/05/2011
Chief Minister's Department (International Affairs)	Director International Affairs	Thomas Walker	20/05/2011
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
Department of the Environment	Chief Officer	Andrew Scate	26/08/2008
Health and Social Services	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
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[4] (including Treasury and Taxes Office)	Treasurer of the States	Laura Rowley	01/01/2011
Resources Department[4] (including Human Resources, Information Services)	Deputy Chief Executive/Acting Chief Executive	John Richardson	01/11/2009

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

3 Appointment ceased 31 May 2011.

4 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. During 2011, responsibility for the Procurement and Property Holdings sections of the Resources departments transferred to the Treasury department, under the Treasurer of the States.

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[2]
Resources/Treasury Department[4] (Property Holdings)	Deputy Chief Executive/Acting Chief Executive Treasurer of the States	John Richardson Laura Rowley	01/11/2009 10/10/2011
Resources/Treasury Department[4] (Procurement)	Deputy Chief Executive/Acting Chief Executive Treasurer of the States	John Richardson Laura Rowley	01/11/2009 01/07/2011
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department	Chief Clerk	Timothy Allen	10/07/2006
Judicial Greffe	Judicial Greffier	Michael Wilkins	01/01/2006
Viscount's Department	Viscount	Michael Wilkins	01/01/2006
Official Analyst	Official Analyst	Nicholas 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
Overseas Aid Commission	Treasurer of the States	Laura Rowley	01/01/2011
Trading Operations			
Jersey Airport	Airport Director Group Chief Executive Officer – Airport and Harbours	Julian Green Douglas Bannister	04/04/2006 01/07/2011
Jersey Harbours	Chief Officer Group Chief Executive Officer – Airport and Harbours	Howard Le Cornu Douglas Bannister	01/01/2006 01/07/2011
Jersey Car Parking	Chief Officer – TTS	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer – TTS	John Rogers	17/04/2009
Reserves			
Strategic Reserve	Treasurer of the States	Laura Rowley	01/01/2011
Stabilisation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Separately Constituted (Special) Funds			
Tourism Development Fund	Chief Officer – EDD	Michael King	01/01/2006
Channel Islands Lottery (Jersey) Fund	Chief Officer – EDD	Michael King	01/01/2006
Agricultural Loans Fund	Treasurer of the States	Laura Rowley	01/01/2011
Dwelling House Loan Fund	Treasurer of the States	Laura Rowley	01/01/2011
Assisted House Purchase Scheme	Treasurer of the States	Laura Rowley	01/01/2011
Housing Development Fund	Treasurer of the States	Laura Rowley	01/01/2011
Jersey Currency Notes	Treasurer of the States	Laura Rowley	01/01/2011
Jersey Coinage	Treasurer of the States	Laura Rowley	01/01/2011
99 Year Leaseholders Fund	Treasurer of the States	Laura Rowley	01/01/2011
Criminal Offences Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[2]
Drug Trafficking Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Civil Asset Recovery Fund	Treasurer of the States	Laura Rowley	01/01/2011

2.9.5 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 and on the States Assembly website. 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.

2.9.6 Auditors

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. The States' accounting policies are outlined in the Accounts and have been fairly and consistently applied. The States keeps 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 and two other independent members, operates throughout the year, considering internal control issues.

2.10 Corporate Social Responsibility

2.10.1 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 February 2011, support was given for the implementation of 'Eco-Active States', a programme that provides a systematic approach to managing the environmental impacts of all States Departments. The programme fully supports the implementation of the corporate energy and water reduction targets of 10%.

Each department is required to examine its resource use, ensure compliance with all relevant local environmental legislation and to prepare a pollution prevention plan. From these activities the department then develops an action plan with targets in 5 key areas:

- energy reduction;
- waste management;
- using water wisely;
- considering transport impacts and options; and
- procurement, including making environmentally friendly product choices.

By the end of 2011 over 20 Service areas, and 4 whole departments, had achieved the Eco-Active States standard, meaning that they have an agreed action plan in place that is ready for implementation in 2012. These departments have identified a series of measures to address resource use which have also provided financial savings including switching from bottled water dispensers to water chillers, implementing a 'switch me off, turn me down' energy saving campaign, installing water saving devices and low energy lighting solutions.

All Eco-Active States Departments are listed on www.gov.je on the Eco-Active Business pages, and by June 2012 all departments will have their action plans agreed and ready to implement.

2.10.2 Social Responsibility

Employee Engagement

The States of Jersey consults with its staff on matters that affect their working lives and seeks to maintain an appropriate environment for the delivery of high quality public services. In doing so, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the workforce for the purposes of collective bargaining. 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 maintain local arrangements for meeting their accredited representatives to discuss matters of local interest. The States actively uses the talents of its workforce to develop and implement new working practices which contribute to the improvement of services throughout the island. The contribution of our staff is both recognised and appreciated.

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 (2010: 32 days).

Personal Data Related Incidents

During 2011 there were five incidents of unauthorised disclosure of personal data information. Each incident affected a single individual, and has been reported and investigated in line with States policy.

2.11 Conclusions

Overall the States has finished the financial year in a stronger position than originally predicted, departments have managed their budgets well and there was a prompt and efficient conclusion to the process of carrying forward underspent budgets between 2011 and 2012. A number of departments are using their savings from previous years to prepare for the delivery of longer term savings, and to allow them to make better use of their budgets in line with the Medium Term Financial Plan. Other departments are using the carryforwards to alleviate pressures in 2012.

The States' Balance Sheet position has improved, and in the course of the coming year we will be taking steps to manage the States Balance Sheet more actively, just as we actively manage our annual budgets.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 28 May 2012

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.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 28 May 2012

4 Remuneration Report

4.1 Remuneration Policy

Pay for all States of Jersey employees is determined by the States Employment Board and at the end of 2011 the States of Jersey completed the second year of a two year pay award (2% in 2010 and 2% in 2011). The States is reviewing its methods of employee remuneration and has started discussions with its workforce about the future shape of reward within the public sector. The remuneration level for Senior Managers is determined by a job evaluation process for each post and the agreed pay award for Civil Servants is 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. For 2011 States Members were entitled to remuneration of £44,832, which includes a sum of £3,650 for expenses (2010: £44,032 with £3,650 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	2011 Salary £'000
Chief Executive/Acting Chief Executive		
Mr W Ogley (to 31 May 2011)	**210–215**	**90–95**
Full year equivalent salary		*215–220*
Mr J Richardson (from 18 May 2011)	–	**110–115**
Full year equivalent salary		*175–180*
Deputy Chief Executive (Resources Department)		
Mr J Richardson (to 17 May 2011)	**140–145**	**55–60**
Full year equivalent salary	–	*145–150*
Chief Officer – Economic Development		
Mr M King	**125–130**	**130–135**
Chief Officer – Education, Sport and Culture		
Mr M Lundy	**130–135**	**130–135**
Chief Officer – Department of the Environment		
Mr A Scate	**110–115**	**120–125**

	2010 Salary £'000	2011 Salary £'000
Chief Officer – Health and Social Services		
Mrs J Garbutt (from 1 June 2010)	**95–100**	**170–175**
Full year equivalent salary	*170–175*	
Chief Officer – Home Affairs		
Mr S Austin-Vautier	**115–120**	**115–120**
Chief Officer – Housing		
Mr I Gallichan	**100–105**	**110–115**
Chief Officer – Social Security		
Mr R Bell	**115–120**	**115–120**
Chief Officer – Transport and Technical Services		
Mr J Rogers	**125–130**	**125–130**
Treasurer of the States		
Mr I Black (to 23 April 2010)	**45–50**	–
Full year equivalent salary	*140–145*	–
Ms L Rowley (from 1 January 2011)	–	**140–145**
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	**70–75**	**75–80**
Chief Clerk – Law Officers' Department		
Mr T Allen	**75–80**	**80–85**
Judicial Greffier and Viscount		
Mr M Wilkins	**135–140**	**135–140**
Chief Probation Officer		
Mr B Heath	**85–90**	**90–95**
Greffier of the States		
Mr M De La Haye	**110–115**	**110–115**
Airport Director		
Mr J Green (to 30 June 2011)	**120–125**	**60–65**
Full year equivalent salary	–	*125–130*
Chief Officer – Jersey Harbours		
Mr H Le Cornu (to 30 June 2011)	**105–110**	**50–55**
Full year equivalent salary	–	*105–110*
Group Chief Executive Officer – Airport and Harbours		
Mr D Bannister (from 1 July 2011)	**–**	**60–65**
Full year equivalent salary	–	*125–130*

No taxable benefits-in-kind were received by the officers above during 2011.

Payments to third parties for services of a senior manager

During 2011, there were no payments to third parties for services of a senior manager. During 2010, payments totalling £193k were made to third parties for the 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 2011[1] £'000	CETV[2] at 31 Dec 2010 (or Date of Appointment if Later) £'000	CETV at 31 Dec 2011 £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr W Ogley	Pension – *Increase of –*	414	–	–
Mr J Richardson	Pension 65–70 *Increase of 2.5–5*	1,007	1,100	83
Mr M King	Pension 10–15 *Increase of 0–2.5*	125	161	29
Mr M Lundy	Pension 60–65 *Increase of 2.5–5* Lump Sum 185–190 *Increase of 7.5–10*	1,201	1,223	14
Mr A Scate	Pension 5–10 *Increase of* 0–2.5	26	40	8
Mrs J Garbutt	Pension 85–90 *Increase of 2.5 – 5*	918	990	63
Mr S Austin-Vautier	Pension 25–30 *Increase of 0–2.5*	432	482	44
Mr I Gallichan	Pension 25–30 *Increase of 2.5–5*	334	400	61

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

2 The Cash Equivalent Transfer Value (CETV) represents the value of rights accrued in the scheme, and is calculated based on a transfer to a private pension scheme. 2010 figures have been restated to use the same market factors as the 2011 figure, to allow proper comparison between the two figures.

3 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 2011[1] £'000	CETV[2] at 31 Dec 2010 (or Date of Appointment if Later) £'000	CETV at 31 Dec 2011 £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr R Bell	Pension 15–20 *Increase of 0–2.5*	178	203	19
Mr J Rogers	Pension 10–15 *Increase of 0–2.5*	134	161	21
Ms L Rowley (from 1 January 2011)	Pension 0–5 *Increase of 0–2.5*	3	24	13
Mr D Filipponi	Pension 10–15 *Increase of 0–2.5*	145	165	17
Mr T Allen	Pension 35–40 *Increase of 2.5–5*	649	725	72
Mr M Wilkins	Pension 80–85 *Increase of 2.5–5*	1,572	1,594	14
Mr B Heath	Pension 40–45 *Increase of 0–2.5*	629	686	52
Mr M De La Haye	Pension 45–50 *Increase of 2.5 – 5*	679	744	58
Mr J Green	Pension 5–10 *Increase of 0–2.5*	71	91	13
Mr H Le Cornu	Pension – *Increase of ––*	170	–	–
Mr D Bannister (from 1 July 2011)	Pension 0–5 *Increase of 0–2.5*	–	8	4

Transfer values payable from PECRS are subject to a market adjustment factor which is derived from the yield on government bonds. The increases in transfer values shown above are therefore partly due to the significant fall in government bond yields between 31 December 2010 and 31 December 2011.

Compensation Payments

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

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

During 2011, a payment for £546,337.50 was made to Mr William Ogley, the former Chief Executive Officer on the termination of his contract during 2011.

4.4 Segmental Analysis of Staff

The table below gives details of the numbers of employees (including, for example, Chief Officers, hospital consultants, head teachers, deputy heads, senior teachers and police officers) who received remuneration of more than £70,000. Remuneration includes Salary and Wages and Pension Contributions paid by the States.

2011 Example Staff Groups	Remuneration	2010		2011	
		Non-Traders	Traders	Non-Traders	Traders
Head Teachers, Deputy Head Teachers, Police and other uniformed officers, medical staff, legal staff, Chief Officers and Civil Servants	70,000 – 89,999	320	32	341	34
	90,000 – 109,999	98	22	107	18
	110,000 – 129,999	51	3	55	2
	130,000 – 149,999	30	1	26	1
Senior Medical Staff, Senior Legal Staff and Chief Officers	150,000 – 169,999	23	–	22	–
	170,000 – 189,999	13	–	12	–
	190,000 – 209,999	–	–	4	–
	210,000 – 229,999	–	–	1	–
The Bailiff, Deputy Bailiff and Attorney General	230,000 – 249,999	2	–	1	–
	250,000 – 269,999	2	–	–	–
	270,000 – 289,999	–	–	1	–
	290,000 – 309,999	1	–	1	–

Signed:

Senator Ian Gorst
Chair of the States Employment Board

Date: 20 March 2012

5 Statement on Internal Control for the year ended 31 December 2011

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.

Each Accounting Officer is personally accountable for the proper financial management of the resources under their control in accordance with the Law, any subordinate legislation and Financial Directions.
In particular, an Accounting Officer must ensure that:

- The expenditure of the department does not exceed the amount appropriated to it by a head of expenditure and is used for the purpose for which it was appropriated;
- In so far as practical, all money owed to the department is promptly collected and paid into an appropriate bank account, and that all money owed by the body is duly paid;
- The department keeps proper accounts of all its financial transactions and proper records of those accounts;
- The records of the department are promptly provided when required by the Treasurer for the production of the annual financial statement;
- The department is administered in a prudent and economical manner;
- The resources of the department are used efficiently and effectively; and
- The provisions of the Law in their application to the department are otherwise complied with.

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

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 2011 for their area(s) of responsibility. These documents are a key element of the States of Jersey internal control framework and outline the arrangements in place and the improvements being made in internal control procedures across the organisation.

The States of Jersey Statement on Internal Control 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.

A key element of the internal control system is the framework of Financial Directions. The Minister for Treasury for Resources has delegated power to the Treasurer of the States to issue Financial Directions and considerable progress has been made.

The system of internal control has been in place in the States of Jersey for the year ended 31 December 2011 and up to the date of approval of the 2011 Financial Report and Accounts.

5.3 Capacity to handle risk

Leadership is given to the risk management process by the Corporate Management Board (CMB) Risk and Governance Sub-Group champions risk management across the organisation. The purpose of the Sub-Group is to lead and oversee risk management within the States of Jersey, and members include the Treasurer of the States and several other Accounting Officers.

Internal Audit undertakes a periodic review to assess the status of risk management within the States of Jersey compared to best practice and a report on the status of embedding risk management in the States of Jersey has recently been considered by the Audit Committee.

The States of Jersey approach to risk management is set out in a Financial Direction. The requirements of the Direction cover identifying, evaluating and assessing risks, identifying responses to risk, and monitoring and reviewing progress.

5.4 The risk and control framework

Risk management

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

A number of risk assessment workshops were facilitated by the Chief Internal Auditor during 2011 and risks that may prevent the achievement of States' objectives were assessed and documented in the Corporate Risk Register. The Risk Register is managed and reviewed by the CMB Risk and Governance Sub-Group.

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.
- The CMB is informed by escalation of significant departmental and cross cutting risks.

Governance

The Law was amended in 2011 to align with the move by the States of Jersey to medium term financial planning. A second tranche of amendments to the Law is planned to be debated by the States Assembly in July 2012. The majority of the proposed amendments aim to improve corporate governance arrangements across the organisation and include, for example, the remit and authority of the Treasurer of the States, and the extension of the role of Accounting Officers.

The States of Jersey administers a variety of special funds which consist of funds entrusted to the States of Jersey, or given for a specific purpose. The Treasury, with the help of the Bailiff, is in the process of setting up an oversight board and drafting a Financial Direction on Charitable Funds and Bequests which will include governance arrangements, acceptance of funds and the day-to-day administration of those funds. In addition, the second tranche of amendments to the Law will strengthen governance arrangements by giving additional responsibility to the Minister for Treasury and Resources.

Financial Directions

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

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, which are linked to the States of Jersey strategic priorities and used to manage performance. A structured process is in place to measure progress against objectives and this is used to inform the planning and decision making processes. The 2012 Business Plan is the last in the current format. In the future, the States budgeting period will extend from one to 3 years in order to align with the electoral cycle for States Members, and a Medium Term Financial Plan will be prepared for the period 2013–2015.

Prioritising allocations for the Capital Programme, as part of the Business Planning process, has always been difficult. A CMB Sub-Group was formed, chaired by the Treasurer and made up of Chief Officers of Departments with significant Capital requirements and the Acting Chief Executive. This CMB Sub-Group undertakes an initial assessment of departmental submissions and develops an appropriate Capital Programme within the available resources.

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 so as to ensure that all Ministerial Decisions are properly and accurately recorded.

Financial Management

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

The States of Jersey manages the cost of insurance by operating a level of self-insurance. The current process for doing this, while robust, is not formalised. A separate fund is being established under the Law to manage the claims up to agreed limits and allow for receipts and payments for insurance matters outside of the annual business planning process. The Law Draftsman is in the process of drafting an amendment to the Law so as to establish an Insurance Fund.

Corporate Reporting

Reports that cover both revenue and capital are taken to the Council of Ministers on a quarterly basis. The increase in information provided has been well received by the Council and allows Ministers an opportunity to ask questions that they may have around key service pressures. The same information is also presented to the CMB on a monthly basis. In addition to this a report is taken to the States Assembly every six months to inform them of any budget movements approved in accordance with the Law and Ministerial Scheme of Delegation.

Financial Reporting

The States of Jersey 2010 Financial Report and Accounts were 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 Jersey Financial Reporting Manual (JFReM). The JFReM is based on the UK version of the same document, which is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board. Accounting Standards are not static, and the JFReM is updated on an annual basis; for 2011 the JFReM has been updated to include the revised Financial Reporting Standards on Financial Instruments and related standards.

For 2010 and 2011, the States of Jersey adopted the standards implemented by the UK central government with a two year delay. In 2010 the UK moved to reporting under International Financial Reporting Standards (IFRS), and the States will adopt IFRS on the same two year delay principle in 2012. This will be used as an opportunity to reduce the delay in adoption of standards to a single year, i.e. JFReM for 2012 will adopt IFRS in line with the UK FReM for the year ending March 2011.

5.5 Review of effectiveness of the system of internal control

Accounting Officers have responsibility for maintaining a system of internal control and for monitoring its effectiveness. Their review is informed by:

- The Audit Committee.
- The plans and work of both internal and external auditors and management’s action in response to their recommendations.
- The Comptroller and Auditor General (C&AG).
- The Public Accounts Committee (PAC).
- Scrutiny panels.
- Departmental processes including specific reviews commissioned by management.

