STATES OF JERSEY

MEDIUM TERM FINANCIAL PLAN 2013 – 2015 (P.69/2012): SEVENTH AMENDMENT

Lodged au Greffe on 23rd October 2012
by Deputy J.A.N. Le Fondré of St. Lawrence

STATES GREFFE

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> "except that the intended total amount of States income shall be increased by £2,250,000 in the year 2014 by the payment of an additional distribution from the States of Jersey Development Company Ltd. in these amounts which the Minister for Treasury and Resources would require from the Company by 30th June 2014."

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DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE

REPORT

The States of Jersey Development Company ("SoJDC") has existed in various guises since the 1990s. The published accounts of the company show profits since 2008, and bonuses have been paid to key members of staff in a number of years on a performance basis.

Yet there does not seem to be any mechanism by which the directors are held to account by us as a shareholder in terms of a minimum performance return to the Public.

Members will hopefully have noted that a performance structure was adopted when Jersey Telecoms was incorporated (by way of 9% Preference shares), and indeed (although I have not investigated whether there was a similar motive behind their creation), the States have preference share investments in both the Jersey Electricity Company and Jersey Water.

An extract of the published accounts of SoJDC (and its predecessor) shows the following information –

	2008	**2009**	**2010**	**2011**	**Total**
Balance Sheet	**£**	**£**	**£**	**£**	**£**
Cash at Bank	5,618,192	6,900,438	7,242,739	6,134,209	n/a
Profit and Loss Account	**£**	**£**	**£**	**£**	**£**
Turnover	**12,160,089**	**766,505**	**3,390,497**	**1,965,409**	**18,282,500**
Operating Costs					
Salaries	785,100	830,248	775,550	988,756	3,379,654
Premises & establishment	108,314	93,979	80,334	104,333	386,960
Estate Management	364,114	328,588	326,341	392,401	1,411,444
Other(1)	3,680,914	124,416	164,468	217,451	4,187,247
	4,938,442	1,377,231	1,346,693	1,702,941	9,365,307
Gross profit	**7,221,647**	**(610,726)**	**2,043,804**	**262,468**	**8,917,193**
Additional movements					
Revaluation taken to P&L	18,556	985,233	37,767	452,059	1,493,615
Other net movements(2)	(1,676,791)	155,552	(5,104)	100,804	(1,425,539)
Retained profit for the year	**5,563,412**	**530,059**	**2,076,467**	**815,331**	**8,985,269**

(1) – includes cost of land sold; depreciation; audit; legal and professional, etc.

(2) – includes costs of developing land; costs of SoJDC; community benefits, finance income/costs, etc.

From 2012 onwards a small return will be made to the States of £759,000 per annum (see page 224 of the MTFP); however, this is basically a refund of car parking receipts in relation to car park revenue arising on the Esplanade Car Park when the administration of the land was recently passed from TTS to SoJDC.

It should also be noted that this excludes the revenue that arises from the Waterfront Car Park, which although identified for eventual return to direct States ownership, presently remains under the ownership and control of SoJDC.

It is obviously important that SoJDC has sufficient resources to continue to operate; however, it is also important that the company does have financial incentives to deliver actual returns within agreed timescales.

I therefore submit to members that at a time when the States are searching for additional funds, that some of the monies held within an entity which is 100% controlled by us, could be applied to better use within the States finances.

Whilst we are informed that SoJDC is performing well, in my view this will sharpen the performance of the management of the company, and should seek to deliver real, tangible performance to us, its shareholders.

This amendment is in 2 parts, and it is my intention to allow separate votes.

It is for members to consider whether they think this is reasonable at all, or in part; i.e. whether, for example, it is reasonable not to receive any significant defined return from this company for a further 3 years, despite it being profitable.

Thus, if members consider that a return should only be forthcoming in 2015, then they should vote for Amendment 2.

If they think a return should only be forthcoming in 2014, then they should vote for Amendment 1.

If they wish to see a return in both periods then they should vote for both parts.

Financial and manpower implications

There are no manpower implications arising from this report.

If Amendment 1 is adopted, States income will increase (from non-taxation sources) by £2.25 million.

If Amendment 2 is adopted, States income will increase (from non-taxation sources) by £2.25 million.

If both amendments are adopted, States income will increase (from non-taxation sources) by £4.5 million.