Audit Committee:

The Audit Committee provides a process of constructive challenge to help Accounting Officers be fully assured that the most efficient, effective and economic risk management, control and governance processes are in place. During 2011, the Audit Committee developed significantly. Independence was strengthened with the appointment of 2 more independent members and the Committee's Terms of Reference were updated to reflect best practice in its structure and operations.

The Audit Committee meets quarterly. The Chief Executive, the Treasurer of the States and the Chief Internal Auditor must attend Committee meetings, and the Comptroller and Auditor General and external auditors are invited to attend.

Internal Audit:

The role of Internal Audit is to provide an independent and objective opinion on financial management, probity and regularity, risk management, internal 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 31 internal audit reports were finalised in 2011, as part of the 2010 and 2011 audit plans, of which 7 were undertaken on an advisory basis and therefore were not 'scored'. 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 2011 and are excluded from the summary of results in Table (1) below.

Table 1: Summary of Internal Audit Reports finalised during 2011

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	5
3	**Adequate**	Reasonable reliance can be placed on the adequacy of the internal control environment to manage inherent risk.	17
2	**Inadequate**	There is limited assurance on the adequacy of the internal control environment to manage inherent risk.	2
1	**Unacceptable**	Management cannot place any reliance on the adequacy of the internal control environment to manage inherent risk.	0

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. Improvements to the quality of the internal audit process continued in 2011, with an increase in the number of audit days and the adoption of a more forward looking approach to internal audit reviews.

External Audit

The external auditors, PricewaterhouseCoopers LLP, make recommendations for improvement based on their review of controls, policies and procedures in place as part of the annual audit of the States of Jersey Financial Report and Accounts. The agreed actions are then reported in the ISA 260 communication to the Minister for Treasury and Resources. Progress against implementation is monitored and routinely reported to the Audit Committee. Any outstanding recommendations are picked up by the external auditors as part of the audit for the following year. Reference can be made to the Auditors' Report in the 2011 Financial Report and Accounts for further information on the responsibilities of the external auditors.

The Comptroller and Auditor General (C&AG):

The 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. Specifically, 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 any necessary improvement. Reports published during 2011 include 'Jersey International Air Display Relationship with the States' (February 2011), 'The States' Management of Remuneration For Senior Posts' (March 2011) and 'Management of Bus Contracts' (July 2011),

Public Accounts Committee (PAC):

The role of the PAC is to improve the efficiency and effectiveness of States departments 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 2011 include 'The States Control of Senior Management Remuneration – Report' (May 2011) and 'Report on the Accounts of the States of Jersey for the year ended 31st December 2010' (November 2011).

Scrutiny panels

The role of the Scrutiny panels is to protect the public interest by examining policy decisions. Scrutiny Reports acknowledge good practice and, where necessary, recommend change and improvement to services or government policies. Scrutiny Reports are followed up by the relevant panel to establish whether recommendations have been implemented. Reports published during 2011 range from 'Lime Grove House: Failure to Complete Transaction' (Corporate Services Panel, September 2011) to 'Social Housing Waiting Lists' (Health, Social Security and Housing Panel, August 2011).

Departmental processes

Accounting Officers also rely on mechanisms implemented at departmental level to gain comfort over the effectiveness of internal control within their department, including compliance/sample testing, internal reviews by Senior Management teams, external reviews, dedicated compliance teams, and the completion of Assurance Statements by key budget holders.

5.6 Significant internal control issues

The Treasurer of the States has determined the most significant internal control issues to include in this Statement on Internal Control, based on her awareness of the major issues facing the organisation. The significant issues that have arisen in 2011 are shown in Table (2) below.

Table 2: Significant internal control issues

Issue	Risk	Action(s) and status
Clinical Governance – Incident reporting and investigation:		
Some aspects of the policy and procedure on managing incidents require updating.	Inaccurate conclusions may be drawn from statistics of open incidents	*Implemented:* • The policy and procedure on managing incidents has been revised to include processes for prioritising the review of incidents, feedback on incidents and communicating lessons learnt. • A timetable has been set for the communication of the revised policy and procedure on managing incidents. • Outstanding incidents have been reviewed and have been assigned appropriate prioritisation to enable closure.
Court and Case Costs – budgeting:		
Court and Case Costs can be demand-led and exceptionally volatile in a way that is difficult for an individual department to control. In addition, the expenditure can be so large that departments cannot absorb the effects of volatility in their 'base line' budgets.	Insufficient funding to meet period obligations	*Implemented:* In 2011 the Council of Ministers reviewed and agreed a proposal to deal with the volatility of Court and Case Costs on a more permanent basis. A Smoothing Reserve which will provide a mechanism for the States of Jersey to fund the peaks and troughs in costs has been agreed and implemented. The processes and procedures for accessing funds will be finalised in 2012.

Issue	Risk	Action(s) and status
Comprehensive Spending Review (CSR) – achievement of savings:		
A Proposition to the States in June 2011 (P72/2011) has restricted the areas in which the Education Department can take savings.	Inability to achieve Value for Money	*In progress:* Most departments are delivering savings targets to plan. There is particular pressure in the Education Department which puts at risk the delivery of £7 million of their £11 million target. The Minister for Education, Sport and Culture is meeting with a Ministerial Sub-Group to discuss alternative ways to deliver the savings.
Individual actions of Ministers – Uplands:		
The negotiation and agreement of a Planning Obligation Agreement by the Minister for Planning and Environment with a private development company in respect of Uplands has led to the Minister for Treasury and Resources accepting a series of Housing Bonds on behalf of the public of Jersey.	Communication between Ministers may on occasion not happen early enough when the decisions of one Minister affect the responsibilities of another	*In progress:* The new Council of Ministers has adopted a more open and discursive style and has adopted procedures to ensure that key issues are discussed fully. A review of the process that led to the Planning and Environment Minister's decision is a key undertaking in quarter 1, 2012 with a view that any recommendation will be presented to the Minister.
Ministerial Decision process – Lime Grove:		
Ministerial Decisions for Jersey Property Holdings (JPH) followed a separate process to that adopted by the rest of the Treasury and Resources Department, with decisions signed by the Assistant Minister.	All relevant parties (i.e. the Minister for Treasury and Resources, the Treasurer and other senior Treasury officers) may not be aware of JPH Decisions that have been signed by the Assistant Minister	*Implemented:* In early 2011 changes were made to the process where any significant decisions were approved by the Accounting Officer prior to presentation to the Assistant Minister. All Ministerial Decisions for Jersey Property Holdings are now reviewed by the Treasurer and other senior Treasury officers. The Assistant Minister then signs the decisions. All important property-related decisions are also brought to the attention of the Minister for Treasury and Resources.

Issue	Risk	Action(s) and status
Jersey Teachers' Superannuation Fund (JTSF) – administration process:		
The JTSF is currently administered on an Access Database with calculations performed using Excel spreadsheets.	Risk of error	*In progress:* The JTSF Management Board has agreed the need to implement an industry standard pensions' administration system and the inherent controls and processes that such a system would provide. Discussions have taken place with the chosen supplier to firm up costs and specifications, and a detailed plan is in place to deliver the new system in the fourth quarter of 2012.
Staff payments – receipt of documentation:		
The appropriate documentation in respect of new starters and leavers is not always provided by HR and line management to the Central Payroll Unit in time for processing.	Employees are not paid correctly	*In progress:* Procedures in relation to the timely receipt of information from HR and line management have been reviewed and strengthened, with timescales documented. HR Managers and Line Managers continue to be reminded of the importance of timely action of all employee documentation and in particular payroll documents, together with the timeframe for submission of appropriate information.
Grants issued by Jersey Enterprise (within EDD) – management of:		
The management of grants awarded by Jersey Enterprise has not always been effective.	Public funds may not always be used efficiently and effectively	*Implemented:* A number of policies, procedures and controls have been revised with a view to clarifying and strengthening the process, including improvements to the Financial Direction on the grant application and claim process which have been agreed with Senator Ferguson as the (then) Chairman of the Chairman's Committee.

Progress against the significant issues identified as planned or in progress in the 2010 Statement on Internal Control is shown in Table (3) below.

Table 3: Progress on 2010 significant issues

Issue	Progress
Income Tax and GST: policies and procedures	*Implemented*: a number of Tax policies have been updated or introduced during 2011 and will be reviewed on an ongoing basis.
Integration of GST, business and personal tax departments: information sharing	*Implemented*: a Deputy Comptroller has been appointed, and cross-departmental working has improved. Advice has been taken from the Data Protection Commissioner on data sharing. System-based developments are planned to further improve information sharing across the teams.
Procurement/contracts:	
• General contract management	*Progress ongoing*: for more complex high value contracts guidance is now provided in the Corporate Procurement Toolkit, which guides users through the purchasing process. For more routine corporate contracts officers will be able to use a new corporate Procure to Pay (P2P) system that is being piloted as part of the wider P2P project.
• Use of purchase cards	*Progress ongoing*: divergence from appropriate card usage being picked up as part of the P2P project.
• Compliance with controls for purchasing goods and services	*Implemented*: • The Financial Direction on Purchasing of Goods and Services has been revised to improve usability and more fully support the procurement process. • A number of training sessions have been held in 2011 with key user groups, and the Corporate Procurement Toolkit is updated where relevant to answer any questions arising from the sessions.

Issue	Progress
Corporate Governance:	
• Compliance with Financial Directions (and implementation of basic internal financial controls)	*Progress ongoing*: • Work on ensuring that current Financial Directions are fit for purpose continues in consultation with key stakeholders. • A number of new Financial Directions have been drafted and are at the technical review stage of completion. • Departments are developing implementation plans for revised/new Financial Directions, including a review of their key procedures and policies and any training requirements. *Implemented*: • The Financial Direction on Purchasing of Goods and Services was re-issued to coincide with the launch of the Corporate Procurement Toolkit. • Membership of the Audit Committee and the Committee's Terms of Reference now align to the Combined Code of Corporate Governance.
• Accountability (for States of Jersey Police expenditure)	*Implemented*: A Memorandum of Understanding (MOU) provided the Chief Officer of States of Jersey Police (SoJP) and the Accounting Officer for Home Affairs with a shared understanding of how to discharge their financial management responsibilities during 2011. In accordance with a Proposition that was approved by the States in 2011, the Chief Officer of the SoJP has now been appointed Accounting Officer, and a revised MOU for 2012 reflects the new financial arrangements.
Asset disposals (under the Jersey Homebuy Scheme):	
The CAG has raised a number of concerns[1] 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	*Progress ongoing*: In December 2011 the States Assembly approved a Report and Proposition 'Homebuy or Shared Equity Scheme: Approval by the States'. No further sales will be undertaken under the Jersey Homebuy Scheme until a comprehensive homebuy or shared equity policy has been approved by the States.

1 Asset disposals by the States of Jersey during 2009 – Report by the Comptroller and Auditor General (November 2010), and 'Asset disposals by the States of Jersey during 2010' (December 2011).

5.7 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 2011 Statements on Internal Control.

Signed:

John Richardson
Acting Chief Executive Officer

Date: 28 March 2012

Laura Rowley
Treasurer of the States

Date: 28 March 2012

6 Introduction to the Accounts

6.1 Changes in Accounting Standards: Adoption of Financial Reporting Standards 23 – 29.

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. 2010 was the first year in which the States produced accounts in accordance with UK GAAP as interpreted for the public sector in Jersey by the Jersey Financial Reporting Manual (JFReM).

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. The Minister for Treasury and Resources recognises that Accounting Standards evolve over time, and has therefore decided to update the accounting standards adopted by the States on an annual basis – following those standards adopted by the UK Government with a two year delay.

For 2011, the following significant changes were made to the JFReM

- Adoption of revised financial instrument standards (Chapter 7 of the JFReM):
  - FRS 25 (Financial Instruments: Presentation)
  - FRS 26 (Financial Instruments: Recognition and Measurement)
  - FRS 29 (Financial Instruments: Disclosure)

- Adoption of other standards triggered by FRS 26:
  - FRS 23 (The Effect of Changes in Foreign Exchange Rates)
  - FRS 24 (Financial Reporting in Hyperinflationary Economies)

- Removal of superseded standards:
  - FRS 4 (Capital Instruments)
  - FRS 13 (Derivatives and Other Financial Instruments: Disclosures)
  - UITF 9 (Accounting for operations in hyper-inflationary economies)

The States of Jersey has applied the exemption from the requirements to restate comparatives amounts for FRS 25, 26 or 29, and has instead adjusted opening balances for 2011 through reserves.

6.1.1 Effects of the Financial Instrument Standards on the Accounts

The new Financial Instrument Standards have affected the States Accounts in several ways, the most significant of which have been detailed below:

1. **Presentation**
   The standards introduce several changes to the classification and terminology used in the Accounts. The table below highlights these changes:

2010 Accounts	2011 Accounts
Advances	Loans and Advances
Other Investments	Investments held at Fair Value through OCS
Debtors due after 1 year (Housing Bonds)	Other Available-for-Sale investments

2. **Recognition of additional Liabilities**
The States has recognised liabilities of £2,200 relating to Letters of Comfort issued to various Housing Trusts. These items had previously been disclosed, but not recognised on the Balance Sheet. It should be noted that the values included are based on estimates of future interest rates, and may not equal the actual amount of cash that will be required under these agreements.

3. **Accounting for Unrealised Gains and Losses**
Previously the States has not recognised gains or losses on investments in the Operating Cost Statement (OCS) until they are disposed of. Unrealised gains or losses were recognised in Reserves through the Statement of Total Recognised Gains and Losses (STRGL), and recycled to the OCS on disposal.

Under the new standards, these gains are recognised immediately for all investments classified as 'Fair Value through OCS' (including investments in the Common Investment Fund and held with Cash Managers – see Accounting Policy J for details).

The table below shows the amounts of unrealised gains/losses (net of recycling) recognised in 2010 and 2011, with details of where these amounts are shown in the accounts.

Statement	Line	2011 £'000	2010 £'000
OCS	Gain/(Loss) on Investments	(15,004)	
STRGL	Unrealised Gain on Revaluation of Investments		1,134

4. **Disclosure**
Disclosures relating to Investment Income, Debtors and other financial instruments have all been enhanced in line with the new standards.

6.1.2 Future Developments

The Minister notes that in 2010 the UK moved to reporting under International Financial Reporting Standards (IFRS), and has decided to adopt IFRS on the same two year delay principle. However, the Minister intends to use this change as an opportunity to reduce the delay in adoption of standards to a single year. Therefore it is the Minister's policy that the Jersey FReM for 2012 will adopt IFRS in line with the UK FReM for the year ending March 2011.

6.2 Explanation of the contents of the Accounts

The main statements included in the accounts are explained below.

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 2011. It sets out what the States owns, what the States owes and what is owed to the States at that point in time. The figures shown exclude any amounts due between entities included in the States of Jersey Group.

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.

Cash Flow Statement

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

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 8 give further information about the figures included in the Operating Cost Statement; Notes 9 to 24, the Balance Sheet; and Note 25, the Cash Flow Statement.

The remaining notes give additional disclosures and information about various items included in the 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 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 35) 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 2011 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 United Kingdom Generally Accepted Accounting Practice 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 and for being satisfied that they give a true and fair view in accordance with the Jersey Financial Reporting Manual.

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 and express an opinion on 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.

The maintenance and integrity of the States of Jersey's website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 financial statements. In addition, we read all the financial and non-financial information in the Financial Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice 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 Comptroller and Auditor General and the Treasury and Resources Minister requires us to report to you if, in our opinion:

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

S Isted

Sarah Isted (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

Date: 30 May 2012

8 Primary Statements

States of Jersey

8.1 Consolidated Operating Cost Statement for the year ended 31 December 2011

	Notes	2010 £'000	2011 £'000
Revenue			
Levied by the States of Jersey			
Taxation revenue		443,685	477,056
Island rate, duties, fees, fines and penalties		88,295	93,124
Total Revenue Levied by the States of Jersey		**531,980**	**570,180**
Earned through Operations			
Sales of goods and services		135,288	142,134
Investment income		59,071	29,993
Other revenue		19,402	50,709
Total Revenue Earned through Operations		**213,761**	**222,836**
Total Revenue	3	**745,741**	**793,016**
Operating Expenditure			
Social Benefit Payments		165,620	166,256
Staff costs		345,246	348,432
Other Operating expenses		184,190	214,479
Grants and Subsidies payments		40,187	37,960
Depreciation		50,235	46,426
Impairment of Fixed Assets		145,094	7,793
Finance costs		5,338	5,170
Total Operating Expenditure		**935,910**	**826,516**
Non-Operating expenditure			
Net foreign-exchange losses		447	438
Movement in pension liability		41,263	4,384
(Gains) on disposal of assets		(2,730)	(2,718)
Total Non-Operating Expenditure		**38,980**	**2,104**
Total Expenditure	4	**974,890**	**828,620**
Deficit for the Year		**(229,149)**	**(35,604)**

States of Jersey
8.2 Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2011

	2010 £'000	2011 £'000
Deficit for the Year	(229,149)	(35,604)
Revaluation of Fixed Assets	196,122	137,374
Unrealised Gain on Revaluation of Investments[1]	1,134	–
Unrealised (Loss)/Gain on Strategic Investments taken to equity	(3,500)	72,400
Loss on Revaluation of other available-for-sale investments taken to equity	–	(458)
Actuarial Gain/(Loss) in respect of Defined Benefit Pension Schemes	1,445	(92)
Total Recognised (Loss)/Gain Relating to the Year	**(33,948)**	**173,620**

1 The adoption of FRS 26 means that Unrealised Gains on Investments classified at Fair Value through OCS are now recognised in the OCS rather than the STRGL.

8.3 States of Jersey
Consolidated Balance Sheet as at 31 December 2011

	Notes	2010 £'000	2011 £'000
Tangible Fixed Assets	**9**	**2,768,538**	**2,922,161**
Financial Assets			
Loans and Advances	10	15,859	12,609
Strategic Investments	11	254,000	326,400
Other Available-for-Sale investments	11	–	14,335
Investments held at Fair Value through OCS	12	898,952	896,321
Derivative Financial Instruments expiring after more than one year	20	–	201
Debtors: amounts falling due after more than one year	11	14,457	–
Total Fixed Assets		**3,951,806**	**4,172,027**
Current Assets			
Loans and Advances	10	2,049	2,446
Derivative Financial Instruments expiring within one year	20	–	98
Stock and Work in Progress	13	29,767	32,195
Debtors	14	110,518	117,982
Cash at Bank and in Hand	15	94,033	65,101
Total Current Assets		**236,367**	**217,822**
Current Liabilities			
Creditors	16	(117,679)	(125,872)
Currency in Circulation	17	(92,779)	(90,596)
Provisions for liabilities and charges	23	(4,448)	(22,660)
Total Current Liabilities		**(214,906)**	**(239,128)**
Net Current Assets / (Liabilities)		**21,461**	**(21,306)**
Total Assets Less Current Liabilities		**3,973,267**	**4,150,721**
Long Term Liabilities			
Finance Lease Obligations	18	(14,062)	(10,986)
Derivative Financial Instruments expiring after more than one year	20	–	(2)
PECRS Pre-1987 Past Service Liability	21	(265,435)	(247,852)
Provision for JTSF Past Service Liability	21	(114,000)	(135,100)
Defined Benefit Pension Schemes Net Liability	22	(11,152)	(11,493)
Provisions for liabilities and charges	23	(6,263)	(8,180)
Total Long Term Liabilities		**(410,912)**	**(413,613)**
Net Assets		**3,562,355**	**3,737,108**
Reserves	**24**		
Accumulated Revenue and Other Reserves		3,110,089	3,096,301
Revaluation Reserve		230,005	364,875
Donated Asset Reserve		39,084	39,053
Investment Reserve		183,177	236,879
Total Reserves		**3,562,355**	**3,737,108**

Philip Ozouf

Senator Philip Ozouf

Date: 28 May 2012

Laura Rowley

Treasurer of the States

Date: 28 May 2012

8.4 States of Jersey Consolidated Cash Flow Statement for the year ended 31 December 2011

	Notes	2010 £'000	2011 £'000
Operating Activities			
Net Cash (Outflow)/Inflow from Operating Activities	25	**(36,333)**	**4,940**
Returns on Investment and Servicing of Finance			
Investment Income received		42,608	40,126
Interest paid		(283)	(173)
Interest element of Finance Lease payments		(1,218)	(1,036)
Net Cash Inflow from Returns on Investments and Servicing of Finance		**41,107**	**38,917**
Capital Expenditure and Financial Investments			
Payments to acquire Tangible Fixed Assets		(75,834)	(71,608)
Proceeds from Disposal of Property		13,734	6,847
Purchase of Investments		(2,165,887)	(1,462,961)
Proceeds from Disposal of Investments		2,271,998	1,455,156
Loans Repaid		2,690	2,853
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investments		**46,701**	**(69,713)**
Management of Liquid Resources			
Net Cash (Outflow)/Inflow from Management of Liquid Resources		**(33,839)**	**27,770**
Financing			
Capital Element of Finance Lease Rental Payments		(2,862)	(3,076)
Net Cash Outflow from Financing		**(2,862)**	**(3,076)**
Increase/(Decrease) in Cash	25	**14,774**	**(1,162)**

9 Notes to the Accounts

9.1 Note 1: Statement of Accounting Policies

A Introduction

A.1 These accounts have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005. The accounting policies contained in the JFReM 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 2011 financial year (excluding comparators) is based on the UK Financial Reporting Manual for the UK financial year ending March 2009.

A.2 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.

B Accounting Convention

B.1 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.

C Basis of Consolidation

C.1 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.

C.2 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.

C.3 The Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund are outside the group boundary.

C.4 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 37.

C.5 Material transactions and balances between entities that fall within the group boundary have been eliminated as part of the consolidation process.

D Tangible Fixed Assets

D.1 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.

D.2 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.

D.3 Finance costs incurred during the construction of tangible fixed assets are not capitalised.

D.4 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.

D.5 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.

D.6 Depreciation is provided on a straight line basis over the anticipated useful lives of the assets. The principle asset categories and their range of useful economic lives are outlined below:

Asset Category	Life
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.

E Infrastructure assets

E.1 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.

E.2 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.

E.3 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.

E.4 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.

F Donated assets

F.1 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.

F.2 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.

G Heritage assets

G.1 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.

G.2 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.

G.3 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.

H Impairment

H.1 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 Operating Cost Statement in the year in which it occurs.

I Disposal of Fixed Assets

I.1 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.

J Investments and other Financial Instruments

J.1 The States recognises, measures and discloses financial instruments following the guidance in the JFReM and Accounting Standards.

Definitions

J.2 Financial Instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another.

J.3 A financial asset is any asset that is; cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity; or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

J.4 A financial liability is any liability that is; a contractual obligation to deliver cash or another financial asset to another entity; or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

J.5 An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Categories of financial instruments

J.6 The States' financial instruments have been classified into the following categories:

- Loans and Receivables
- Strategic Investments
- Other Available for Sale Investments
- Investments held at Fair Value through the Operating Cost Statement (OCS)
- Derivative Financial Instruments
- Other Financial Liabilities

<u>Loans and Receivables</u>

J.7 Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

J.8 For the States of Jersey, these include:

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

Strategic Investments

J.9 Strategic Investments are companies outside the group boundary in which the States of Jersey has a controlling interest.

J.10 Strategic Investments are accounted for as 'Available-for-Sale' financial assets, although it should be noted that this does not indicate an intention to dispose of the States' interest (see Policy J.12 below).

J.11 Specifically, the States of Jersey recognised its investments in the following companies as Strategic Investments:

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

Other Available for Sale Investments

J.12 Available-For-Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time (but may in some cases be sold in response to policy decisions).

J.13 For the States of Jersey, other Available for Sale Investments include:

- Housing Property Bonds issued under either P7/2006 or the Homebuyer scheme.

Investments held at Fair Value through the OCS

J.14 This category has two sub-categories:

- Financial assets Held-For-Trading; and
- Those designated at fair value through OCS at inception.

J.15 A financial asset or liability is classified as Held-For-Trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as Held-For-Trading unless they are designated as hedging instruments.

J.16 Financial assets and financial liabilities are designated at Fair Value through OCS when:

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

J.17 Investments held in the Common Investment Fund or with the States' Cash Manager are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through OCS. Individual Participants investments in units in the Common Investment Fund are also designated as at Fair Value through OCS for the same reasons.

Derivative Financial Instruments

J.18 A derivative is a financial instrument or other contract within the scope of FRS 25 with all three of the following characteristics:

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

J.19 Derivative instruments held as part of a managed portfolio held at Fair Value through the Operating Cost Statement are included in the relevant investment line, unless they are material.

J.20 Other Derivative instruments held by the States of Jersey include:

- Letters of Comfort issued by the Housing Development Fund to various housing associates, which are in effect interest rate caps.

J.21 The States does not designate any derivatives as part of hedging arrangements.

Other Financial Liabilities

J.22 Other Financial Liabilities include Financial guarantee contracts. These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due, in accordance with the terms of a debt instrument.

Initial measurement of financial instruments

J.23 Financial assets carried at Fair Value through OCS are initially recognised at fair value, and transaction costs are expensed in the OCS.

J.24 Financial assets and liabilities not carried at Fair Value through OCS are initially recognised at fair value plus transaction costs.

Subsequent measurement of financial instruments

J.25 Loans and Receivables are subsequently measured at amortised cost using the effective interest method.

J.26 Strategic Investments are subsequently measured at Fair Value, with movements taken to equity through the Statement of Total Recognised Gains and Losses.

J.27 Other Available for Sale Investments are subsequently measured at Fair Value, with movements taken to equity through the Statement of Total Recognised Gains and Losses.

J.28 Investments held at Fair Value through the OCS are subsequently measured at Fair Value, with movements taken to the Operating Cost Statement.

J.29 Derivative Financial Instruments are subsequently measured at Fair Value, with movements taken to the Operating Cost Statement.

J.30 Other Financial Liabilities are measured at the higher of:

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

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

Fair Value Estimation

J.31 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of less than one year is judged to be approximate to their book values.

J.32 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of greater than one year are estimated by discounting the future determinable cash flows at the higher of the discount rate set by the Treasurer and the intrinsic rate in the underlying financial instrument in accordance with the JFReM.

J.33 The fair value of investments designated at Fair Value through OCS, Strategic Investments, Other Available for Sale Investments and derivatives is estimated using observable market data. Where no observable market exists, the fair value has been determined using valuation techniques (as a preference discounted cash flow techniques are used).

Impairment of financial Assets

J.34 At each balance sheet date an assessment of whether there is objective evidence that a financial asset is impaired is carried out.

Assets carried at Amortised Cost

J.35 A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

J.36 The criteria that the States uses to determine that there is objective evidence of an impairment loss include:

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

J.37 The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account in the balance sheet and the amount of the loss is recognised in the OCS. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

J.38 When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

J.39 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the balance sheet and the amount of the reversal is recognised in the OCS.

Assets classified as Available-For-Sale

J.40 In the case of equity investments classified as Available-For-Sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

J.41 If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in OCS – is removed from equity and recognised in the OCS. Impairment losses recognised in the OCS on equity instruments are not reversed through the OCS.

J.42 If, in a subsequent period, the fair value of a debt instrument classified as Available-For-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in OCS, the impairment loss is reversed through the OCS.

De-recognition of financial instruments

J.43 Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the States has transferred substantially all risks and rewards of ownership.

J.44 Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

K Accounting for investments held in the Common Investment Fund

K.1 Investments held in the Common Investment Fund (CIF) and associated transactions and balances are consolidated to the extent that they relate to members of the States of Jersey group, based on relative holdings in each investment pool.

K.2 Individual Participants in the CIF accounts account for their holding in the CIF as an investment in CIF units.

L Stock and Work in Progress

L.1 Stock and Work in Progress are valued at the lower of cost and net realisable value.

L.2 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.

L.3 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.

L.4 Currency not issued is accounted for as stock at the lower of cost and net realisable value.

L.5 Stock includes development assets held by the States of Jersey Development Company Limited.

M Cash and Overdrafts

M.1 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.

N Currency in Circulation

N.1 Currency in circulation is accounted for at face value.

O Leases

O.1 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.

O.2 For other leases (operating leases) rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

O.3 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.

O.4 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.

P Pensions

P.1 The States of Jersey operates two principal pension schemes for certain of its employees: Public Employees' Contributory Retirement Scheme (PECRS) and Jersey Teachers' Superannuation Fund (JTSF). 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

P.2 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 – scheme members are required to meet any deficiency through reduced benefits or by making increased contributions. These schemes are therefore accounted for as defined contribution schemes.

P.3 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 the States.

P.4 During 2010, the PECRS Committee of Management made the decision to reducing future annual increases (from 2011) to 0.3% below the Retail Price Index to address a deficit in the scheme. Under the 1967 PECRS regulations and the Federated Health Scheme (FHS), pensioners are guaranteed an increase in line with RPI, and as a result the balance of 0.3% will be funded by the States for States Employees. This liability is accounted for as an unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

P.5 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.

P.6 The CSS relates to a non-contributory scheme that existed before the formation of PECRS in 1967, and as such is closed to new members. This is a non-funded scheme, and is accounted for as conventional defined benefit schemes in accordance with Financial Reporting Standard 17 (FRS17).

P.7 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.

P.8 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

P.9 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.

Other Liabilities relating to Pensions

P.10 In agreeing P190/2005 the States confirmed responsibility for the past service liability which arose from restructuring of the PECRS arrangements with effect from 1 January 1988. This liability is recognised in the accounts in Note 21.

P.11 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.

P.12 This liability is recognised in the accounts in Note 21, based on the present value of future cash payments made under the agreement.

P.13 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.

Q Provisions and Contingent Liabilities

Q.1 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.

Q.2 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.

Q.3 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.

Q.4 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.

R Income recognition

R.1 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.

R.2 Revenue levied by the States of Jersey (non-exchange income) is measured at the value of the consideration received or receivable net of:

1. Repayments; and
2. 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.

R.3 Taxable or other relevant events for the material income streams are as follows:

- Income Tax: when an assessment is raised by the Comptroller of Taxes. Tax collected in the year under the Income Tax Instalment Scheme which is due for assessment in the following year (tax collected on a current year basis) is recognised as receipts in advance;
- Goods and Services Tax (GST): when a taxable activity is undertaken during the taxation period by the taxpayer. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in 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 Rate: 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.

S Staff

S.1 Staff Costs include expenditure relating to States Staff, Non-States staff and other expenditure relating to the employment of Staff.

S.2 States Staff are defined as: Persons employed under an employment contract directly with the States of Jersey, Persons holding an office or appointment in the States (by crown appointment or otherwise), and States Members.

S.3 Non-States Staff are defined as: Persons who do not qualify as States Staff (defined above), but are acting as employees of the States of Jersey.

T Grants

T.1 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.

T.2 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.

U Accounting for Goods and Services Tax

U.1 Income and expenditure is shown net of GST, with net GST charged/paid being fully recoverable.

V Foreign Currencies

V.1 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.

V.2 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.

V.3 Both the functional and presentation currency is Sterling.

W Use of estimates and Significant Estimation Techniques

W.1 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.

W.2 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.

X Critical Judgements and key sources of estimation uncertainty

X.1 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.

X.2 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.

X.3 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.

X.4 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.

X.5 Valuation of Pensions
The States provides various pension schemes for its employees (see policy P for details) including some accounted for in accordance with FRS17 'Retirement Benefits'. The Operating Cost Statement, 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.

X.6 The valuation of the PECRS past service liability is based on a discount rate that is derived, from a gilt yield of 3.1% and the expected returns from investments in the Fund itself (2.35%). The expected returns from investments in the Fund are relevant because the 10 point agreement and the scheme regulations allow for surpluses arising in the Fund to be used to extinguish or repay the past service liability.

The judgement of the independent external actuary is that it is more likely than not that surpluses in the Fund
a) will arise and
b) be used to extinguish or repay the past service liability.

The discount rate (3.0%) used in the valuation of the JTSF past service liability is also based on the expected returns from investments in the Fund itself. While the mechanism for repaying the debt has not yet been formally agreed with the Scheme's board of management, the judgement of the independent external actuary is that any future agreement will allow for surpluses in the Fund to be used to extinguish or repay the past service liability

X.7 Strategic Investments
The States hold a number of strategic investments (see policy J.9 for details).

X.8 For Jersey Electricity plc the value has been determined by using the market value of the shares inflated by a controlling interest factor and with a marketability discount applied. The factor is determined by the Treasurer taking into account industry guidelines on valuation. As a preference discounted cash flow valuation methodology has been used for the valuation of the equity share elements 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.

Preference Shares have been valued using a Dividend Valuation Model, which applies discounted cash flow methodologies to the dividends expected to be received in relation to the shares. The discount rate applied is the higher of the intrinsic rate of the instrument (based on market information on comparable instruments), and the discount rate set by the Treasurer of the States (currently 6.1%).

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.

Y Third Party Assets

Y.1 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.

Z Losses and Special Payments

Z.1 Special Payments are those which fall outside the normal day-to-day business of the entity.

Z.2 Losses are recognised when they occur. Special Payments are recognised when there is a legal or constructive obligation for them to be paid.

Z.3 Losses and Special Payments are accounted for net of any directly recoverable amounts, but gross of insurance claims.

AA Related Party Transactions

AA.1 For the purpose of disclosure of Related Party Transactions, Key Management Personnel are considered to be the Council of Ministers, Assistant Ministers and Accounting Officers subject to remuneration disclosures.

9.2 Note 2: Segmental Analysis

2a) Operating Cost Statement

2011	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	–	–	–	–	–	477,056	477,056	–	–	**477,056**	–	**477,056**
Island rates, duties, fees, fines and penalties	4	–	23	5,648	564	86,192	92,431	716	–	**93,147**	(23)	**93,124**
Sales of goods and services	15,380	3,244	17,376	67,534	920	1,959	106,413	51,699	4,188	**162,300**	(20,166)	**142,134**
Investment income	–	–	–	19	1	17,503	17,523	369	9,995	**27,887**	2,106	**29,993**
Other revenue	7,235	–	376	4,224	3,200	13,079	28,114	1,262	30,094	**59,470**	(8,761)	**50,709**
Segment Revenues	**22,619**	**3,244**	**17,775**	**77,425**	**4,685**	**595,789**	**721,537**	**54,046**	**44,277**	**819,860**	**(26,844)**	**793,016**
Less inter/intra-segment revenue	(354)	–	(1,220)	(12,343)	(590)	(9,127)	(23,634)	(6,662)	3,452	**(26,844)**		
Total Revenues	**22,265**	**3,244**	**16,555**	**65,082**	**4,095**	**586,662**	**697,903**	**47,384**	**47,729**	**793,016**		
Expenses												
Social Benefit Payments	984	157,281	8,022	–	–	–	166,287	–	–	**166,287**	(31)	**166,256**
Staff costs	124,108	6,879	81,769	102,138	15,845	(489)	330,250	17,324	989	**348,563**	(131)	**348,432**
Other Operating expenses	65,221	1,266	18,362	87,916	12,308	2,507	187,580	20,425	26,830	**234,835**	(20,356)	**214,479**
Grants and Subsidies payments	2,407	2,235	13,032	20,627	131	–	38,432	8	1,054	**39,494**	(1,534)	**37,960**
Depreciation	2,113	–	125	31,699	130	–	34,067	12,312	47	**46,426**	–	**46,426**
Impairments of Fixed Assets	–	–	–	8,245	–	–	8,245	–	(452)	**7,793**	–	**7,793**
Finance costs	36	16	24	3,720	9	1,116	4,921	744	32	**5,697**	(527)	**5,170**
Financial Returns	–	–	–	–	–	–	–	2,455	1,081	**3,536**	(3,536)	**–**
Net foreign-exchange (gains)/ losses	–	–	–	–	–	288	288	–	(4)	**284**	154	**438**
Movement in pension liability1	–	–	–	–	–	5,640	5,640	(1,256)	–	**4,384**	–	**4,384**
Gains/Losses on disposal of assets	18	–	2	(1,694)	–	–	(1,674)	(103)	(941)	**(2,718)**	–	**(2,718)**
Segment Expenditure	**194,887**	**167,677**	**121,336**	**252,651**	**28,423**	**9,062**	**774,036**	**51,909**	**28,636**	**854,581**	**(25,961)**	**828,620**
Less inter/intra-segment expenditure	(1,767)	(273)	(1,235)	(12,558)	(1,994)	(460)	(18,287)	(8,510)	836	**(25,961)**		
Total Expenditure	**193,120**	**167,404**	**120,101**	**240,093**	**26,429**	**8,602**	**755,749**	**43,399**	**29,472**	**828,620**		
Net (Income)/Expenditure for the Year												
Before Consolidation Adjustments	**172,268**	**164,433**	**103,561**	**175,226**	**23,738**	**(586,727)**	**52,499**	**(2,137)**	**(15,641)**	**34,721**	**883**	**35,604**
Less inter/intra-segment income and expenditure	(1,413)	(273)	(15)	(215)	(1,404)	8,667	5,347	(1,848)	(2,616)	**883**		
After Consolidation Adjustments	**170,855**	**164,160**	**103,546**	**175,011**	**22,334**	**(578,060)**	**57,846**	**(3,985)**	**(18,257)**	**35,604**		

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.

2b) Balance Sheet

2011	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	12,441	–	1,729	2,618,916	405	–	2,633,491	278,644	10,026	**2,922,161**	–	**2,922,161**
Financial Assets	–	–	–	14,344	–	576,282	590,626	–	694,542	**1,285,168**	(35,302)	**1,249,866**
Current Assets	9,027	7,094	5,080	5,831	615	85,855	113,502	4,118	84,770	**202,390**	15,432	**217,822**
Interfund Balances	–	–	–	–	–	(50,641)	(50,641)	45,076	5,565	**–**	–	**–**
Current Liabilities	(8,185)	(1,228)	(4,970)	(32,587)	(1,841)	(69,047)	(117,858)	(6,359)	(114,774)	**(238,991)**	(137)	**(239,128)**
Long Term Liabilities	(150)	–	–	(4,650)	–	(385,627)	(390,427)	(21,312)	(1,874)	**(413,613)**	–	**(413,613)**
NET ASSETS	**13,133**	**5,866**	**1,839**	**2,601,854**	**(821)**	**156,822**	**2,778,693**	**300,167**	**678,255**	**3,757,115**	**(20,007)**	**3,737,108**
Reserves	1,451,618	1,153,440	1,059,613	(794,204)	200,520	(5,849,680)	(2,778,693)	(300,167)	678,252	**(3,757,115)**	20,007	**(3,737,108)**
Intra-Fund Balances	(1,464,751)	(1,159,306)	(1,061,452)	(1,807,650)	(199,699)	5,692,858	–	–	–	**–**	–	**–**
NET RESERVES	**(13,133)**	**(5,866)**	**(1,839)**	**(2,601,854)**	**821**	**(156,822)**	**(2,778,693)**	**(300,167)**	**(678,252)**	**(3,757,115)**	**20,007**	**(3,737,108)**

Note:

Prior year comparatives may be found in Note 2 (pages 80 and 81) of the 2010 Financial Report and Accounts.

9.3 Note 3: Revenue

	Notes	2010 £'000	2011 £'000
Levied by the States of Jersey			
Taxation Revenue			
Salary and Wage Earners		271,712	285,993
Self Employed and Investment Holders		43,541	49,825
Companies		83,284	74,980
GST		45,148	66,258
Taxation Revenue		**443,685**	**477,056**
Island rates, duties, fees, fines and penalties			
Impôts Duty – Spirits		4,038	4,018
Impôts Duty – Wines		6,158	6,465
Impôts Duty – Beer and Cider		5,998	6,295
Impôts Duty – Tobacco		12,638	12,479
Impôts Duty – Fuel		20,250	20,866
Impôts Duty – Other		138	148
Impôts Duty – VED		192	894
Stamp Duty and Land Transaction Tax		20,139	22,567
Island Rates		10,635	10,915
Other Fees and Fines		8,109	8,477
Island rates, duties, fees, fines and penalties		**88,295**	**93,124**
Earned through Operations			
Sales of goods and services		**135,288**	**142,134**
Investment Income			
Investment Income[1]	7	37,659	40,203
Gains/(losses) on investments	8	21,412	(10,210)
Investment Income		**59,071**	**29,993**
Other Revenue			
Financial Returns		3,657	3,710
Other Income[2]		15,745	46,999
Other Revenue		**19,402**	**50,709**
Total Revenue		**745,741**	**793,016**

1 2010 Figures have been restated to combine Investment Income with Loan, Bank and Notional Interest.

2 Other income includes: European Union Savings Tax Directive Income; Criminal Offences Confiscations Fund, grants, recharges and transfers between departments.

9.4 Note 4: Expenditure

	Notes	2010 £'000	2011 £'000
Operating Expenditure			
Social Benefit Payments			
Social Security Benefits		98,953	100,908
States Contributions to Social Security Fund and Health Insurance Fund		66,667	65,348
Social Benefit Payment		**165,620**	**166,256**
Staff costs			
States Members Remuneration		2,418	2,515
States Staff Salaries and Wages		275,883	280,744
States Staff Pension Costs		35,424	35,804
States Staff Social Security		15,234	15,345
Non-States Staff Costs		9,636	12,451
Other Staff Costs		7,858	2,838
Charges of Staff to Capital Projects		(1,207)	(1,265)
Staff costs	5	**345,246**	**348,432**
Other Operating expenses		**184,190**	**214,479**
Grants and Subsidies payments	35	**40,187**	**37,960**
Depreciation	6	**50,235**	**46,426**
Impairment of Fixed Assets	6	**145,094**	**7,793**
Finance costs	7	**5,338**	**5,170**
Non-operating expenditure			
Net foreign-exchange losses		447	438
Movement in pension liability	21	41,263	4,384
Gains on disposal of assets		(2,730)	(2,718)
Non-operating expenditure		**38,980**	**2,104**
Total Expenditure		**974,890**	**828,620**

9.5 Note 5: Employees and States Members

Year End FTE	Department	Salaries and Wages £'000	Pension £'000	Social Security £'000	Total £'000
192	Chief Minister's Department	10,182	1,269	521	11,972
59	Economic Development	3,335	414	182	3,931
1,533	Education, Sport and Culture	67,871	9,743	3,885	81,499
108	Department of the Environment	5,796	768	291	6,855
2,310	Health and Social Services	101,056	12,044	5,619	118,719
642	Home Affairs	31,780	3,972	1,698	37,450
42	Housing	1,946	254	103	2,303
135	Social Security	5,205	781	309	6,295
508	Transport and Technical Services[1]	18,391	2,012	1,007	21,410
224	Treasury and Resources	11,032	1,443	566	13,041
26	States Assembly (excluding States Members)	1,195	160	65	1,420
175	Non Ministerial States Funded Bodies	9,772	1,378	444	11,594
179	Jersey Airport	9,259	1,137	472	10,868
63	Jersey Harbours	3,036	348	163	3,547
	Other[2]	888	81	20	989
6,196	**Total**	**280,744**	**35,804**	**15,345**	**331,893**
	Staff costs charged to capital				(1,265)
	Non-States staff costs[3]				12,451
	Other staff costs[4]				2,838
	States Members remuneration				2,515
	Total Staff costs				**348,432**

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

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

2 Other includes the costs of the States of Jersey Development Company (SOJDC) employees. Further details can be found in the company's separately published accounts.

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

4 Other staff costs includes redundancy, voluntary redundancy and severance payments.

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

Non Cash Items

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

	2010 £'000	2011 £'000
Depreciation[1]	50,235	46,426
Impairments of Fixed Assets[2]	145,094	7,793
Amortisation of Housing Bonds[3]	68	–
Unwinding of Discount on Deferred Consideration	(73)	(25)
Impairment loss recognised on Trade and Other Receivables	6,387	2,034
Impairment loss recognised on Available-for-Sale Investments	–	31
Impairment loss recognised on Loans and Advances	–	–
Increase/(Decrease) in Provisions	(3,204)	20,129

Other Significant Items included in the (Deficit)/Surplus

Also included in the deficit are the following significant items

	Notes	2010 £'000	2011 £'000
(Gain)/Loss on Disposal of Fixed Assets		(2,730)	(2,718)
(Gain)/Loss on Investments	8	(21,412)	10,210
Finance Lease Charges		1,218	1,036
Audit Fees[4]		421	454

Information regarding interest payable is included in Note 7.

Lease Rentals

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

	2010 £'000	2011 £'000
Rentals under Operating Leases	39,788	40,985

No rentals under Finance Leases were received in either 2011 or 2010.

1 Depreciation includes £1,118,295 of depreciation relating to assets funded by Finance Leases (2010: £1,014,912). £98,720 was released from the Donated Asset Reserve to the OCS to offset depreciation on Donated Assets during 2011 (2010: £128,313).

2 £1,900 was released from the Donated Asset Reserve to the OCS to offset impairments on Donated Assets during 2011 (2010: £359,980).

3 Under FRS 25 Housing Bonds are recognised as Available-for-Sale Financial Assets, and are no longer amortised.

4 In addition the States External Auditors were paid £55,535 for non-audit work (2010: £115,688).

9.7 Note 7: Investment Income

	2010 £'000	2011 £'000
Interest Income		
Bank Deposits	667	342
Assets held at Fair Value through OCS	16,808	17,670
Loans and receivables	907	928
Other	73	–
Total Interest Income	**18,455**	**18,940**
Dividends		
Strategic Investments	13,353	14,448
Assets held at Fair Value through OCS	5,851	6,815
Other	–	–
Total Dividends	**19,204**	**21,263**
Total Investment Income	**37,659**	**40,203**

Investment income earned on financial assets analysed by category of asset is as follows:

	2010 £'000	2011 £'000
Assets held at Fair Value through OCS	22,659	24,485
Available-for-sale investments	13,353	14,448
Loans and receivables (including cash and bank balances)	1,647	1,270
Total investment income for Financial Assets	**37,659**	**40,203**

Finance Costs

	2010 £'000	2011 £'000
Interest Expense		
Interest on Bank Overdrafts and loans	–	–
Finance Lease Interest	1,218	1,036
Other Interest	101	44
Total Interest Expense	**1,319**	**1,080**
Finance Costs		
Amortisation of Housing Bonds[1]	68	–
Bank and Other Charges	114	129
PECRS Pre-1987 Debt Expense	3,837	3,961
Total Finance Costs	**5,338**	**5,170**

1 Under FRS 25 Housing Bonds are recognised as Available-for-Sale Financial Assets, and are no longer amortised.

9.8 Note 8: Other Gains and Losses

	2010 £'000	2011 £'000
Gain/Loss on disposal of Available-for-sale investments	34	16
Change in Fair Value of Financial Assets held at Fair Value through OCS	21,412	(10,536)
Change in Fair Value of Derivative Financial Instruments	–	310
Total (Loss)	**21,446**	**(10,210)**

Changes in Fair Value of Financial Assets held at Fair Value through OCS include £4.8 million of realised gains. Changes in Fair Value of Derivative Financial Instruments include £11,671 of realised gains.

In 2010 Unrealised Gains were recognised in the STRGL, and so are not included in these figures.

9.9 Note 9: Tangible Fixed Assets

	Land and Buildings	Property Held for Disposal	Social Housing (inc Land)	Infrastructure	Other Structures	Transport Equipment	Plant & Machinery, Furniture & Fittings	Information Technology	Antiques and Works of Art	Assets Under Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation											
At 1 January 2011	953,584	18,669	545,511	1,040,489	198,899	14,159	61,133	12,108	673	138,538	2,983,763
Additions	1,662	(21)	–	–	–	61	43	402	–	73,002	75,149
Disposals	(1,316)	(4,758)	(632)	(37)	–	(511)	(900)	(12)	–	–	(8,166)
Transfers	30,065	(10,739)	5,993	2,800	3,009	1,386	122,881	5,633	–	(161,028)	–
Revaluations	(1,424)	211	(597)	134,392	–	–	–	–	–	–	132,582
Impairments	678	–	–	–	–	–	–	–	–	(577)	101
At 31 December 2011	**983,249**	**3,362**	**550,275**	**1,177,644**	**201,908**	**15,095**	**183,157**	**18,131**	**673**	**49,935**	**3,183,429**
Depreciation											
At 1 January 2011	(144,948)	(546)	(27,262)	(2,954)	(12,935)	(5,366)	(17,456)	(3,750)	(8)	–	(215,225)
Depreciation charge	(14,782)	–	(10,187)	(2,655)	(6,344)	(1,497)	(8,245)	(2,810)	(5)	–	(46,525)
Disposals	1,285	390	632	–	–	449	817	11	–	–	3,584
Transfers	516	152	–	–	–	–	(668)	–	–	–	–
Revaluations	–	–	50	4,742	–	–	–	–	–	–	4,792
Impairments	(2,504)	(94)	(5,850)	(32)	–	–	–	–	–	–	(8,480)
Impairment Reversal	558	–	28	–	–	–	–	–	–	–	586
At 31 December 2011	**(159,875)**	**(98)**	**(42,589)**	**(899)**	**(19,279)**	**(6,414)**	**(25,552)**	**(6,549)**	**(13)**	**–**	**(261,268)**
Net Book Value: 31 December 2011	**823,374**	**3,264**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,605**	**11,582**	**660**	**49,935**	**2,922,161**
Net Book Value: 1 January 2011	808,636	18,123	518,249	1,037,535	185,964	8,793	43,677	8,358	665	138,538	2,768,538
Asset Financing											
Owned	747,864	3,264	506,780	1,176,745	178,176	8,522	157,443	11,582	50	49,935	2,840,361
Donated	38,122	–	–	–	–	159	162	–	–	–	38,443
Leased	37,388	–	906	–	4,453	–	–	–	610	–	43,357
Net Book Value: 31 December 2011	**823,374**	**3,264**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,605**	**11,582**	**660**	**49,935**	**2,922,161**

During the year the value of Tangible Fixed Assets held by the States increased by £154 million. This was in part due to the growth of the asset base of £17 million (additions of £75 million less deprecation of £46 million, impairments of £8 million and disposals of £4 million), but primarily due to revaluations of £137 million, mostly relating to infrastructure assets.

There were no material changes in Useful Economic Lives during 2011.

Impairments

During the year impairment reviews were carried out in line with the States' accounting policies and the requirements of the Jersey Financial Reporting Manual (JFReM). Impairments recognised relate primarily to Housing (£6 million), where capital costs of new builds and refurbishments were written down.

Details of material impairments of assets, except those due to changes in market value, are given in Note 30.

Procedures for Revaluations

All property assets with the exception of Assets Under Construction, are subject to a quinquennial revaluation (QQR), with an Interim Valuation after 3 years. 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. In addition, 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. Where valuation is made on a 'Value in Use' basis, there is no significant difference between Open Market Value and Value in Use.

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

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	2011 £'000
Cost	707,994	684,255
Accumulated Depreciation	(56,324)	(65,533)
Net book Value	**651,670**	**618,722**

9.10 Note 10: Loans and Advances

	2010 £'000	2011 £'000
Analysed by Fund:		
Consolidated Fund	5,613	4,683
Dwelling Houses Loans Fund	6,025	5,413
99 Year Leaseholders Account	173	169
Assisted House Purchase Scheme	1,824	3,367
Agricultural Loans and Guarantees Fund	4,273	1,423
	17,908	**15,055**
Maturity Analysis:		
Payable within one year	2,049	2,446
Payable between one and two years	2,457	1,874
Payable between two and five years	4,559	3,579
Payable in five years or more	8,843	7,156
	17,908	**15,055**

2010 figures have been restated to include amounts due within one year.

Changes to Advances

	2010 £'000	2011 £'000
Opening Balance	21,129	17,908
Additional Advances made	103	
Repayments	(3,316)	(2,853)
Write Offs	(8)	
Closing Balance	**17,908**	**15,055**

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.

9.11 Note 11: Available for Sale investments held at Fair Value

	2010 £'000	2011 £'000
Strategic Investments: Equity Shares		
Jersey Electricity plc	71,700	67,600
Jersey New Waterworks Company Limited	20,200	20,200
Jersey Telecom Group Limited	106,700	180,800
Jersey Post International Limited	30,900	20,900
Total Equity Shares	**229,500**	**289,500**
Strategic Investments: Irredeemable Preference Shares		
Jersey New Waterworks Company Limited	4,500	7,400
Jersey Telecom Group Limited	20,000	29,500
Total Preference Shares	**24,500**	**36,900**
Total Strategic Investments	**254,000**	**326,400**
Other Available for Sale investments held at Fair Value		
Homebuyer Housing Property Bonds	8,531	8,190
P7/2006 Housing Property Bonds	5,926	5,847
Other	–	298
	14,457	**14,335**

Strategic Investment Holdings:

Jersey Electricity plc

The States of Jersey holds all the ordinary shares in Jersey Electricity plc which represents approximately 62% of the Company's total issued share capital as at 31 December 2011 (86.4% of the total voting rights). Jersey Electricity plc also has 'A' shares in issue which are listed on the London Stock Exchange, and two classes of preference shares, which hold 3% of the voting rights.

Jersey New Waterworks Company Limited

The States of Jersey holds 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 2011.

In addition, Jersey New Waterworks Company Limited has 6 other classes of preference shares issued.

Each ordinary share carries one vote. Whilst 'A' ordinary shares are in the ownership of the States of Jersey, the total number of votes carried by these shares is twice the number of votes carried in respect of all other shares.

Every holder of a preference share holds one vote, irrespective of the number and class of such preference shares.

States of Jersey Investments Limited

The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in 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 and Jersey Post as part of the Consolidated Fund.

Jersey Telecom Group Limited

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

Jersey Post International Limited

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

States of Jersey Development Company Limited

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

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, FRS 26 and the Accounting Policies specified in Note 1.

Specifically, the following methodologies have been used to value Ordinary Share Capital:

Jersey Electricity plc	Market Value of 'A' Shares, inflated by a controlling interest factor, and reduced by a marketability factor.
Jersey New Waterworks Company Limited	Discounted Cash Flow
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.

Preference Shares are valued using the Dividend Valuation Model. Due to the method of valuation, increases in the value of preference shares will reduce the value of the equity shares. Preference Shares have previously been held at par value, and comparatives have not been restated.

Results of the 2011 Valuation

Overall the value of Strategic Investments increased by £72 million. The value of Jersey Telecom Group Limited increased by £84 million, primarily due to the growth expected as a result of the new investment in Gigabit Jersey and investment in other new revenue streams. The Gigabit Jersey project will cost £41.5 million, and will be partly financed by the States (£19 million) as it is acknowledged to provide an initial stimulus to the Jersey economy as well as longer term benefits to the Island of Jersey.

In contrast the valuation of Jersey Post International Limited fell by £10 million, mostly due to a change in accounting treatment for payments to one of their larger suppliers, impacting the forecast balance sheet. As expected and in line with their relatively stable market and operating environment, the value of holdings in Jersey New Waterworks Company and Jersey Electricity plc remained broadly the same, with JEC decreasing slightly due to a small change in their share price, and JNWC increasing due to improved growth expectations.

Other Available for Sale investments held at Fair Value

These investments are bonds that arise from the sale of properties to States tenants as part of the Social Housing Property Plan 2007–2016 (SHPP), sales to first time buyers qualifying under the Homebuy scheme and other similar arrangements.

The purchasers of properties under these two schemes are required to pay a proportion of the market value in cash on purchase and also enter into an agreement (bond) relating to the remaining value of the property. During the year new bonds with a value of £451,250 (2010: £586,000) were issued.

Upon the next sale and/or transfer of the property, the greater of the bond value and a proportion (as stated in the bond agreement) of the market value is paid to the States. During 2011, £23,500 of bonds were redeemed (2010: £47,000), with a gain of £16,000 being recognised.

Some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces. It is not expected that these bonds will be redeemed before the amount has reduced to a minimum, and therefore the value of these bonds is calculated based on this assumption.

There is no history of default rates within the scheme. Where the likelihood of recovering the bond amount is in doubt, an impairment review is carried out, and the value of the bond adjusted accordingly. Where a mortgage exists the mortgagor will have first call upon that property.

The Bonds are valued to reflect:

- the increase, and expected future increases, in the market value of the relevant property (calculated with reference to the Jersey HPI)
- the time value of money (using the States nominal discount rate of 6.1%)
- any indication of impairment of the bonds.

Movement in Fair Value of Housing Bonds

	2010	2011
	£'000	£'000
Opening	13,986	14,457
Issue of New Bonds	586	451
Redemption of bonds	(47)	(24)
Movement in Fair Value	–	(711)
Other Movements	(68)	162
Closing	**14,457**	**14,335**

9.12 Note 12: Investments held at Fair Value through OCS

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

2011	Investments held in the Common Investment Fund	Investments held directly by:		Total
		Consolidated Fund	Currency & Coinage Funds	
	Market Value	Market Value	Market Value	Market Value
	£'000	£'000	£'000	£'000
Equities	295,330	–	–	**295,330**
Government Bonds	206,283	–	–	**206,283**
Corporate Bonds	121,266	–	–	**121,266**
Certificates of Deposit	175,315	85,085	10,100	**270,500**
Other	–	2,942	–	**2,942**
	798,194	**88,027**	**10,100**	**896,321**

2010	Investments held in the Common Investment Fund	Investments held directly by:		Total
		Consolidated Fund	Currency & Coinage Funds	
	Market Value	Market Value	Market Value	Market Value
	£'000	£'000	£'000	£'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**

Maturity Analysis 2011	Investments held in the Common Investment Fund	Investments held directly by:		Total
		Consolidated Fund	Currency & Coinage Funds	
	£'000	£'000	£'000	£'000
Less than one year	241,090	88,027	10,100	**339,217**
Between one and two years	93,215	–	–	**93,215**
Between two and five years	111,301	–	–	**111,301**
More than five years	57,258	–	–	**57,258**
Equities	295,330	–	–	**295,330**
	798,194	**88,027**	**10,100**	**896,321**

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

9.13 Note 13: Stock and Work in Progress

	2010 £'000	2011 £'000
Analysed by Fund:		
Consolidated Fund	4,304	5,314
Jersey Currency Notes	1,874	1,677
Jersey Coinage	255	152
Jersey Fleet Management	55	33
Jersey Airport	256	346
States of Jersey Development Company Ltd.	23,023	24,673
	29,767	**32,195**

Analysed by Type:		
Raw Materials, Consumables, Work in Progress and Finished Goods	6,790	7,568
Development Property stock	22,977	24,627
	29,767	**32,195**

9.14 Note 14: Debtors

Debtors falling due within one year

	2010 Total £'000	2011 Debtors £'000	2011 Accrued Revenue £'000	2011 Total £'000
Taxation Debtors				
Income Tax Debtors	59,198	50,929	1,819	52,748
GST Debtors	13,941	3,241	18,127	21,368
Provision for taxation debtors	(9,599)	(9,311)		(9,311)
Total tax debtors	**63,540**	**44,859**	**19,946**	**64,805**

	2010 £'000	2011 £'000
Trade Debtors		
Trade debtors	28,750	35,945
Prepayments and accrued income	17,490	16,991
Other Debtors	2,175	1,566
Provision for non-taxation debtors	(1,437)	(1,325)
Total non-taxation debtors	**46,978**	**53,177**
Total debtors falling due within one year	**110,518**	**117,982**

Loans and Advances due within one year are now included in Note 10.

Under FRS 25 Housing Bonds are recognised as Available-for-Sale Financial Assets, and are now included in Note 11.

Taxation Debtors

The Taxes Office actively monitors taxation receivables, and provides for doubtful debts based on the whole portfolio of receivables.

The provision is established as follows: receivables in excess of a defined threshold are reviewed individually to identify cases where there is a significant risk of non-collection – a specific provision is then made for these receivables. The remainder of the receivables are stratified by age, based on the year of assessment, and a set percentage provision is applied to each age category. The percentage provision increases with the age of the receivable, and is based on past experience.

The balance of taxation receivables after the provision for doubtful debts is therefore representative of the amount that is expected to be recovered for taxation receivables as a whole, and takes into account the risks of non-collection.

Non-Taxation Debtors

Included in the non-taxation debtor balance are debtors with a carrying value of approximately £4 million which are past due at the reporting date for which the States has not provided as there has not been a significant change in credit quality and amounts, and are still considered recoverable.

Ageing of past due but not impaired receivables:

	2011 £'000
30–60 days	2,459
61–90 days	404
91–120 days	249
more than 120 days	894
	4,006

Movement in the allowance for non-taxation debts

	2011 £'000
Balance at the beginning of the period	1,437
Impairment losses recognised	312
Amounts written off as uncollectible	(164)
Impairment losses reversed	(38)
Other Adjustments	(222)
Balance at the end of the period	**1,325**

In determining the recoverability of a debtor any change in the credit quality of the debtor from the date credit was originally granted was considered.

The concentration of credit risk is limited due to the debtor base being large and unrelated.

Ageing of impaired receivables:

	2011 £'000
30–60 days	2
61–90 days	14
91–120 days	11
more than 120 days	1,298
	1,325

The States considers that the carrying amount of Trade and Other debtors is approximately equal to their fair value.

9.15 Note 15: Cash and Other Liquid Resources

	2010 £'000	2011 £'000
Bank deposit accounts	90,718	62,948
Bank current accounts	2,575	1,928
Cash in hand and in transit	740	225
	94,033	**65,101**

Bank overdrafts have been disclosed in Note 16 Creditors falling due within one year.

9.16 Note 16: Creditors falling due within one year

	2010 £'000	2011 £'000
Trade creditors	36,834	35,154
Other creditors	4,038	4,167
Income Tax creditors and receipts in advance	55,917	62,897
Accruals and deferred income	9,442	11,364
Current element of finance leases	2,862	3,076
Receipts in advance	8,586	9,214
Total creditors	**117,679**	**125,872**

The average credit period taken for purchases is 32 days.

The States considers that the carrying value of Trade creditors approximates to their fair value.

9.17 Note 17: Currency

	2010 £'000	2011 £'000
Jersey Notes issued	96,062	91,158
Less: Jersey Notes held	(10,835)	(8,451)
Jersey Notes	**85,227**	**82,707**
Jersey Coinage issued	8,986	8,987
Less: Jersey Coinage held	(1,434)	(1,098)
Jersey Coinage	**7,552**	**7,889**
Total Currency in Circulation	**92,779**	**90,596**

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.

In November 2011 the updated Currency Notes and Coinage Investment Strategy was presented to the States Assembly. The focus of the strategy, to match the value of currency in circulation, remains unchanged. However, 60% of assets can now be allocated to an Alternative Investments Class. Alternative Investments include a number of options outside 'traditional' investment types, the most significant to this Fund being Jersey Infrastructure Investments.

Jersey Infrastructure Investments provide a number of benefits; firstly they generate returns in excess of cash type instruments while maintaining a low risk profile in keeping with the Fund Investment Strategy. They may also be used to generate a number of positive effects for the island including provision of funding for projects in the public interest and reduction of overall project costs which would otherwise be funded through commercial loans.

More details with regard to the Currency Funds' Investment Strategy and the new Alternative Investment Class is included in the States of Jersey Investment Strategy document, published online.

9.18 Note 18: 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 2011, the States had commitments to make the following payments under these arrangements.

	2010 £'000	2011 £'000
Payable within one year	3,936	3,962
Payable after more than one year	17,567	13,614
	21,503	17,576
Less: future Finance charges	(4,579)	(3,514)
	16,924	**14,062**
Amounts falling due within one year[1]	2,862	3,076
Amounts falling due between one and two years	3,076	1,965
Amounts falling due between two and five years	6,297	5,520
Amounts falling due after more than five years	4,689	3,501
	16,924	**14,062**

1 These amounts are included within Current Liabilities.

9.19 Note 19: Operating Lease Expenses and Commitments

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

	2010 £'000	2011 £'000
Plant and machinery	523	199
Other	987	1,169
Total	**1,510**	**1,368**

The States also has the following commitments with regarding to Operating Leases in 2012, analysed by expiry of the arrangement.

	2010 £'000	2011 £'000
Land and Buildings		
Expiring within two years	210	275
Expiring between three and five years	140	173
Expiring after more than five years	438	318
	788	**766**
Other Operating Leases		
Expiring within two years	204	184
Expiring between three and five years	15	3
Expiring after more than five years	–	–
	219	**187**
Total	**1,007**	**953**

9.20 Note 20: Derivative Financial Instruments

	2011 £'000
Derivative Liabilities	
Housing Trusts Letters of Comfort	2
Derivative Assets	
Other Financial Derivatives	299

Housing Trusts Letters of Comfort

The Treasury and Resources Department have agreed to provide financial support to various Housing Trusts in respect of bank loans. To this end, the department has issued a total of 33 Letters of Comfort to 6 Housing Trusts, 32 of which are active, covering loans totalling £128.8 million as at 31 December 2011. These loans do not constitute guarantees, but provide a cap on interest rates – if rates exceed an agreed threshold the States will provide a subsidy (through the Housing Development Fund) equal to the excess. Due to low interest rates, no subsidies have been paid since 2009. The letters cover a range of periods, with the last exposure currently expiring in 2034.

Valuation

The value of the liability that these letters represent has been determined using Discounted Cash Flow methods, using estimations of future interest rates to project subsidy payments.

Sensitivity

The values of interest rate caps are dependent on several factors, including year end loan balances, commercial expectations of future interest rates and changes in the markets' expectations. Changes in these factors could lead to changes in the future value of the liability recognised, to reflect expected changes in the subsidies that are expected to be paid.

Whilst latest market indications are that interest rates are not expected to increase to levels that will trigger the payment of a subsidy for several years, the table below shows what the approximate level of subsidy payments would be in 2012 if rates were at various levels for the year.

Interest Rate (LIBOR)	Value of Subsidies (2012) £'000
3%	–
4%	715
5%	1,650
6%	2,865
7%	4,121
8%	5,376

Other Financial Derivatives

The States of Jersey receives some income in Euros, in particular in respect of the Channel Islands Air Control Zone (approximately £7 million per annum). The States has entered into a number of forward contracts to sell Euros in excess of operational requirements at a fixed rate between 2012 and 2014.

Whilst these instruments hedge foreign exchange risk, they have not been designated as hedging instruments and are accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 29.

Year of Expiry	Nominal Amount Hedged	Fair Value of Contract as at 31/12/11
	£'000	£'000
2012	3,255	98
2013	5,056	114
2014	4,884	87
Total Derivatives		**299**

Details of Gains and Losses recognised on these instruments are given in Note 8.

Other derivatives may be held on a short term basis where this is appropriate for the management of the States' investments. No such instruments were held at the year end. As gains and losses are small and relate directly to investments held at Fair Value through the OCS, any gains and losses on these derivatives are included within gains and losses on these investments.

9.21 Note 21: Other Significant Liabilities

PECRS pre-1987 debt

The framework for dealing with the pre-87 debt is documented in the ten-point agreement. Under this agreed framework, annual repayments are due to be paid until 31 December 2083. The amount payable increases each year in line with the average pay increase of Scheme members who are States employees. This means that the repayment of the debt is weighted towards the end of the loan period.

The debt is valued as a salary-linked bond and the long term nature of this arrangement means that the level of the debt is sensitive to changes in the market conditions that are used to value the debt. It is possible for the level of the debt to increase or decrease over the course of a financial year due to changes in market conditions. During 2011 the value of the pre-87 debt decreased by £17.5 million.

	2010		2011	
	Total	Current	Long Term	Total
	£'000	£'000	£'000	£'000
Opening Liability	250,611	4,038	265,435	269,473
Finance Charge	3,837	3,961		3,961
Payment in Year	(3,837)	(3,961)		(3,961)
Movement in Liability amount	18,862	129	(17,583)	(17,454)
Closing Liability	**269,473**	**4,167**	**247,852**	**252,019**

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

	2010	2011
	%	%
Average future increase in Staff Expenditure	5.00	5.00
Discount Rate	5.20	5.45

These assumptions are those used in the 2010 valuation of the PECRS, adjusted to reflect changes in market conditions between 31 December 2010 and 31 December 2011, and the estimated average increases in pay over 2011.

The 2010 assumptions were based on those used for the 2007 valuation, similarly adjusted for changes in market conditions.

Changes in these assumptions can affect the value of the liability included in the Accounts. For example, an increase of 0.1% in the Discount Rate, or a decrease of 0.1% in the staff increase assumption, would result in a decrease in the liability of approximately £8 million. Conversely, a decrease of 0.1% in the Discount Rate, or an increase of 0.1% in the staff increase assumption would lead to an increase of approximately £8 million.

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.

During 2011 the provision was increased from £114 million to £135.1 million to reflect an up-to-date position of the liability.

9.22 Note 22: Pension Schemes – Defined Benefit Schemes

The States of Jersey operates three defined benefit pension schemes: the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS). In addition, the States also has responsibility for the unfunded Pensions Increase Liability (PIL). The States also operates a further two schemes which are not recognised on the balance sheet, details of which are given in Note 32.

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

	31 December 2010 % p.a.	31 December 2011 % p.a.
Jersey Price Inflation	3.9	3.3
Rate of general long-term increase in salaries	5.2	4.0
Rate of increase to pensions in payment	3.9	3.3
Rate of increase to pensions in payment payable by PECRS	3.6	3.0
Discount rate for scheme liabilities	5.3	4.6

Scheme Assets and Liabilities

	2010	2011		
	Net (Asset) /Liability £'000	Asset £'000	Liability £'000	Net (Asset) /Liability £'000
Jersey Post Office Pension Fund	–	(8,840)	8,840	–
Discretionary Pension Scheme	335	(235)	533	298
Jersey Civil Service Scheme (pre-67)	6,153	–	6,167	6,167
1972 Act Pensions Increase	4,664	–	5,028	5,028
Total Defined Benefit Pension Schemes Net (Asset)/Liability	**11,152**	**(9,075)**	**20,568**	**11,493**

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 volatility are assumed to generate 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.

Amounts recognised in the Operating Cost Statement

	2010 £'000	2011 £'000
Jersey Post Office Pension Fund	210	137
Discretionary Pension Scheme	28	20
Jersey Civil Service Scheme (pre-67)[1]	6,599	315
1972 Act Pensions Increase	4,664	266
Total Defined Benefit Pension Schemes Charges	**11,501**	**738**

Amounts recognised in the Statement of Total Recognised Gains and Losses

	2010 £'000	2011 £'000
Jersey Post Office Pension Fund	1,420	137
Discretionary Pension Scheme	25	31
Jersey Civil Service Scheme (pre-67)[1]	–	(140)
1972 Act Pensions Increase	–	(120)
Total gains/(losses) recognised in the STRGL	**1,445**	**(92)**

1 The Jersey Civil Service Scheme (pre-1967) (CSS) was first recognised in 2010. The profit and loss charge was combined with the amount recognised in the Statement of Total Recognised Gains and Losses for 2010.

The Jersey Post Office Pension Fund (JPOPF)

Jersey Post International Limited operates the Jersey Post Office Pension Fund (JPOPF) which is a funded scheme of the defined benefit type, providing retirement benefits based on final salary. The last remaining active member left service during 2009 and the JPOPF is closed to new members.

The most recent full actuarial valuation of the JPOPF was at 31 December 2002 and has been updated by an Actuary to 31 December 2008 in accordance with FRS 17.

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 60 (currently aged 60)	27 years	27 years
Future lifetime from aged 60 (currently aged 45)	29 years	29 years
Females		
Future lifetime from aged 60 (currently aged 60)	29 years	29 years
Future lifetime from aged 60 (currently aged 45)	31 years	31 years
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

The assets of the scheme and the weighted average expected rate of return on assets were:

	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 2011 % p.a.	Value at 31 December 2011 £'000
Equities	8.00	–	8.00	
Property	7.50	–	7.50	
Fixed Interest Gilts	4.20	625	2.80	584
Index-Linked Gilts	4.00	7,323	2.60	8,228
Corporate Bonds	5.00	–	3.90	
Other	1.40	1,196	1.80	786
Total market value of assets		9,144		9,598
Present value of scheme liabilities		(9,058)		(8,840)
Surplus in the scheme		86		758
Unrecognised asset due to limit in para 41		(86)		(758)
Net pension asset/(liability) on the balance sheet		**–**		**–**

Note: Values shown are at bid value.

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**9,133**	**9,144**
Expected return on scheme assets	358	324
Actuarial gains/(losses) on scheme assets	411	838
Net benefits paid	(758)	(708)
Contributions paid by the employer	–	–
Contributions by scheme participants	–	–
31 December	**9,144**	**9,598**

The actual return on scheme assets in the year was £1,162,000 (2010: £769,000).

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**10,343**	**9,058**
Current service cost	–	–
Past service cost	–	–
Interest cost	568	461
Net benefits paid	(758)	(708)
Actuarial (gains)/losses on scheme liabilities *	(1,095)	29
31 December	**9,058**	**8,840**

* Includes changes to the actuarial assumptions.

The amounts recognised in the Operating Cost Statement are as follows:

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Current service cost	–	–
Past service cost	–	–
Expected return on scheme assets	(358)	(324)
Interest cost	568	461
Unrecognised asset due to limit in para 41	–	–
Total charge	**210**	**137**

Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Total actuarial gains/(losses)	1,506	809
Change in irrecoverable surplus, effect of limit in para 41	(86)	(672)
Total gains/(losses) in STRGL	**1,420**	**137**

Amounts for current period and previous four periods

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Scheme assets	(9,637)	(9,936)	(9,133)	(9,144)	(9,598)
Defined benefit obligation	9,921	9,141	10,343	9,058	8,840
(Surplus)/deficit	284	(795)	1,210	(86)	(758)
Experience gains/(losses) on scheme assets	227	594	(426)	411	838
Experience gains/(losses) on scheme liabilities *	(63)	(1)	22	1,338	(28)
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	478	467	1,049	1,420	137

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

The valuation at 31 December 2011 showed an increase in the scheme surplus from £86,000 to £758,000.

The Discretionary Pension Scheme (DPS)

The Discretionary Pension Scheme (DPS) is a funded scheme of the defined benefit type, providing retirement benefits for one individual based on final salary.

The most recent full actuarial valuation of the liabilities of the DPS was at 31 December 2009. The States of Jersey will continue to meet any shortfall in benefits paid from departmental expenditure limits.

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 65 (currently aged 65)	22 years	22 years
Females		
Future lifetime from aged 65 (currently aged 65)	24 years	25 years
Commutation	Nil	Nil

The assets of the scheme and the weighted average expected rate of return on assets were:

	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 2011 % p.a.	Value at 31 December 2011 £'000
Equities	8.00	149	8.00	–
Property	7.50	69	7.50	–
Fixed Interest Gilts	4.20	42	2.80	–
Index-Linked Gilts	4.00	–	2.60	–
Corporate Bonds	5.00	80	3.90	–
Other	1.40	20	8.00	–
Secured pension	5.30	–	4.60	235
Total market value of assets		360		235
Present value of scheme liabilities		(695)		(533)
Deficit in the scheme		(335)		(298)
Net pension liability on the balance sheet		**(335)**		**(298)**

Note: Values shown are at bid value.

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**303**	**360**
Expected return on scheme assets	21	15
Actuarial gains/(losses) on scheme assets	31	(36)
Net benefits paid	–	(130)
Contributions paid by the employer	–	26
Contributions by scheme participants	5	–
31 December	**360**	**235**

The scheme assets generated a loss of £21,000 in the year (2010: gain of £52,000).

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**635**	**695**
Current service cost	12	3
Past service cost	–	–
Interest cost	37	32
Net benefits paid	–	(130)
Actuarial (gains)/losses on scheme liabilities *	6	(67)
Contributions by scheme participants	5	–
31 December	**695**	**533**

* Includes changes to the actuarial assumptions.

The amounts recognised in the Operating Cost Statement are as follows:

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Current service cost	12	3
Past service cost	–	–
Expected return on scheme assets	(21)	(15)
Interest cost	37	32
Unrecognised asset due to limit in para 41	–	–
Total charge	**28**	**20**

Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Total actuarial gains	25	31
Total gains in STRGL	**25**	**31**

Amounts for current period and previous four periods

	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Scheme assets	(296)	(303)	(360)	(235)
Defined benefit obligation	508	635	695	533
(Surplus)/deficit	212	332	335	298
Experience gains/(losses) on scheme assets	–	(22)	31	(36)
Experience gains/(losses) on scheme liabilities*	–	22	20	79
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	–	(104)	25	31

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

The valuation at 31 December 2011 showed a decrease in the scheme deficit from £335,000 to £298,000.

The Jersey Civil Service Scheme (pre-1967) (CSS)

The Jersey Civil Service Scheme (pre-1967) (CSS) is a non-funded scheme of the defined benefit type, providing retirement benefits based on final salary. The scheme existed before the formation of PECRS in 1967 and is closed to new members. There are no remaining active members of the CSS.

The States of Jersey will continue to meet the cost of benefits from departmental expenditure limits.

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 65 (currently aged 65)	22 years	22 years
Females		
Future lifetime from aged 65 (currently aged 65)	24 years	25 years
Commutation	Nil	Nil

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**6,177**	**6,153**
Current service cost	–	–
Past service cost	–	–
Interest cost	340	315
Net benefits paid	(446)	(441)
Actuarial (gains)/losses on scheme liabilities*	82	140
31 December	**6,153**	**6,167**

* Includes changes to the actuarial assumptions.

The amounts recognised in the Operating Cost Statement are as follows:

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Recognition of liability	6,177	–
Current service cost	–	–
Past service cost	–	–
Interest cost	340	315
Total charge	**6,517**	**315**

Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
Total actuarial gains/(losses)	(82)	(140)
Total gains/(losses) in STRGL	**(82)**	**(140)**

Amounts for the current period and previous period

	2010 £'000	2011 £'000
Scheme assets	–	–
Defined benefit obligation	6,153	6,167
(Surplus)/deficit	6,153	6,167
Experience gains/(losses) on scheme liabilities*	89	(137)
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	(82)	(140)

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

The valuation at 31 December 2011 showed an increase in the scheme deficit from £6,153,000 to £6,167,000.

The Jersey 1972 Act Pension Increase Liability (PIL)

In 2011, in accordance with the Scheme regulations, future annual increases were 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% will be met by the States for States' Employees. This liability is accounted for as an unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 62 (currently aged 62)		25 years
Future lifetime from aged 62 (currently aged 45)		27 years
Future lifetime from aged 63 (currently aged 63)	24 years	
Future lifetime from aged 63 (currently aged 45)	26 years	
Females		
Future lifetime from aged 62 (currently aged 62)		27 years
Future lifetime from aged 62 (currently aged 45)		29 years
Future lifetime from aged 63 (currently aged 63)	26 years	
Future lifetime from aged 63 (currently aged 45)	28 years	
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**–**	**4,664**
Current service cost	–	19
Past service cost	4,664	–
Interest cost	–	247
Net benefits paid	–	(22)
Actuarial (gains)/losses on scheme liabilities*	–	120
31 December	**4,664**	**5,028**

* Includes changes to the actuarial assumptions.

The amounts recognised in the Operating Cost Statement are as follows:

	Year ending 31 December 2010	Year ending 31 December 2011
	£'000	£'000
Current service cost	–	19
Past service cost	4,664	–
Interest cost	–	247
Total charge	**4,664**	**266**

Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses

	Year ending 31 December 2010	Year ending 31 December 2011
	£'000	£'000
Total actuarial losses	–	(120)
Total losses in STRGL	**–**	**(120)**

Amounts for the current period and previous period

	2010 £'000	2011 £'000
Scheme assets	–	–
Defined benefit obligation	4,664	5,028
(Surplus)/deficit	4,664	5,028
Experience gains/(losses) on scheme liabilities*	–	(66)
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	–	(120)

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

The valuation at 31 December 2011 showed an increase in the scheme deficit from £4,664,000 to £5,028,000.

9.23 Note 23: Provisions

	2010 £'000	2011 £'000
Balance 1 January	**13,915**	**10,711**
Increase in Provisions	5,718	26,346
Use in Year	(264)	(6,047)
Provisions transferred	–	
Other movements	(8,658)	(170)
Balance 31 December	**10,711**	**30,840**

Provisions as at 31 December made up of:

	2010 £'000	2011 £'000
Self insurance claims	1,205	1,508
Other provisions – Short Term	4,448	22,660
Other provisions – Long Term	5,058	6,672
	10,711	**30,840**

Material Other Provisions include:

£22.6 million – A significant confiscation was made in 2011 and a provision has now been made as a consequence of an asset sharing agreement entered into with Nigeria. This liability will be covered in full from the assets confiscated.

£2 million – A pre existing 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 taken place.

£2 million – Provision for new Energy from Waste decommissioning in accordance with FRS 12. Approval for this expenditure will not be sought until closer to the end of the plant's useful life.

£1.9 million – Relating to seizures of assets that may become payable to other jurisdictions depending on the outcome of Court decisions. The assets are included in the States accounts in full.

£0.7 million – Various provisions for Small Firm Loan Guarantees, Legal Claims, Planning appeals and Greve de Lecq rock face stabilisation.

9.24 Note 24: Reserves

Reserves represent the taxpayers' interest in the States of Jersey, which equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years. Reserves are split based on how the interest has arisen: revenue income and expenditure are collected in the 'Accumulated Reserve', whilst unrealised gains and losses on Fixed Assets or Investments may be collected in separately identified reserves (details of which are given below). Each entity within the States maintains its balance sheet with appropriate reserves, and details are given on their individual pages in the Annex to the Accounts.

Accumulated Reserve

The Accumulated Reserve represents the cumulative balances of surpluses and deficits recorded by the States of Jersey.

Revaluation Reserve

The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Tangible Fixed Assets other than donated assets. Details of the basis of valuation are set out in Accounting Policy D. When an asset is disposed of any balance in the revaluation reserve is transferred to the Accumulated Reserve.

Donated Asset Reserve

The Donated Asset Reserve represents the net book value of assets donated to the States. A reserve balance equal to the value of the asset is created upon donation, and then adjusted for its revaluation and depreciation (as set out in Accounting Policy F).

Investment Reserve

The Investment Reserve reflects the unrealised balance of cumulative revaluation adjustments to the States' Strategic Investments, Housing Bonds, and other Financial Assets for which gains and losses are not recognised in the Operating Cost Statement during the year.

	Accumulated and Other Reserves £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Investment Reserve £'000	Total £'000
Balance 1 January 2011	**3,110,089**	**230,005**	**39,084**	**183,177**	**3,562,355**
Adjustments for Adoption of FRS 25, 26 and 29					
Reclassification of Existing Investment Reserve relating to Investments held at Fair Value through the OCS	18,240			(18,240)	**–**
Restatement of Housing Bonds	(60)				**(60)**
Recognition of Letters of Comfort	(2)				**(2)**
Restated Balance 1 January 2011	3,128,267	230,005	39,084	164,937	**3,562,293**
(Deficit) for the year	(35,604)				**(35,604)**
Revaluation of Fixed Assets		137,374	–		**137,374**
Donated Asset Reserve Additions			70		**70**
Amortisation of Donated Asset Reserve			(101)		**(101)**
Release of Revaluation/Donated Asset Reserve on Disposal	2,504	(2,504)			**–**
Increase in Fair Value of Strategic Investments				72,400	**72,400**
Decrease in Fair Value of Other Available-for-sale investments				(458)	**(458)**
Actuarial Loss in respect of Defined Benefit Pension Schemes	(92)				**(92)**
Other Movements[1]	1,226				**1,226**
Balance 31 December 2011	**3,096,301**	**364,875**	**39,053**	**236,879**	**3,737,108**

Transfers

During 2011 £46 million was transferred from the Stabilisation Fund to the Consolidated Fund. No other transfers occurred during 2011.

1 These adjustments relate to assets not captured as part of the original valuation exercise.

9.25 Note 25: Notes to the Cash Flow Statement

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

	2010 £'000	2011 £'000
Increase/(Decrease) in cash in the year	14,774	(1,162)
Movement in liquid resources	33,839	(27,770)
Decrease in lease financing	2,862	3,076
Change in net funds	**51,475**	**(25,856)**
Net Funds at 1 January	28,496	79,971
Net Funds at 31 December	**79,971**	**54,115**

b. Reconciliation of (Deficit)/Surplus for the Year to Net Cash Flow from Operating Activities

	2010 £'000	2011 £'000
(Deficit)/Surplus for the Year	(229,149)	(35,604)
Depreciation and Impairments	195,329	54,250
Interest paid and Bank Charges	283	173
Gain on disposal of Fixed Assets	(2,730)	(2,718)
Investment income	(37,659)	(40,203)
Interest element of Finance Leases	1,218	1,036
(Loss)/Gain on Investments	(21,412)	10,210
(Increase)/Decrease in Stock	(1,514)	(2,428)
(Increase)/Decrease in Debtors	(7,739)	(7,439)
Increase in Long term Debtors	(471)	–
Increase/(Decrease) in Creditors	27,853	5,951
Increase in Pensions Liabilities	40,747	3,766
(Decrease)/Increase in Provisions	(3,204)	20,129
Increase/(Decrease) in Currency in Circulation	2,115	(2,183)
	(36,333)	**4,940**

c. Analysis of Net Funds

	At 1 January 2011 £'000	Cash Flows £'000	At 31 December 2011 £'000
Cash in Hand and at Bank	3,315	(1,162)	2,153
Bank Deposit Accounts	90,718	(27,770)	62,948
Total Cash	**94,033**	**(28,932)**	**65,101**
Debt: Finance Leases	(14,062)	3,076	(10,986)
Net Funds	**79,971**	**(25,856)**	**54,115**

9.26 Note 26: Guarantees not Recognised on the Balance Sheet

Jersey New Waterworks Company

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2010: £16.2 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited. This guarantee was first provided in its current form in 1999, and historically no amounts have been drawn down in relation to it. As at the year end the amount guaranteed was £14.9 million (2010: £14.9 million). Due to the stability of the company and the resulting low likelihood of default, the current value of total expected outflows under this guarantee will be very low and so no amount is recognised on the balance sheet.

Jersey Arts Trust

The States of Jersey has provided a guarantee to Barclays Bank Plc for £3.8 million (2010: £4.1 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House (as approved by P167/1998). In the same proposition the States increased the funding provided to the Trust to allow them to cover the loan repayments. Without this funding it is unlikely that the Trust could meet the repayments, and so the States would become liable under the guarantee. However, as there are no plans to reduce the funding at present, no amounts are recognised on the States balance sheet.

Student Loan Guarantees

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education, Sport and Culture Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate was initially 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 £1.7 million (2010: £1.3 million).

There is no experience of default in the Jersey Scheme, and, whilst not directly comparable, the equivalent scheme in the UK experiences defaults on approximately 1% of the total balance each year. Using a simplified analysis of the guarantees this would suggest that the current value of total expected outflows under the scheme will be very low (less than £50,000) and so no amount is recognised on the balance sheet for these guarantees.

Small Firms Loan Guarantee Scheme

The Small Firms Loan Guarantee Scheme (SFLGS) commenced in January 2007. The Scheme approves lending by the Economic Development Department (by way of loan guarantees 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 total value of the loans guaranteed amounted to £525,547 (2010: £686,203), of which the States has exposure to 75% in accordance with the terms of the Scheme, giving a total exposure of £394,160 (2010: £514,652). During 2010 the States has provided for £243,275 of losses against these guarantees, leaving a remaining exposure of £125,785. No amount is recognised on the balance sheet for this exposure due to their relative size and the uncertainties in the measurement of expected outflows.

9.27 Note 27: Third Party Assets

The States of Jersey, in the course of its normal activities, has reason to hold assets on behalf of third parties.

The Viscount of the Royal Court undertakes a number of activities that give rise to holding assets on behalf of third parties. The majority of these are held as part of the anti-money laundering regime. The main activities that give rise to this are:

- Désastres: assets relating to bankruptcy cases for onward payment to creditors;
- Curatorship: funds held on behalf of those who cannot manage their own affairs;
- Enforcement: judgements and compensation monies for onward payment to creditors and beneficiaries;
- Criminal injuries: funds held on behalf of minors until age of maturity;
- Bail: monies held on behalf of bailors;
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction, property adjudged to represent the benefit or proceeds of crime is remitted to the Drug Trafficking Confiscations Fund or the Criminal Offences Confiscations Fund; if a third party is found not guilty, property is returned.

The Health and Social Services Department holds monies on behalf of patients, equipment on loan or trial and various consignment stocks.

Monies held on behalf of third parties are set out below:

	2010 Total £'000	2011 Total £'000
Viscount's	71,803	32,702
Health and Social Services	802	386

In addition to the liquid assets listed above the Viscount's Department holds real property and contents with an approximate total value of £9.2 million (2010: £7.5 million).

In addition to monies listed above the Health and Social Services Department holds equipment on trial and various consignment stocks, valued at £0.4 million.

The States arrangement to pool funds for investment purposes, is known as the 'Common Investment Fund'. The Common Investment Fund invests monies in respect of funds included within these accounts, such as the Strategic Reserve, as well as funds not included in these accounts but still under the responsibility of the Minister for Treasury and Resources and the Treasurer of the States, for example the Social Security Reserve Fund. Further details of the Common Investment Fund, including the value of investments falling into both theses categories can be found in Note 30.

9.28 Note 28: Capital Commitments

As at 31 December 2011 the States had authorised capital expenditure of £71.6 million (2010: £106.5 million) from the Consolidated Fund which had not yet been incurred. A further £40.7m 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.

	2010 £'000	2011 £'000
Home Affairs: TETRA	694	
Housing: Le Squez Phase 2	8,214	1,424
Housing: La Collette Phase 1		257
Housing: Salisbury Crescent	2,521	262
Housing: 80 St Mark's Road	202	
Housing: Clos Gosset 1–83 Refurbishment		2,565
Housing: Pomme D'Or Farm Refurbishment		4,896
TTS: Energy From Waste Project	15,459	1,514
TTS: In Vessel Composting		789
T&R: ITAX Software Development	1,200	1,050
T&R (JPH): Police Relocation (Phase 1)		144
T&R (JPH): T&R Grainville Phase 4a	2,587	637
T&R (JPH): Prison Improvement Phase 4	228	3,056
T&R (JPH): JCG Drama Extension	361	
T&R (JPH): G&A Hospitals Fire Safety Work	573	
T&R (JPH): HD Farm Building and Incinerator		479
T&R (JPH): Highlands (A Block)		101
T&R (JPH): Rosewood House Refurbishment		285
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	
Total	**36,432**	**17,459**

9.29 Note 29: Risk Profile and Financial Instruments

This note provides certain information relating to particular financial instruments which are material in the context of the accounts as a whole.

This year represents the first full year of operation of the Common Investment Fund (CIF) following its establishment on 1st July 2010. The CIF was instigated as an arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes.

The Minister for Treasury and Resources presented his latest Investment Strategy on 1 November 2011 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.

a) Common Investment Fund

Market Risk

Equity Price Risk

The States of Jersey is exposed to equities price risk as it holds £295.3 million in equity instruments traded on a range of global stock exchanges. The price of units in the Investment Pools will therefore vary subject to market fluctuations.

Over long periods of time Investment Pools are expected to produce positive total returns; in the short term the value of the Investment Pools will fluctuate according to market conditions, generating gains and losses on Pool values. Investment Strategies for Investment Pools are developed for generally long-term growth and it is possible that investment objectives may not be fully met over a short-term horizon.

The States of Jersey Investment Advisor has estimated equity growth in 2012 with a 3% range around a mean estimate to give an optimistic and pessimistic expected scenario. This range has been applied to give an estimate of the exposure to equity price risk at the reporting date.

The table below illustrates how a 3% variation in equity values in different currency denominations would have affected net revenue income for the year ended 31 December 2011. If there was a rise or fall in global equity prices the total impact is estimated to be £8.9 million.

Equity Denomination	Impact of a 3% fall in equity value £m	Impact of a 3% fall in equity value £m
Sterling	(2.7)	2.7
Euro €	(0.7)	0.7
US Dollar $	(4.3)	4.3
Other	(1.2)	1.2

Currency/Foreign Exchange Risk (Overseas & Global Pools)

The Global Equity Pools may invest in equities denominated in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value of the Pools to vary in line with the value of the investments held within them. This risk is managed through the asset selection of the underlying Investment Managers. Exposure to currency risk through the buying and selling of investments is managed though permitting Investment Managers to utilise forward foreign exchange contracts for hedging purposes. Hedging is permitted into sterling, and cross hedging (hedging into a currency other than sterling) is not permitted unless the cross hedge is part of a set of deals which are designed to achieve in aggregate a hedged position back into sterling. The maximum amount of hedging permitted is 100% of the value of the securities in the relevant country.

The sensitivity analysis below has been determined based on the exposure to investments held in foreign currencies at the reporting date.

The table below illustrates how a 10% variation in equity values in different currency exchange rates would have affected net revenue income for the year ended 31 December 2011. If there was a change in the value of the pound against all currencies the total impact would be £21.4 million.

Investment Denomination	Impact of a 10% fall exchange rates: £m	Impact of a 10% rise exchange rates: £m
US Dollar $	(14.5)	14.5
Euro €	(2.8)	2.8
Other	(4.1)	4.1

Investment Manager Risk

An advantage in pooling funds for investment purposes is the ability to achieve greater economies of scale than would be available to each participant investing individually.

Investment Manager Risk has been addressed though placing limits on the amount which may be placed with each Manager therefore limiting the risk exposure of any 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 ranges each Investment Manager should be responsible for, for each different Pool type within the CIF:

Pool Asset Classes	Minimum Amount £m	Maximum Amount £m
Equities	75	250
Bonds	100	500
Cash	–	100,000

An in principle minimum and maximum value is set for the amount which may be invested per individual Investment Manager, dependent on the respective class of Investment they manage.

Maximum values are set to limit concentration risk with any single manager and is dependent on asset class; higher risk classes, such as equities, receive a lower investment 'ceiling'. Minimum values are set per manager in accordance with their fee scales in order to ensure asset allocations remain efficient.

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 2011 there were no breaches outstanding.

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.

Credit and Counterparty Risk

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.

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

   The maximum proportion of each Pool which can be directly invested in securities of an 'A' credit rating and below is 70%.
2. 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.

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, detailed below.

b) Cash Management

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.

Interest Rate Risk

Interest rate risk exists as unexpected changes in interest rates will lead to variations in the level of income received by the States of Jersey from investments that pay variable interest. Placement decisions are made based on expectation of future interest returns and the requirements to hold cash and are actively managed by the States of Jersey Cash Investment Manager.

During 2011 interest rates have remained relatively low when compared to prior years. As detailed later in this note, the States of Jersey currently hold £45.2 million in variable rate accounts, and a sensitivity analysis has been performed over these accounts to estimate the impact of a rise or fall in 3 month LIBOR of 1% (double the estimated range expected by the State of Jersey Investment Advisor).

The affect of such a movement on net revenue income if it is perfectly reflected in the rates applied to the variable accounts will be £0.5m.

Investment	Estimated impact of a 1% fall in LIBOR rates £m	Estimated impact of a 1% rise in LIBOR rates £m
Return from variable rate accounts	(0.5)	0.5

Foreign currency risk management

The States of Jersey may undertake certain transactions denominated in foreign currencies as part of its operations, and this leads to an exposure to exchange rates fluctuations. Exchange rate exposures are managed within approved policy parameters and reviewed by the Treasury Advisory Panel on a quarterly basis. When large future flows of foreign currency balances are known forward foreign exchange contracts are utilised to hedge against movements in rates. The States also holds some cash denominated in foreign currency to meet its cash flow needs.

The carrying amounts of the States of Jersey foreign currency denominated monetary assets at the reporting date are as follows.

Foreign currency denominated monetary assets:	2010 £m	2011 £m
US Dollar $	2.4	2.9
Euro €	6.7	1.6
Other	–	–

Interest rate disclosures

	Fixed rate £'000	Variable rate £'000	No interest payable/ receivable £'000	Total £'000
Financial Assets				
Sterling £				
Advances	10,790	3,537	728	**15,055**
Investments			89,214	**89,214**
Bonds	318,986	23,639	–	**342,625**
Certificates of Deposit	255,424	–	–	**255,424**
Cash	41,402	19,034	226	**60,662**
US Dollars $				
Investments			141,684	**141,684**
Cash	1,876	1,005	–	**2,881**
Euros €				
Investments	2,942	–	23,882	**26,824**
Cash	–	1,557	–	**1,557**
Other				
Investments	–	–	40,550	**40,550**
Cash	–	1	–	**1**
	631,420	**48,773**	**296,284**	**976,477**
Financial Liabilities				
Finance Leases	14,062	–	–	**14,062**
	14,062	**–**	**–**	**14,062**

Maturity analyses

Maturity analyses are included for Advances and Other investments in notes 10 and 12 respectively and for Finance lease obligations in note 18. 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	4.54%	138
Bonds	4.77%	51
Certificates of Deposit	1.37%	7

Note all rates are based on absolute rates.

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.

9.30 Note 30: SOJ Common Investment Fund

a) Explanation of the CIF

The States of Jersey – Common Investment Fund ('the CIF') was established in 2010 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 and was approved by the States of Jersey on 12th May 2010.

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

The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations as published in their strategies. The Minister for Treasury and Resources presented his latest Investment Strategy on 1st November 2011. Investing through a single investment vehicle allows economies of scale to be exploited increasing the potential return of the investments held and diversity of asset classes.

The CIF became operational on 1st July 2010 and as at 31 December 2011 contained 9 active pools that hold 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
- Rivington Travelling Scholarship Fund
- Greville Bathe Fund
- Ann Alice Rayner Fund
- A H Ferguson Bequest
- Estate of E J Bailhache

b) Operating Cost Statement for the year ended 31 December 2011

	2010	2011		
	Included in the SOJ Accounts	Total CIF	Attributable to Entities Outside the SOJ Group	Included in the SOJ Accounts
	£'000	£'000	£'000	£'000
Revenue				
Investment Income	11,183	34,714	11,298	23,416
Gains/(Losses) on Investments[1]	11,576	(22,878)	(12,363)	(10,515)
Total Revenue	**22,759**	**11,836**	**(1,065)**	**12,901**
Expenditure				
Supplies and Services	921	4,095	1,946	2,149
Other Operating Expenditure	45	687	393	294
Foreign Exchange Loss	169	333	179	154
Total Expenditure	**1,135**	**5,115**	**2,518**	**2,597**
Net Revenue Income	**21,624**	**6,721**	**(3,583)**	**10,304**

c) Statement of Total Recognised Gains and Losses for the Year ended 31 December 2011

	2010	2011		
	Included in the SOJ Accounts	Total CIF	Attributable to Entities Outside the SOJ Group	Included in the SOJ Accounts
	£'000	£'000	£'000	£'000
Net Revenue Income	21,624	6,721	(3,583)	10,304
Unrealised Gain on Revaluation of Investments[1]	17,881	–	–	–
Total Recognised Gain Relating to the Year	**39,505**	**6,721**	**(3,583)**	**10,304**

1 Under FRS 25 Unrealised Gains on Investments held at Fair Value through the OCS are now recognised through the OCS. The comparative figure for Gains/(Losses) on Investments held at Fair Value through the OCS includes only Realised Gains/(Losses) on Investments, with Unrealised Gains/(Losses) on Revaluation of Investment recognised through the Reserves.

d) Balance Sheet as at 31 December 2011

	2010	2011		
	Included in the SOJ Accounts	Total CIF	Attributable to Entities Outside the SOJ Group	Included in the SOJ Accounts
	£'000	£'000	£'000	£'000
Financial Assets				
Investments held at Fair Value through OCS	785,068	1,240,514	442,320	798,194
Total Financial Assets	**785,068**	**1,240,514**	**442,320**	**798,194**
Current Assets				
Debtors	6,435	8,286	1,790	6,496
Cash at Bank and in Hand	27,730	19,726	10,721	9,005
Total Current Assets	**34,165**	**28,012**	**12,511**	**15,501**
Current Liabilities				
Creditors	(1,138)	(459)	(259)	(200)
Total Current Liabilities	**(1,138)**	**(459)**	**(259)**	**(200)**
Net Current Assets	**33,027**	**27,553**	**12,252**	**15,301**
Net Assets	**818,095**	**1,268,067**	**454,572**	**813,495**
Reserves & Contributions				
Accumulated Revenue Reserves	21,275	70,864	21,056	49,808
Investment Reserve	18,230	–	–	–
Net contributions	778,590	1,197,203	433,516	763,687
Total Reserves	**818,095**	**1,268,067**	**454,572**	**813,495**

These unrealised gains have been included within the Investment reserve and offset in the Accumulated Reserve.

e) Income and Expenditure by Pool

	2010	2011				
	Net Income	Investment Income	Realised Gains/ (Losses)	Unrealised Gains / (Losses)	Operating Expenditure	Net Income
	£'000	£'000	£'000	£'000	£'000	£'000
UK Equities Pool[2]	935	(2)	–	–	–	**(2)**
Overseas Equities Pool[2]	1,597	–	2	–	(6)	**(4)**
Short Term Govt Bonds Pool	4,080	8,920	378	(1,855)	(419)	**7,024**
Long Term Govt Bonds Pool	613	–	–	–	(8)	**(8)**
Short Term Corporate Bonds Pool	2,452	3,436	(404)	(1,462)	(133)	**1,437**
Long Term Corporate Bonds Pool	3,204	3,878	(45)	462	(137)	**4,158**
Indexed Linked Bonds Pool	400	47	184	533	(12)	**752**
Short Term Cash & Cash Equivalents Pool	721	402	61	(8)	(42)	**413**
Long Term Cash & Cash Equivalents Pool	1,472	2,053	422	(155)	(173)	**2,147**
UK Equities II Pool[2]	4,237	6,989	2,840	(6,445)	(1,230)	**2,154**
Global Equities I Pool[2]	7,733	4,331	9,718	(17,551)	(1,623)	**(5,125)**
Global Equities II Pool[2]	7,020	4,660	(2,454)	(7,099)	(1,332)	**(6,225)**
CIF Total	**34,464**	**34,714**	**10,702**	**(33,580)**	**(5,115)**	**6,721**
Less: amount attributable to Participants outside the Group boundary	12,840	11,298	5,938	(18,301)	(2,518)	**(3,583)**
Total – SOJ Group	**21,624**	**23,416**	**4,764**	**(15,279)**	**(2,597)**	**10,304**

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

f) Changes in Market Value of Investments by Pool

	Market Value 01/01/11 £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31/12/11 £'000
UK Equities Pool[3]	–	–	–	–	–
Overseas Equities Pool[3]	–	–	–	–	–
Short Term Govt Bonds Pool	229,580	326,451	(349,207)	(1,855)	204,969
Long Term Govt Bonds Pool	–	–	–	–	–
Short Term Corporate Bonds Pool	61,431	21,376	(15,786)	(1,462)	65,559
Long Term Corporate Bonds Pool	62,150	25,118	(18,790)	462	68,940
Indexed Linked Bonds Pool	3,211	1,035	(713)	533	4,066
Short Term Cash & Cash Equivalents Pool	139,328	175,754	(315,074)	(8)	–
Long Term Cash & Cash Equivalents Pool	120,644	392,638	(308,749)	(155)	204,378
UK Equities II Pool[3]	161,157	117,029	(96,865)	(6,445)	174,876
Global Equities I Pool[3]	189,595	153,369	(68,085)	(17,551)	257,328
Global Equities II Pool[3]	183,445	99,267	(15,215)	(7,099)	260,398
CIF Total	**1,150,541**	**1,312,037**	**(1,188,484)**	**(33,580)**	**1,240,514**
Less:amount attributable to Participants outside the Group boundary	(365,473)	(255,676)	160,528	18,301	(442,320)
Total – SOJ Group	**785,068**	**1,056,361**	**(1,027,956)**	**(15,279)**	**798,194**

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

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.

	2010	2011			
	Total Gains/ Losses	Income	Expenditure	Gains/ Losses	Net Income
	£'000	£'000	£'000	£'000	£'000
Strategic Reserve	36,134	20,327	(2,318)	(10,707)	7,302
Stabilisation Fund	458	10	(1)	1	10
Jersey Currency Notes Fund	1,801	1,214	(119)	(33)	1,062
Jersey Coinage Fund	64	67	(6)	10	71
Consolidated Fund	1,048	1,704	(149)	217	1,772
CI Lottery (Jersey) Fund	–	3	–	–	3
Dwelling House Loan Fund	–	91	(4)	(3)	84
Total – SOJ Group	**39,505**	**23,416**	**(2,597)**	**(10,515)**	**10,304**
Amounts attributable to Participants outside the Group boundary	24,640	11,298	(2,518)	(12,363)	(3,583)
Total CIF	**64,145**	**34,714**	**(5,115)**	**(22,878)**	**6,721**

h) Analysis of Net Asset Value by Participant and Pool

	Strategic Reserve	Stabilisation Fund	Jersey Currency Notes Fund	Jersey Coinage Fund	Consolidated Fund	CI Lottery (Jersey) Fund	Dwelling House Loan Fund	Total – SOJ Group	Outside Group	Total CIF
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Equities Pool	–	–	–					**–**	–	**–**
Overseas Equities Pool	–	–	–					**–**	–	**–**
Short Term Govt Bonds Pool	197,100	–	6,155				4,212	**207,467**	19	**207,486**
Long Term Govt Bonds Pool	–	–	–					**–**	–	**–**
Short Term Corporate Bonds Pool	60,831	–	–					**60,831**	6,567	**67,398**
Long Term Corporate Bonds Pool	46,691	–	–					**46,691**	24,543	**71,234**
Indexed Linked Bonds Pool	–	–	1,336					**1,336**	2,742	**4,078**
Short Term Cash & Cash Equivalents Pool	–	–	–					**–**	–	**–**
Long Term Cash & Cash Equivalents Pool	1,205	1,006	44,226	7,055	138,453	530	1,386	**193,861**	12,259	**206,120**
UK Equities II Pool	63,008	–	4,673					**67,681**	114,618	**182,299**
Global Equities I Pool	113,670	–	5,092					**118,762**	147,713	**266,475**
Global Equities II Pool	111,864	–	5,002					**116,866**	146,111	**262,977**
	594,369	**1,006**	**66,484**	**7,055**	**138,453**	**530**	**5,598**	**813,495**	**454,572**	**1,268,067**

9.31 Note 31: Contingent Assets and Liabilities

There are no Contingent Assets as at 31 December 2011.

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
- Planning Appeals
- Medical Claims
- Public Liability Claims

The States has also issued a number of guarantees, details of which are given in Note 26.

9.32 Note 32: Pension Schemes – Other schemes

In addition to the defined benefit schemes outlined in Note 22, the States of Jersey operates two further pension schemes: the Public Employees Contributory Retirement Scheme (PECRS) and the Jersey Teachers' Superannuation Fund (JTSF).

The PECRS and JTSF are both final salary schemes, but are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the scheme – scheme members are required to meet any deficiency through reduced benefits or by making increased contributions. 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.

Financial Assumptions for the 2011 Accounts

The main financial assumptions made by the actuary in carrying out the FRS 17 valuation for both schemes were:

	31 December 2010 % p.a.	31 December 2011 % p.a.
Jersey Price Inflation	3.9	3.3
Rate of general long-term increase in salaries	5.2	4.0
Discount rate for scheme liabilities	5.3	4.6
Rate of increase to pensions in payment (PECRS only)	3.6	3.0
Rate of increase to pensions in payment (JTSF only)	3.9	3.3

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 volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

The Public Employees Contributory Retirement Scheme (PECRS)

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

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

The market value of the Scheme's assets as at 31 December 2011 was £1,182 million (2010: £1,266 million).

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

The States in agreeing P190/2005 on September 2005 confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. More details of the agreement are set out in Note 1, Accounting Policy P. This liability amounted to £252 million at 31 December 2011 (2010: £269.5 million), and more details are given in Note 21. 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 relating to this liability made in 2011 was £4.0 million (2010: £3.8 million).

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 62 (currently aged 62)		25 years
Future lifetime from aged 62 (currently aged 45)		27 years
Future lifetime from aged 63 (currently aged 63)	24 years	
Future lifetime from aged 63 (currently aged 45)	26 years	
Females		
Future lifetime from aged 62 (currently aged 62)		27 years
Future lifetime from aged 62 (currently aged 45)		29 years
Future lifetime from aged 63 (currently aged 63)	26 years	
Future lifetime from aged 63 (currently aged 45)	28 years	
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

The assets of the scheme and the weighted average expected rate of return on assets were:

	Long-term rate of return expected at 31 December 2010	Value at 31 December 2010	Long-term rate of return expected at 31 December 2011	Value at 31 December 2011
	% p.a.	£'000	% p.a.	£'000
Equities	8.00	1,014,492	8.00	878,047
Property	7.50	–	7.50	–
Fixed Interest Gilts	4.20	13	2.80	6
Index-Linked Gilts	4.00	–	2.60	–
Corporate Bonds	5.00	215,377	3.90	279,941
Other	1.40	35,702	1.80	24,420
Total market value of assets		1,265,584		1,182,414
Present value of scheme liabilities		(1,791,829)		(1,880,420)
Deficit in the scheme		(526,245)		(698,006)
Net pension liability		**(526,245)**		**(698,006)**

Note: Values shown are at bid value.

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**1,680,165**	**1,791,829**
Current service cost	50,435	54,067
Past service cost	(69,623)	311
Interest cost	96,186	95,389
Actuarial (gains)/losses on scheme liabilities*	53,486	(23,464)
Contributions by scheme participants	12,155	12,253
Net benefits paid out	(47,992)	(49,965)
Settlements	17,017	–
31 December	**1,791,829**	**1,880,420**

* 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 2011 £'000
1 January	**1,110,963**	**1,265,584**
Expected return on scheme assets	74,506	90,990
Actuarial gains/(losses) on scheme assets	63,342	(171,956)
Contributions paid by the employer	35,593	35,508
Contributions by scheme participants	12,155	12,253
Net benefits paid out	(47,992)	(49,965)
Settlements	17,017	–
31 December	**1,265,584**	**1,182,414**

The scheme assets generated a loss of £81 million in the year (2010: gain of £137.8 million).

Amounts for current period and previous four periods

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Scheme assets	(1,105,336)	(924,254)	(1,110,963)	(1,265,584)	(1,182,414)
Defined benefit obligation	1,252,981	1,306,089	1,680,165	1,791,829	1,880,420
(Surplus)/deficit	147,645	381,835	569,202	526,245	698,006
Experience gains/(losses) on scheme assets	(14,050)	(260,192)	133,596	63,342	(171,956)
Experience gains/(losses) on scheme liabilities*	2,833	(23,258)	27,835	47,676	13,731

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

The valuation at 31 December 2011 showed an increase in the scheme deficit from £526.2 million to £698 million.

The Jersey Teachers' Superannuation Fund (JTSF)

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

The figures include Non-Provided Schools that qualify as Accepted Schools under the Teachers' Superannuation (Jersey) Law 1979.

The market value of the Fund's Assets as at 31 December 2011 was £301.9 million (2010: £319.4 million).

The results of an actuarial valuation as at 31 December 2006 concluded that there was a surplus of £50 million. 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.

The JTSF was restructured with effect from 1 April 2007 and now generally mirrors the PECRS. A provision for the past service liability, similar to the PECRS Pre-1987 past service liability has been recognised although this has not yet been agreed with the Scheme's Board of Management. The employer's contribution rate rose to 16.4% and the actuary has confirmed that this will repay the past service liability over 80 years (from 2007).

The principal demographic assumptions made by the actuary to calculate the liabilities under FRS 17 were:

Post retirement mortality assumptions	31 December 2010	31 December 2011
Males		
Future lifetime from aged 60 (currently aged 60)	28 years	28 years
Future lifetime from aged 60 (currently aged 45)	30 years	30 years
Females		
Future lifetime from aged 60 (currently aged 60)	31 years	31 years
Future lifetime from aged 60 (currently aged 45)	33 years	33 years
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.

The assets of the scheme and the weighted average expected rate of return on assets were:

	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 2011 % p.a.	Value at 31 December 2011 £'000
Equities	8.00	268,827	8.00	255,265
Property	7.50	15,854	7.50	14,699
Fixed Interest Gilts	4.20	–	2.80	–
Index-Linked Gilts	4.00	18,089	2.60	25,148
Corporate Bonds	5.00	–	3.90	–
Other	1.40	16,592	1.80	6,738
Total market value of assets		319,362		301,850
Present value of scheme liabilities		(561,106)		(569,772)
Net pension liability		**(241,744)**		**(267,922)**

Note: Values shown are at bid value.

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

	Year ending 31 December 2010 £'000	Year ending 31 December 2011 £'000
1 January	**512,961**	**561,106**
Current service cost	12,430	13,969
Past service cost	–	–
Interest cost	29,272	29,792
Actuarial (gains)/losses on scheme liabilities*	17,689	(23,203)
Contributions by scheme participants	2,999	3,102
Net benefits paid out	(14,245)	(14,994)
Settlements	–	–
31 December	**561,106**	**569,772**

* 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 2011 £'000
1 January	**274,001**	**319,362**
Expected return on scheme assets	20,492	22,842
Actuarial gains/(losses) on scheme assets	27,765	(36,989)
Contributions paid by the employer	8,350	8,527
Contributions by scheme participants	2,999	3,102
Net benefits paid out	(14,245)	(14,994)
Settlements	–	–
31 December	**319,362**	**301,850**

The scheme assets generated a loss of £14.1 million in the year (2010: gain of £48.2 million).

Amounts for current period and previous four periods

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Scheme assets	(276,219)	(220,646)	(274,001)	(319,362)	(301,850)
Defined benefit obligation	396,480	403,047	512,961	561,106	569,772
(Surplus)/deficit	120,261	182,401	238,960	241,744	267,922
Experience gains/(losses) on scheme assets	5,120	(72,156)	39,847	27,765	(36,989)
Experience gains/(losses) on scheme liabilities*	(607)	(10,034)	(302)	14,643	14,253

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

The valuation at 31 December 2011 showed an increase in the scheme deficit from £241.7 million to £267.9 million.

9.33 Note 33: Losses and Special Payments

	2010 £'000	2011 £'000
Losses		
Losses of cash:		
Overpayment of Social Benefits	128	309
Total losses of cash under £50,000	1	–
Total loss of cash	**129**	**309**
Bad debts and claims abandoned		
Uncollectable Tax	2,857	1,553
Other Tax Debtors written off	538	324
Car parking fines written off	59	43
Other claims abandoned under £50,000	629	233
Total bad debts and claims abandoned	**4,083**	**2,153**
Damage or loss of stocks		
Write off of expired Flu Vaccine stock	126	(522)
Other Stock write offs	109	77
Total damage or loss of stocks	**235**	**(445)**
Impairments of Fixed Assets		
Impairment of Land at Mont Mado	–	577
Reversal of Impairments previously recognised	(38)	(452)
Total impairment of Fixed Assets	**(38)**	**125**
Other Losses		
Costs of repurchase of Mont Mado		277
Other Losses	92	109
Total Other Losses	**92**	**386**
Special Payments		
Compensation payments:		
Total compensation payments	(32)	100
Total compensation payments	**(32)**	**100**
Ex gratia payments:		
Total ex gratia payments	462	117
Total ex gratia payments	**462**	**117**
Severance payments		
Total Severance Payments	7,521	2,537
Total Special severance payments	**7,521**	**2,537**
Total losses and special payments	**12,452**	**5,282**

9.34 Note 34: Gifts

No Gifts were made in the year.

9.35 Note 35: Grants

The note below summarises grants over £100,000 made by the States of Jersey in 2011.
Full details of Grants below £100,000 are given in Appendix 1 of the Annex to the Accounts.

Grantee	2011 Amount £	2010 Amount £	Issuing Department	Reason for Grant (Strategic Priority)
Overseas Aid Grants	8,366,780	8,039,387	OAC[1]	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives
Jersey Heritage Trust	2,443,430	2,642,023	ESC	Support the operations of the Jersey Heritage Trust (12, 13, 15, 16)
Jersey Finance Limited	2,302,500	1,800,000	EDD	Market and promote the Finance Industry and provide technical assistance to Government (1)
De La Salle College	1,975,990	1,936,262	ESC	Support the operation of De La Salle College (12)
Beaulieu School	1,876,747	1,916,649	ESC	Support the operation of Beaulieu School (12)
Jersey Hospice Care	1,787,470	746,936	T&R – JPH[2]	Fiscal Stimulus funding to extend and modernise in-patient facilities (1, 11)
Non-provided schools	1,609,113	1,053,775	ESC	Support the operation of non-provided schools (12)
Durrell Wildlife Conservation Trust	1,121,898	423,766	EDD	Fiscal Stimulus funding to assist with the development of a new visitor centre (1)
The Jersey Employment Trust	1,050,410	1,044,790	H&SS and Social Security	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (1, 8, 12)
The Jersey Opera House	1,038,910	1,140,009	ESC	Support the operations of the Jersey Opera House (15, 16)
Shelter Trust	681,020	677,970	H&SS	Deliver outreach, hostels, drunk and incapable unit, and resettlement services (9)
The Jersey Employment Trust	559,010	332,406	Social Security	Provide employment opportunities for those with learning difficulties or on the Autistic spectrum (1, 8, 12)
Beaulieu School	510,500	–	ESC	Fiscal Stimulus funding to assist with the development of a new special needs unit at Beaulieu School (1, 12)
Serco (Jersey) Ltd	476,822	469,822	ESC	Subsidy in respect of the operation of the Waterfront Pool (11)
Jersey Arts Centre Association	453,061	442,510	ESC	Support the operations of the Jersey Arts Centre (15, 16)

1 OAC – Overseas Aid Commission

2 JPH – Jersey Property Holdings

Grantee	2011 Amount £	2010 Amount £	Issuing Department	Reason for Grant (Strategic Priority)
Association of Jersey Charities	419,572	423,699	CILF[3]	Grant aid to various registered Jersey Charities (8)
Jersey Finance Limited	323,650	–	EDD	Fiscal Stimulus funding for third office (1)
Jersey Advisory and Conciliation Service	316,272	314,700	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 (1, 9, 12)
Jersey Competition Regulatory Authority	300,000	400,000	EDD	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (2)
Brook in Jersey	288,480	281,432	H&SS	Deliver contraceptive clinics, counselling, condom distribution, STI services for the under 21's (11)
The Jersey Royal Company	275,876	293,569	EDD	Area Payments support to underpin a base level of farming activity in the countryside (2, 13)
Jersey Financial Services Commission	248,965	248,965	EDD	Assist with the costs of the Anti Money Laundering Unit (1)
Royal Jersey Agricultural and Horticultural Society	239,000	233,343	EDD	Services to support the dairy industry, e.g. bull proving and artificial insemination (2, 13)
Citizen's Advice Bureau	238,630	217,690	H&SS and Social Security	Provide information and advice to members of the public (1, 8, 9)
Jersey Conference Bureau Limited	220,500	245,000	EDD	Support the operation of the Jersey Conference Bureau (2)
Jersey Women's Refuge	204,350	199,380	H&SS	Provide temporary safe accommodation for women and children, helpline, guidance, support and counselling services (9)
Alcohol Advice Centre	190,810	189,960	H&SS	Provide accommodation and support, residential and rehab and client support (11)
Jersey Childcare Trust	175,000	170,700	ESC	Support the operations of the Jersey Childcare Trust (9)
NEMO	168,960	164,840	H&SS	Support the provision of hostel for homeless adults (9)
Jersey Product Promotion Ltd	160,290	160,000	EDD	Support for promoting Jersey products e.g. Genuine Jersey (2)
Jersey Arts Trust	156,310	156,548	ESC	Support the operations of the Jersey Arts Trust (15, 16)
Le Don Balleine Trust	140,930	139,762	ESC	Support the operation of Le Don Balleine (15)
Jersey Business Venture	132,924	130,000	EDD	Assist with operational costs (2)
St Matthew's Church	132,633	–	DoE and ESC	Support St Matthews Church renovation, £125,000 of which was Fiscal Stimulus funding (1, 13, 15, 16)
Battle of Flowers Association	130,000	145,000	EDD	Battle of Flowers 2011 – Event grant (2)
Jersey Focus on Mental Health	120,880	117,920	H&SS	Provide residential home, respite bed, wardened units and flats and advocacy service (9)

3 CILF – Channel Island Lottery Fund

Grantee	2011 Amount £	2010 Amount £	Issuing Department	Reason for Grant (Strategic Priority)
Jersey Gambling Commission	119,000	–	EDD	Establish the Jersey Gambling Commission (2)
Jersey Mencap Society	109,990	197,100	H&SS	Provide residential support for children with learning disabilities (9)
Jersey Consumer Council	100,000	120,000	EDD	Funding of all functions and activities (2)
Jersey Legal Information Board	100,000	100,000	Judicial Greffe and Viscount's	Assist with running costs (15)
Total significant Grants and Subsidies	**31,266,683**			
Total other Grants and Subsidies – see Appendix A	6,693,505			
Grand Total – Grants and Subsidies awarded in 2011	**37,960,188**			

Notes on Strategic Priorities

Information on which of the States of Jersey Strategic Priorities are supported in awarding each grant is provided in the table above. The Priorities were set out in the Strategic Plan 2009–2014 as follows:

1 Support the Island community through the economic downturn.
2 Maintain a strong, environmentally sustainable and diverse economy.
3 Reform the public service to improve efficiency.
4 Ensure sustainable public finances.
5 Limit population growth.
6 Provide for the ageing population.
7 Protect the public and keep our community safe.
8 Increase social inclusion by encouraging and supporting people to help themselves.
9 Enhance support services to vulnerable children, families and others at risk.
10 Maintain and develop the Island's infrastructure.
11 Enhanace and improve health care provision and promote a healthy lifestyle.
12 Maintain high quality education and skills.
13 Protect and enhance our natural and built environment.
14 Adequately house the population.
15 Protect and enhance our unique culture and identity.
16 Support the development of arts and heritage in Jersey.

9.36 Note 36: Related Party Transactions

Transactions between entities within the States of Jersey Group have been eliminated on consolidation and are not disclosed in this note.

Transactions with utility companies and government departments and their sponsored bodies that are a result of their role of such are excluded in line with accounting standards.

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

Where the party is related through a Minister or Assistant Minister, only transactions occurring whilst they were in office are included.

2011

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	221	2,077	24		
Jersey Post	460	99	43	3	
Jersey Telecom	239	301	38	56	
Jersey Water	160	117	3		
Directly Controlled Entities – Minor Entities					
Bureau de Jersey Ltd		97			A Maclean, Economic Development Minister, is a Director. Expenditure includes grant of £95k
Jersey Dental Scheme		129		28	Expenditure is in support of the scheme
Jersey Legal Information Board		100		100	A Maclean, Economic Development Minister, is a Director. Expenditure and amounts due are a grant of £100k
Directly Controlled Entities – Other					
Hautlieu School Fund		13			
Health Insurance Fund	12	536	11		
Jersey College for Girls Fund	2	13			
Social Security (Reserve) Fund	20		20		
Social Security Fund		68,099			
Victoria College School Fund	2	42			Expenditure includes grants of £34k

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Ltd		63		1	Subsidiary of JEC
Jersey Energy		28		3	Subsidiary of JEC
Newtel Cable Limited	20	127			Associate of JEC, All shares sold in April 2011.
Retirement Schemes					
PECRS	519		505		Income related to services provided by the Treasury Department
JTSF	231		196		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		57			P Ozouf, Treasury and Resources Minister, is Vice Chair, Expenditure includes grant of £12k
Augres Landscape		24			P Ryan, Education, Sport and Culture Minister, is the owner.
Beaulieu Convent School Ltd	43	2,188		2	T Le Sueur, former Chief Minister, is a Director. Expenditure includes a grant of £2,182k
Headway (Jersey) Ltd		30			A Green, Housing Minister, is a Director. Expenditure Includes grants of £28K
Jersey Conference Bureau	11	227			A Maclean, Economic Development Minister, is Chairman.Expenditure includes grant of £221k
Jersey Employment Trust	31	1,625	9		S Pinel, R Bryans and J Martin are members of the board as representatives of their departments. Expenditure includes a grant of £1,609k
Jersey Hospitality Association		17			L Farnham, Home Affairs Assistant Minister, is President, Expenditure is a grant of £17k
Jersey Mencap		129			P Routier, Assistant Chief Minister, is the President. Expenditure is a grant of £171k
Jersey Table Tennis Association	11	16	102		P Routier, Assistant Chief Minister, is Vice President. Expenditure is a grant of £16k. Amounts due relate to a loan from the States.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Les Vaux Housing Trust	130		1,829		J Le Fondré, Transport and Technical Services Assistant Minister, is the Honorary Secretary. The balance relates to loans from the States, and income to interest charged on these loans
Parish of St Brelade	2		25		M Jackson, former Transport and Technical Services Minister, was the Connétable. Amounts due include a loan of £25k
Parish of St Clement	6	60			L Norman, Former Economic Development Assistant Minister, is the Connétable
Parish of St Peter			7		J Refault, Housing and Health and Social Services Assistant Minister, is the Connétable

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

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Ltd		39		–	Subsidiary of JEC
Newtel Cable Limited	37	303	7	–	Associate of JEC
Foreshore Ltd		11			Joint Venture of JEC. Expenditure is 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. Amounts due relate to a loan from the States.
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, Assistant Chief Minister, is the President. Expenditure includes a grant of £197k
Les Amis Incorporated	3	1,110	1	176	P Routier, Assistant Chief Minister is Chairman.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Parish of St Brelade	32	19	83		M Jackson, Transport and 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 Le Fondré, Assistant Chief Minister, is the Honorary Secretary. The balance relates to loans from the States, and income to interest charged on these loans.

9.37 Note 37: Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

- Chief Minister's Department
- Economic Development Department
- Education, Sport and Culture Department
- Department of the Environment
- Health and Social Services Department
- Home Affairs Department
- Housing Department
- 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 and After-Care Service
- Comptroller and Auditor General

The States Assembly and its Services

Including Assemblée Parlementaire de la Francophonie – Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch).

Subsidiary Holding Company

- States of Jersey Investments Limited

States Trading Operations

- Jersey Airport
- Jersey Harbours
- Jersey Car Parking
- Jersey Fleet Management

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 Loans Fund
- Assisted House Purchase Scheme
- 99 Year Leaseholders Fund
- 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

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

Minor Entities

There are a number of small entities funded by the States that meet the requirements to be part of the States of Jersey Group (i.e. they are directly controlled by the States) but are immaterial to the financial statements as a whole, and have not been consolidated (see Accounting Policy C4). These entities are referred to as 'Minor Entities' and are generally funded by a grant from a department, which will form part of the cash limit of the department making this grant.

An entity can be classified as a minor body if they meet certain criteria, namely that:

- Gross annual expenditure during the year; and
- Net book value of 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 2011, the threshold was therefore £1,142,000 (based on Net Current Assets for 2010).

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 2011, the following are considered to be Minor Entities:

- Bureau de Jersey
- Ecology Fund
- Jersey Dental Scheme
- Jersey Legal Information Board

9.38 Note 38: 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 2011 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution by the Greffier.

States of Jersey

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